

CONSOLIDATED FINANCIAL RESULTS

for the year ended 30 June 2021

www.york.co.za

RESULTS OVERVIEW

- Revenue up 29% to R1 851 million
- EBITDA (earnings before interest, taxation, depreciation, amortisation and fair value adjustment on plantation biological assets) increased by R314 million
- Debt reduced by R69 million
- Cash generated from operations increased from R96 million to R429 million
- Biological asset value down by 1%
- Earnings per share increased from a loss of 69 cents to earnings of 44 cents per share
- Headline earnings per share increased from a loss of 70 cents to earnings of 43 cents per share
- Core earnings per share increased from a loss of 33 cents to earnings of 41 cents per share
- Net asset value per share increased by 4% to 952 cents per share
- No dividend has been declared for the year ended 30 June 2021 (2020: Nil)

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/2021/jse/isse/YRK/FY2021SENS.pdf> and on the Company's website at <http://www.york.co.za/downloads/Yorkyearend2021.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 unqualified audit opinion thereon. The key audit matters contained in the auditor's report are addressed on pages 13 to 16 of the consolidated and separate annual financial statements, which is available on the company's website at <http://www.york.co.za/downloads/auditedconsolidatedresults2021.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.

Please register for the York Year-end Results Presentation to be held via webinar on 28 September 2021 at 11:00 am CAT at: <https://attendee.gotowebinar.com/register/994195324361586443>. Once registered, you will receive a confirmation email containing information about joining the webinar.

On behalf of the Board

Gabriël Stoltz

Chief Financial Officer

28 September 2021

Executive directors: Gabriël Stoltz (*CFO and interim CEO*)

Non-executive directors: Dr Jim Myers* (*Chairman, USA*), Dinga Mncube*, Andries Brink*, Hetisani Mbanyele-Ntshinga*, Maxwell Nyanteh*, Lindani Dhlamini*, Adrian Zetler, André van der Veen (*alternate director to Adrian Zetler*) (* independent)

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

Postal address: PO Box 1191, Sabie, 1260

Auditor: PricewaterhouseCoopers Inc.

Company Secretary: Han-hsiu Hsieh

Sponsor: One Capital

YORK TIMBERS



AUDITED
CONSOLIDATED
FINANCIAL
RESULTS 2021



Key features

REVENUE UP **29%** TO
R1 851 million

EBITDA (earnings before interest, taxation, depreciation and amortisation) AND FAIR VALUE ADJUSTMENT ON PINE AND EUCALYPTUS TREES INCREASED BY
R314 million
to R326 million

DEBT REDUCTION BY
R69 million
Net debt now stands at **R444 million**.
Net debt to EBITDA was 1,4 times at year-end

CASH GENERATED FROM OPERATIONS INCREASED TO
R429 million
from R96 million

BIOLOGICAL ASSET VALUE REDUCED BY
1%

EARNINGS PER SHARE INCREASED TO
44 cents per share
from a loss of 69 cents per share

HEADLINE EARNINGS PER SHARE INCREASED TO
43 cents per share
from a loss of 70 cents per share

CORE EARNINGS PER SHARE INCREASED TO
41 cents per share
from a loss of 33 cents per share

NET ASSET VALUE PER SHARE INCREASED BY
4%
to 952 cents per share

Commentary

OPERATIONAL RESULTS

York's operations post the COVID-19-related lockdown returned to full production capacity at the beginning of July 2020. Notwithstanding the challenging economic environment, the Company achieved its highest EBITDA in its history of R326 million, buoyed by strong demand for plywood and lumber.

Overall, our **Processing segment** delivered a record operating profit of R150 million compared to R8 million in the prior year.

York's domestic plywood sales volumes reached record levels. Our plywood exports continued, with demand and pricing also remaining strong over the period.

Despite the closure of the unprofitable Nicholson & Mullin sawmill, York's lumber production increased from the prior year. Lumber demand returned to pre-lockdown levels, with York selling its production volume and maintaining low stock levels.

The **Wholesale division** achieved its best operating performance to date and reported an operating profit of R34 million, with good margins achieved.

The **Forestry segment** delivered an operating profit of R145 million (which included a planting cost of R37 million). It established its budgeted hectares with high survival rates of over 95%. Capital investments were made at the nursery that will increase plant availability for the upcoming planting season with the aim to reduce temporary unplanted areas.

External log purchases of R248 million were made in the current year (R231 million in the prior year) to assure long-term sustainability of log supply while we wait for our plantations to reach normalised production. Our mechanical

harvesting machines were refurbished during the year in accordance with their planned maintenance schedules. This resulted in more external contractors being used in the Highveld to supplement our own capacity, which resulted in additional costs.

Overall, fixed costs were well managed and increased by only 7%, as compared to the prior period.

