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 2020

RESULTS OVERVIEW

www.york.co.za

- **Revenue down 10% to R1 439 million**
- **Net working capital decreased by 1% to R159 million**
- **Debt reduced by R100 million**
- **Cash generated from operations decreased by 57% to R96 million**
- **Biological asset value down 8% to R2 907 million**
- **EBITDA (Earnings before interest, tax, depreciation and amortisation) decreased by R193 million**
- **Loss per share increased from 11 cents to 69 cents**
- **Headline earnings per share decreased from 50 cents to a loss of 70 cents per share**
- **Core earnings per share decreased from 8 cents to a loss of 33 cents per share**
- **Net asset value per share decreased by 7% to 912 cents**
- **No dividend has been declared for the year ended 30 June 2020 (2019: Rnil)**

ABOUT THIS SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of the Company and is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decision by investors and/or shareholders 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/2020/jse/isse/YRK/FY2020SENS.pdf and on the Company's website at http://www.york.co.za/downloadsYorkyearend2020.pdf. The consolidated and separate annual financial statements, from which the full results announcement has been extracted, have been audited by PricewaterhouseCoopers Incorporated, who expressed an unmodified audit opinion thereon. The key audit matters contained in the auditor's report are addressed on pages 11 – 20 of the consolidated and separate annual financial statements, which is available on the company's website at http://www.york.co.za/downloads/auditedconsolidatedresults2020.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 2020

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*, Maxwell 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

AUDITED
CONSOLIDATED
FINANCIAL RESULTS

30 06 2020 YRK

KEY FEATURES

Revenue down 10% to **R1 439 million**	Net working capital decreased by 1% to **R159 million**	Debt reduced by **R100 million**
Cash generated from operations decreased by 57% to **R96 million**	Biological asset value down **8%** to R2 907 million	Uncertified Brazilian plywood dumped in the local market

COVID-19

Negatively impacted revenue by **R201million**	Reduced stock by **R112 million** to generate cash during the period March 2020 to June 2020	Met all financial obligations and commitments to staff and creditors	
	EBITDA down **R196 million** in March 2020 to June 2020 year-on-year	Headline earnings per share decreased from 50 cents to a loss of **70 cents per share**	Core earnings per share decreased from 8 cents to a loss of **33 cents per share**

COMMENTARY

OPERATIONAL RESULTS

Before the national COVID-19 lockdown (period from 1 July 2019 to 28 February 2020)

Uncertified plywood from Brazil was being dumped in the South African market, where no grading certification is required by regulators for such products, at prices lower than its cost of production in Brazil. Generally, the product was redirected after being declared sub-standard by American grading agents. Local importers used this opportunity to flood the South African market with prices decreasing by more than 35% in a six-month trading period from 1 July 2019 to 1 December 2019. Product graded to local specifications SANS 929 is different to that of export markets, and therefore could not be sold internationally. International prices were negatively impacted by Brazil's actions, to the extent that back at gate prices came in lower than York's cost of production. This forced York to scale back through a commercial shutdown and the loss of 146 production shifts.

Plywood prices have since recovered to February 2019 price levels. York is engaging with Government on the imposition of SANS 929 standards on all imported plywood. In the meantime, we amended our plywood marketing strategy to balance the quality of raw material, plant throughput and back at gate pricing.

Lumber volumes increased by 13% year-on-year, with prices at similar levels to those of a year earlier and the prospect of an increase to follow.

Fixed costs were well controlled and increased by only 2% compared to the prior year. By 28 February 2020, EBITDA showed a remarkable improvement of 140% on levels a year earlier. York was on a good financial performance trajectory.

York resolved to close its two loss-making operations, Nicholson & Mullin and Driekop sawmills, after continued poor financial performance. High log prices were the major cause of their poor performance. Section 189A notices were issued in terms of the Labour Relations Act, 66 of 1995, prior to the national lockdown that was announced by President Cyril Ramaphosa.

National state of disaster

The declaration of a national state of disaster by the President of South Africa and the regulations published subsequently brought an abrupt halt to operations. It was understood from the announcement that the sawmilling sector would be an essential service, however, when the regulations were published in relation to the sectors that were classified as essential services, the sawmilling sector was excluded. The apparent change in stance effectively gave York 24 hours' notice to close all its operations. Additionally, our resin supplier refused to supply any raw material. York primarily services the structural market and operates on a limited scale in the pallet and packaging markets. York operations therefore closed and were only allowed to reopen under level 3 of the national lockdown from June 2020 onwards.