During the year, York acquired the businesses of Twycross and Skillfull 1016 CC as part of its newly established **Agricultural segment** and proceeded to establish approximately 40 hectares of soft citrus. The segment delivered a small operating profit of R4 million. The returns from soft citrus will only be realised from year four onwards.

BALANCE SHEET

The biological asset value decreased by 1% from R2 907 million to R2 878 million as a result of the slight increase in the discount rate.

York's self-insurance fund balance increased by R44 million to R98 million. This is largely attributable to a claims-free fire season.

Working capital was carefully managed and net working capital decreased by 26% from the prior year to R117 million. Stock decreased by R46 million to R183 million.

Additions to property, plant and equipment included log transport vehicles and other yellow equipment. The spindleless peeler project, new enterprise resource planning system and nursery upgrades contributed to capital expenditure of R82 million.

The acquisition of the Twycross and Skillfull 1016 CC businesses required an investment of R78 million.

Cash balances at year-end stood at R71 million.

York's net debt position improved from R581 million to R444 million.

OUTLOOK

York's plantations are its key strategic asset. While significant log volumes are still required from external sources until our own plantations enter a normal rotation cycle, this key asset will be carefully managed to deliver the optimal mix of cash flows and returns to shareholders.

The recent installation of the spindleless peeler enables us to better align our log inventory and processing to our final product requirements. Going forward, we will be able to better utilise York's own plantations, improve processing yields and reduce raw material costs in our plywood division, where we continually face the threat of lower-priced imports.

York continues to focus on driving cost efficiencies, with a number of opportunities identified in our logistics and supply chain. In addition, we will focus on improving our plant availability metrics, specifically in our Sabie complex, where we are currently operating below standard.

The outlook for demand remains uncertain but is expected to stay at current levels over the next period. Pricing is starting to stabilise. With the current tailwinds being experienced in the market, we understand the critical importance of ensuring our processing operations run at maximum uptime and efficiency levels and this remains a key focus area in the year ahead.

York has recently established its **Agricultural segment**. While still a small contributor to Group profits, there is an opportunity to utilise our land and water resources more efficiently to

significantly grow this segment. The expected returns from these investments are attractive and are part of our focus to maximise the returns from our vast landholdings. We will continue to evaluate various expansion options and will keep shareholders updated with developments in this regard.

The Board of Directors (Board) acknowledges the current suboptimal returns on capital being generated by the Group and is committed to improving these going forward. Given the improving cash flow and debt profile of the Group, the Board is also committed to returning excess cash flow to shareholders and to only invest in projects that deliver attractive risk-adjusted returns to shareholders.

York mourns the passing of Mr Pieter van Zyl, an inspirational leader and visionary in the industry. The Board has initiated the recruitment of a new CEO.

Consolidated statement of financial position

as at 30 June 2021

	Audited As at 30 June 2021 R'000	Audited As at 30 June 2020 R'000
ASSETS		
Non-current assets		
Biological asset (refer to note 5)	2 502 597	2 391 304
Investment property	34 180	30 740
Property, plant and equipment	905 645	844 129
Goodwill	357 630	357 630
Intangible assets	9 556	6 076
Other financial assets	97 583	53 331
Deferred tax	4 336	7 353
Total non-current assets	3 911 527	3 690 563
Current assets		
Biological asset (refer to note 5)	375 554	515 586
Inventories	183 265	229 191
Trade and other receivables	271 933	164 796
Current tax receivable	1 072	477
Cash and cash equivalents	108 030	48 430
Non-current assets held for sale	750	–
Total current assets	940 604	958 480
Total assets	4 852 131	4 649 043

	Audited As at 30 June 2021 R'000	Audited As at 30 June 2020 R'000
EQUITY AND LIABILITIES		
Equity		
Share capital	1 484 157	1 480 232
Reserves	2 193	4 148
Retained income	1 537 978	1 396 492
Total equity	3 024 328	2 880 872
Liabilities		
Non-current liabilities		
Lease liability	394	4 971
Deferred tax	887 618	848 624
Borrowings	347 330	417 922
Provisions	16 576	16 249
Retirement benefit obligations	25 658	26 910
Total non-current liabilities	1 277 576	1 314 676
Current liabilities		
Current tax payable	2 934	2
Borrowings	167 461	165 976
Lease liability	4 690	7 331
Deferred income	502	–
Trade and other payables	337 534	234 769
Provisions	256	–
Bank overdraft	36 850	45 417
Total current liabilities	550 227	453 495
Total liabilities	1 827 803	1 768 171
Total equity and liabilities	4 852 131	4 649 043