Operations commenced in a phased manner including a stringent COVID-19 policy to ensure the safety of all our staff members. It required a complete revision of operational procedures and the shift system as employees were trained on COVID-19 safety measures and monitored daily for possible spread of infection. Operations only reached normal production levels in September 2020. Because of York's COVID-19 disaster management policy, the Company experienced a limited level of infections at its plants and York continues to manage the risk of a possible spread of infection. More than 1 000 employees are assessed daily at the Sabie monitoring facility.

During level 5 of the national lockdown, York was permitted to trade with product in stock. The Wholesale division was permitted to trade and it sold stock to generate cash, which was used to service creditors and meet York's financial obligations. As a result, stockholding reduced by R145 million and trade and other receivables reduced by R56 million. Cash was applied to reduce trade and other payables by R200 million.

Most of York's financial stakeholders assisted with a capital and interest moratorium for a three-month period. Landlords provided rent relief and deferred rent payments on warehouse facilities. Insurance premiums were also deferred. Absa Bank further assisted York by increasing its overdraft facility, thereby allowing us to operate within our own financial means.

Government assisted companies with the Temporary Employer/Employee Relief Scheme (TERS) applied through the Unemployment Insurance Fund. Employees without sufficient annual leave, or those who preferred to claim through TERS, received a percentage of their salaries. The maximum amount payable to a person per month under TERS was R6 730. The Company recognised that employees were under significant financial strain as a result thereof.

The York Solidarity Fund was established as an initiative driven by York employees for their colleagues. Employees contributed leave days and/or sacrificed a percentage of their salaries towards the fund. The fund assisted employees who lost net income as a result of the lockdown. In addition, the Board individually pledged a collective contribution of 20% of their non-executive directors' fees towards the fund.

York negotiated a three-year wage agreement with organised labour with zero increase for the 2021 financial year, followed by inflation plus 0,5% for the following year and inflation plus 1% for the year thereafter.

After positive engagement with organised labour and intervention by Government, it was agreed that only Nicholson & Mullin sawmill will be closed and that Driekop sawmill shall remain open. Job losses due to the closure of Nicholson & Mullin sawmill were minimised through redeployment of staff elsewhere in the Group to fill vacancies.

FINANCIAL POSITION

The biological asset value decreased from R3 155 million to R2 907 million. The decrease in value is as a result of:

- The change to an adjusted discount rate of a basket of similar companies – The application of the adjusted discount rate versus a York-specific discount rate would have resulted in a net increase in the value of the biological asset and not a decrease in value. This change is a requirement in terms of International Financial Reporting Standards;
- A reduction in log prices – External log prices have decreased by approximately 9% and, given the negative economic growth outlook, a conservative view was taken on future log price increases; and
- A higher than normal temporary unplanted area due to a shortage of suitable planting material during the 2020 planting season.

Due to York's significant investment in fire suppression and detection systems, no major fires were experienced during the financial year.

Capital expenditure was limited to essential equipment and urgent infrastructure upgrades.

York continued to service its debt obligations, which decreased by R100 million.

The interest cover ratio covenant for the Land Bank loan facility was not met at 30 June 2020. Land Bank provided a waiver but regrettably insisted on charging penalty interest up to the next measuring period of September 2020. If York meets the covenant, the normal interest rate will again be applied. The financial performance of the Company has improved since returning to full production after year-end. York expects to comply with the interest cover ratio covenant at the quarterly measurement period at 30 September 2020.

OUTLOOK

The onset of the COVID-19 pandemic has provided an opportunity for York to reassess and realign its business operations. A new processing strategy was devised to optimise own raw material and a cost reduction exercise was conducted throughout the Company. Substantial overhead costs have been reduced and York is aligned to focus on its core business operations.

Due to climate change, underperforming forestry land is being assessed for its suitability to become a productive, cash-generating asset. York identified a low-performing farm and is planting its first trial of 40 hectares of high-value agricultural crops.

Given the realignment and cost reduction measures implemented, the financial performance of the Company is set to improve, with strong international and local order books for both plywood and lumber. The Brazilian dumping of plywood has ceased and there has been an improvement in US Dollar pricing of plywood. This bodes well for prices both locally and internationally.

York will continue to assist its employees during the COVID-19 pandemic to ensure that they remain safe and that our communities are supported and assisted where possible. York cannot fulfil Government's responsibilities and duties towards providing basic services and we therefore implore both local and central government to act responsibly and assist rural communities who are in desperate need of help for survival.

The perceived market value of York is affected by the low volumes of shares traded – a mere 4% of the issued shares in York traded in 2020. This lack of liquidity will be a key focus in the coming financial year.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Audited As at 30 June 2020 R'000	Audited As at 30 June 2019 R'000
Assets		
Non-current assets		
Biological asset (refer to note 5)	**2 391 304**	2 639 014
Investment property	**30 740**	30 740
Property, plant and equipment	**844 129**	893 891
Goodwill	**357 630**	357 630
Intangible assets	**6 076**	3 616
Other financial assets	**53 331**	61 903
Deferred tax	**7 353**	7 899
Total non-current assets	**3 690 563**	3 994 693
Current assets		
Biological asset (refer to note 5)	**515 586**	515 543
Inventories	**229 191**	374 553
Trade and other receivables	**164 796**	221 243
Current tax receivable	**477**	11 000
Cash and cash equivalents	**48 430**	89 003
Total current assets	**958 480**	1 211 342
Total assets	**4 649 043**	5 206 035

	Audited As at 30 June 2020 R'000	Audited As at 30 June 2019 R'000
Equity and liabilities		
Equity		
Share capital	**1 480 232**	1 480 232
Reserves	**4 148**	2 356
Retained income	**1 396 492**	1 614 129
Total equity	**2 880 872**	3 096 717
Liabilities		
Non-current liabilities		
Lease liability	**4 971**	9 995
Deferred tax	**848 624**	930 875
Borrowings (refer to note 10)	**417 922**	530 865
Provisions	**16 249**	15 738
Retirement benefit obligations	**26 910**	26 764
Total non-current liabilities	**1 314 676**	1 514 237
Current liabilities		
Current tax payable	**2**	17
Borrowings (refer to note 10)	**165 976**	152 571
Lease liability	**7 331**	8 152
Trade and other payables	**234 769**	434 279
Bank overdraft	**45 417**	62
Total current liabilities	**453 495**	595 081
Total liabilities	**1 768 171**	2 109 318
Total equity and liabilities	**4 649 043**	5 206 035

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Audited Year ended 30 June 2020 R'000	Audited Year ended 30 June 2019 R'000
Revenue	**1 438 825**	1 600 522
Cost of sales	**(1 180 758)**	(1 140 167)
Gross profit	**258 067**	460 355
Other operating income	**15 049**	31 940
Other operating gains	**8 287**	21 351
Impairment of goodwill	**–**	(207 812)
Other operating expenses	**(363 511)**	(412 148)
Operating loss	**(82 108)**	(106 314)
Fair value adjustments	**(159 301)**	207 901
(Loss)/profit before finance costs	**(241 409)**	101 587
Investment income	**3 017**	5 269
Finance costs	**(61 049)**	(77 537)
(Loss)/profit before taxation	**(299 441)**	29 319
Taxation	**81 804**	(65 587)
Loss for the period	**(217 637)**	(36 268)
Other comprehensive loss		
Remeasurement on net defined benefit liability	**361**	133
Taxation related to re-measurement on defined benefit liability	**(101)**	(37)
Other comprehensive income for the year net of taxation	**260**	96
Total comprehensive loss for the year	**(217 377)**	(36 172)
Diluted loss per share (cents) (refer to note7)		
Per share information		
Basic loss per share (cents)	**(69)**	(11)
Diluted loss per share (cents)	**(69)**	(11)

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

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 2018	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	–	–	96	–	(36 268)	(36 172)
Employee share option scheme	–	–	–	2 613	–	2 613
Total contributions by and distributions to owners of the Company recognised directly in equity	–	–	–	2 613	–	2 613
Balance as at 30 June 2019	**15 802**	**1 464 430**	**(871)**	**3 227**	**1 614 129**	**3 096 717**
Loss for the year	**–**	**–**	**–**	**–**	**(217 637)**	**(217 637)**
Other comprehensive income	**–**	**–**	**260**	**–**	**–**	**260**
Total comprehensive income/(loss) for the year and total transactions with owners	**–**	**–**	**260**	**–**	**(217 637)**	**(217 377)**
Employee share option scheme	**–**	**–**	**–**	**1 532**	**–**	**1 532**
Total contributions by and distributions to owners of the Company recognised directly in equity	**–**	**–**	**–**	**1 532**	**–**	**1 532**
Balance as at 30 June 2020	**15 802**	**1 464 430**	**(611)**	**4 759**	**1 396 492**	**2 880 872**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Audited Year ended 30 June 2020 R'000	Audited Year ended 30 June 2019 R'000
Cash generated from operations	**96 191**	223 822
Investment income	**3 017**	5 269
Finance costs	**(59 002)**	(74 152)
Taxation refunded/(paid)	**10 506**	(8 659)
Net cash from operating activities	**50 712**	146 280
Cash flows applied to investing activities		
Purchase of property, plant and equipment	**(42 085)**	(81 170)
Proceeds from disposal of property, plant and equipment	**5 002**	27 399
Purchase of investment property	**–**	(30)
Proceeds from sale of investment property	**–**	250
Purchase of intangible assets	**(2 603)**	(3 479)
Proceeds from sale of intangible assets	**–**	2
Purchase of other financial assets at amortised cost	**(36 680)**	(22 415)
Proceeds from other financial assets at amortised cost	**45 252**	219
Net cash applied to investing activities	**(31 114)**	(79 224)
Cash flows from financing activities		
Proceeds from borrowings	**11 580**	39 655
Repayment of borrowings	**(111 542)**	(162 121)
Repayment of lease liability	**(10 106)**	(9 622)
Net cash applied to financing activities	**(110 068)**	(132 088)
Total cash movement for the year	**(90 470)**	(65 032)
Cash at the beginning of the year	**88 941**	152 030
Effect of exchange rate movement on cash balances	**4 542**	1 943
Cash at the end of the year	**3 013**	88 941

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2020

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, as amended and the Companies Regulations, 2011. The Group accounting policies are in terms of International Financial Reporting Standards (IFRS) and the summarised consolidated annual financial statements have further been prepared in accordance with the framework concepts and the measurement and recognition requirements of 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 results 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 2020, which are available on the Company's website, www.york.co.za, or from the Company's registered office.

The Company'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 2020. 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 results have been prepared on the going concern basis and were approved by the Board of Directors (Board) by way of round robin resolution on 28 September 2020.

Other than the change in the risk-free rate and debt to equity ratio used in the weighted average cost of capital calculation, refer to note 5, there have been no material changes to judgements or estimates relating to amounts reported in prior reporting periods.

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

The significant accounting policies and methods of computation are consistent in all material respects with those applied during the year ended 30 June 2019.

2. ADDITIONAL DISCLOSURE ITEMS

	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
Authorised capital commitments		
– Contracted, but not provided	**20 322**	6 502
– Not contracted	**91 694**	28 199
Capital expenditure	**44 688**	84 679
Depreciation of property, plant and equipment	**93 456**	98 718
Amortisation of intangible assets	**144**	324
Impairment of trade receivables	**4 779**	1 955

- The Group did not have any litigation settlements during the reporting period.
- At year-end, the banking facility of R80 million granted by Absa Bank was secured by a cession of trade receivables, Credit Guarantee Insurance Corporation of Africa Limited insurance, cross-suretyships of R154 million with Absa Bank, from within the Group, cession of bank accounts with First National Bank (FNB), cession of the customer foreign currency account, cession of Agentimber Proprietary Limited bank accounts held with FNB and assets currently under agreement in terms of the Commercial Asset Finance Credit Line facility. The general banking facility is available to all companies in the Group.
- 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 2019 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 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 2020				
Revenue: external sales	**933 437**	**448 816**	**53 119**	**1 434 372**
Revenue: inter-segment sales	**218 883**	**–**	**645 376**	**864 259**
Total revenue	**1 152 320**	**448 816**	**698 495**	**2 299 631**
Depreciation, amortisation and impairments	**(61 117)**	**(8 386)**	**(18 780)**	**(88 283)**
Reportable segment profit/(loss)*	**8 187**	**9 147**	**(4 977)**	**12 357**
As at 30 June 2020				
Capital expenditure	**27 457**	**409**	**13 379**	**41 245**
Fair value adjustment to biological assets	**–**	**–**	**(159 301)**	**(159 301)**
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)	(301 452)
Reportable segment profit/(loss)*	51 838	(1 051)	122 843	173 630
As at 30 June 2019				
Capital expenditure	37 657	392	36 197	74 246
Fair value adjustment to biological assets	–	–	203 672	203 672

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

4. OPERATING SEGMENTS continued

	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
Revenue per geographical area		
South Africa	**1 177 936**	1 384 318
Southern African Development Community (SADC)	**167 823**	158 725
International (non-SADC)**	**93 066**	57 479
Total	**1 438 825**	1 600 522

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

	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
Reconciliation of reportable segment profit or loss		
Total EBITDA for reportable segments	**12 357**	173 630
Depreciation and amortisation for reportable segments	**(88 283)**	(93 640)
Impairment of goodwill	**–**	(207 812)
Depreciation, amortisation and impairment for non-reporting segments	**(5 472)**	(9 530)
Non-reporting segments EBITDA	**(710)**	31 038
Operating loss	**(82 108)**	(106 314)
Reconciliation of reportable segment revenue		
Total revenue for reportable segments	**2 299 631**	2 654 570
Other revenue	**12 797**	5 864
Elimination of inter-segment revenue	**(873 603)**	(1 059 912)
Consolidated revenue	**1 438 825**	1 600 522

5. BIOLOGICAL ASSET

	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
Reconciliation of biological asset		
Opening balance	**3 154 557**	2 918 550
Reconciliation of biological assets due to changes in standing volume:		
– Increase due to growth and enumerations[1]	**176 181**	515 384
– Adjustment to standing timber values to reflect changes to sales price, cost and discount rate assumptions[2]	**(143 329)**	(4 570)
– Decrease due to harvesting and disposal	**(192 153)**	(336 242)
Standing timber purchased	**44 880**	133 246
Standing timber harvested	**(133 246)**	(71 811)
Closing balance	**2 906 890**	3 154 557
Classified as non-current assets	**2 391 304**	2 639 014
Classified as current assets[3]	**515 586**	515 543

[1] Enumerations refer to updates that are made to the merchandising model's data due to more accurate information being collected about the trees in the plantations. These are used to adjust the model's theoretical yields to actual yields and are done systematically over the life of the plantations.

[2] Being the movement after the increases in growth and enumeration and decreases due to harvesting from the opening balance value and consists of the impact of changes to the discount rate, log sales prices and operating costs from the prior year balance.

[3] The biological assets to be harvested and sold in the 12 months after year-end.

	Audited 30 June 2020	Audited 30 June 2019
Key assumptions used in the discounted cash flow valuation		
Risk-free rate[4] (%)	**9,26**	8,84
Beta factor	**1,13**	1,17
Cost of equity (%)	**16,48**	16,46
Pre-tax cost of debt (%)	**7,25**	10,25
Debt:equity ratio[5]	**29:71**	35:65
After-tax weighted average cost of capital (%)	**13,17**	13,28

[4] In the current year, the GSAB10YR was used (2019: annualised yield of the bootstrapped zero coupon perfect fit bond curve). The GSAB10YR is a South African Government bond yield curve with a maturity period of 10 years. The reason for the change in the referenced risk-free rate is due to the volatility in the annualised yield of the bootstrapped zero coupon perfect fit bond curve as a result of fluctuations experienced in the market since March 2020. This is a change in estimate that resulted in an upwards adjustment of R186,4 million.

[5] York applied the debt:equity ratio of the market participants included in its comparable company basket. The ratio changed from the prior year's targeted debt:equity ratio to that of market participants. The prior years' target debt:equity ratio was in line with the market participant ratio.

5. BIOLOGICAL ASSET 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 the yield curves of the species and growth sites relevant to the planted area. The growth models are derived from actual trial data that have 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 a basis for calculating log yields.
- **Volume adjustment factor:** In a manner consistent to prior years, volumes expected from York plantations in MicroForest are adjusted by 8% (2019: 8%). In the 2020 financial year, the harvesting volumes expected from York plantations in MicroForest were further reduced by a weighted average of 4% (2019: 2%), 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 baboon damage 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 4,60% over the next year, 4,40% over the following year, and 4,80% over the long term (2019: 5% over the next year, 4,90% over the following year, and 5,20% 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 4,60% over the next year, 4,40% over the following year, and at 4,80% over the long term (2019: 5% over the next year, 4,90% over the following year, and 5,20% 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:** In determining the weighted average cost of capital (WACC), a comparable group of forestry companies' Beta is used to determine the Beta applied in WACC.

Level 3 fair value

The valuation model considers the present value of the net cash flows expected to be generated from the plantations. The cash flow projections include specific estimates for 20 years (2019: 20 years). The expected cash flows are risk adjusted for current economic conditions. The expected net cash flows are discounted using a risk-adjusted discount rate that takes into account the Beta factors of a comparable group of forestry companies. York applied the debt:equity ratio of the market participants included in its comparable company basket.

6. RELATED PARTIES

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

7. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	Audited 30 June 2020	Audited 30 June 2019
Basic loss attributable to ordinary shareholders (R'000)	**(217 637)**	(36 268)
Reconciliation of weighted average number of ordinary shares		
Issued number of shares ('000)	**316 048**	316 048
Bonus element of share-based payment ('000)	**2 825**	1 391
Weighted average number of ordinary shares in issue ('000)	**318 873**	317 439
Loss per share (cents)	**(69)**	(11)
Diluted loss per share (cents)	**(69)**	(11)

8. HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share is based on:

	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
Reconciliation of basic earnings to headline earnings		
Basic loss attributable to ordinary shareholders	**(217 637)**	(36 268)
Profit on sale of assets and liabilities (net of tax)	**(2 699)**	(13 974)
Impairment of plant and equipment (net of tax)	**112**	2 972
Fair value adjustment on investment property	**–**	(3 045)
Impairment on goodwill	**–**	207 812
Headline (loss)/earnings for the year	**(220 224)**	157 497
Weighted average number of ordinary shares in issue ('000)	**318 873**	317 439
Headline (loss)/earnings per share (cents)	**(70)**	50
Diluted headline (loss)/earnings per share (cents)	**(70)**	50

9. CORE EARNINGS PER SHARE

The calculation of core earnings per share is based on:

	Audited 30 June 2020 R'000	Audited 30 June 2019 R'000
Basic loss attributable to ordinary shareholders	**(217 637)**	(36 268)
Fair value adjustment on biological assets (net of tax)	**114 697**	(146 644)
Impairment of goodwill	**–**	207 812
Core (loss)/earnings for the year	**(102 940)**	24 900
Weighted average number of ordinary shares in issue ('000)	**318 873**	317 439
Core (loss)/earnings per share (cents)	**(33)**	8
Diluted core (loss)/earnings per share (cents)	**(33)**	8

10. BORROWINGS

Under the conditions of the Term Loan Facility Agreement (the Facility Agreement) with the Land Bank (the Lender), the Company must notify the Lender immediately once it becomes aware of a potential breach of any of the financial covenants under the Facility Agreement, one of which is the interest cover ratio.

On 9 June 2020, the Company informed the lender of a potential breach of its interest cover ratio for the measurement period ending 30 June 2020. This financial covenant is measured quarterly, on a rolling 12-month basis. There was no breach of this financial covenant for the first three quarters of the 2020 financial year. The fourth quarter was significantly impacted by the national lockdown imposed by Government due to the COVID-19 pandemic. This resulted in lower earnings and the resultant breach.

Under the Facility Agreement, the Company has the contractual right to remedy a breach within 20 business days after being notified by the Lender to do so (the remedy period). Alternatively, the Lender can waive the breach. Should the Company not be able to remedy the breach within the remedy period or the breach is not waived by the Lender, an event of default occurs at this time which among others, provides the Lender with the right to demand payment of the outstanding debt.

At 30 June 2020, the Lender had not notified the Company that it had to remedy the breach within the remedy period as noted above. Notwithstanding this, the Company's rights under the Facility Agreement entitled it to remedy the breach with some of the available remedies being under the control of the Company. At the reporting date, no event of default had thus occurred and, as a result, the Lender had no right to demand repayment of the debt. As such, the Company continued to have an unconditional right in terms of the contract to defer settlement of the liability for at least 12 months after the reporting date.

Based on the conclusion noted above, it therefore follows that the portion of debt which, under the terms of the Facility Agreement is repayable after 12 months from the reporting date, has been classified as non-current whereas the portion that is payable within 12 months after the reporting date has been classified as current.

After year-end, the Lender opted to waive the interest cover ratio breach.

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, the Company or the Group)

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

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COMPANY SECRETARY

Sue Hsieh

SPONSOR

One Capital

TRANSFER SECRETARIES

Computershare Investor Services
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