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	Audited Year ended 30 June 2021 R'000	Audited Year ended 30 June 2020 R'000
Revenue	1 850 670	1 438 825
Cost of sales	(1 337 549)	(1 180 758)
Gross profit	513 121	258 067
Other operating income	28 743	15 049
Other operating (losses)/gains	(9 154)	8 287
Other operating expenses	(308 439)	(363 511)
Operating profit/(loss)	224 271	(82 108)
Other non-operating gains/(losses)	19 227	(159 301)
Profit/(loss) before finance costs	243 498	(241 409)
Investment income	3 618	3 017
Finance costs	(48 447)	(61 049)
Profit/(loss) before taxation	198 669	(299 441)
Taxation	(59 025)	81 804
Profit/(loss) for the year	139 644	(217 637)
<i>Other comprehensive income</i>		
Remeasurement on net defined benefit liability	2 001	361
Taxation related to remeasurement on defined benefit liability	(560)	(101)
Other comprehensive income for the year net of taxation	1 441	260
Total comprehensive income/(loss) for the year	141 085	(217 377)
Basic earnings/(loss) per share (cents) (refer to note 7)	44	(69)
Diluted earnings/(loss) per share (cents) (refer to note 7)	44	(69)

Consolidated statement cash flows

For the year ended 30 June 2021

	Audited Year ended 30 June 2021 R'000	Audited Year ended 30 June 2020 R'000
Cash generated from operations	429 022	96 191
Investment income	3 618	3 017
Finance costs	(47 046)	(59 002)
Taxation (paid)/refunded	(23 400)	10 506
Net cash from operating activities	362 194	50 712
Cash flows applied to investing activities		
Purchase of property, plant and equipment	(82 096)	(42 085)
Proceeds from disposal of property, plant and equipment	937	5 002
Purchase of intangible assets	(3 607)	(2 603)
Purchase of investment property	(1 150)	–
Acquisition of business net of cash acquired	(77 805)	–
Purchase of other financial assets at amortised cost	(62 728)	(36 680)
Proceeds from other financial assets at amortised cost	18 476	45 252
Net cash applied to investing activities	(207 973)	(31 114)
Cash flows from financing activities		
Proceeds from borrowings	101 097	11 580
Repayment of borrowings	(170 204)	(111 542)
Repayment of lease liability	(8 124)	(10 106)
Net cash applied to financing activities	(77 231)	(110 068)
Total cash movement for the year	76 990	(90 470)
Cash at the beginning of the year	3 013	88 941
Effect of exchange rate movement on cash balances	(8 823)	4 542
Cash at the end of the year	71 180	3 013

Consolidated statement of changes in equity

For the year ended 30 June 2021

Audited	Share capital 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 2019	1 480 232	(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	–	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	1 480 232	(611)	4 759	1 396 492	2 880 872
Profit for the year	–	–	–	139 644	139 644
Other comprehensive income	–	1 441	–	–	1 441
Total comprehensive income for the year and total transactions with owners	–	1 441	–	139 644	141 085
Employee share option scheme	–	–	2 371	–	2 371
Employee share option vested	3 925	–	(5 767)	1 842	–
Total contributions by and distributions to owners of the Company recognised directly in equity	3 925	–	(3 396)	1 842	2 371
Balance as at 30 June 2021	1 484 157	830	1 363	1 537 978	3 024 328

Notes to the consolidated annual financial statements

For the year ended 30 June 2021

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 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 Gabriël Stoltz CA(SA), the CFO. The accounting policies are in terms of IFRS. 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 2021, 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 unqualified audit opinion on the Group's consolidated annual financial statements for the year ended 30 June 2021. 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 this announcement. Shareholders

are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report, together with the accompanying financial information, available for inspection 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 by way of round-robin resolutions on 27 September 2021.

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 2020, except for the below changes to the accounting policies relating to the bearer fruit plants and agricultural produce included in the business combination as per note 10.

Biological assets

The Group recognises a biological asset from unharvested avocados and macadamias when, and only when:

- the Group controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the Group; and
- the fair value or cost of the asset can be measured reliably.

1. BASIS OF PREPARATION continued

Avocados and macadamias growing on bearer plants (recognised as part of property, plant and equipment) are accounted for as biological assets until the point of harvest. Biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of unharvested agricultural produce at fair value less cost to sell is included in operating profit or loss for the period in which it arises as a fair value adjustment. Any fair value adjustments subsequent to initial recognition will be included in operating profit or loss for the period.

Property, plant and equipment

Bearer fruit plants are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses as per IAS 16. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 5 to 40 years.

Inventory

The cost of harvested timber and fruit produce is its fair value at the date of harvest, determined in accordance with the accounting policy for biological assets. Any change in value as at the date of harvest is recognised in profit or loss and thereafter measured at the lower of cost and net realisable value.

Revenue

Sale of nuts and fruit

Revenue is recognised at a point in time for sales of nuts and fruit.

For the sale of fruit, the final packed produce is sent to the marketing and distribution agent (agent) for local and export consumers. The title of the produce remains with the Company until the final payment for the product has been received by the agent, and the risk in the produce will only pass to the end consumer on the sale between the agent and end consumer. Deferred revenue is recognised for produce where the Company has received partial payment for the produce from the agent.

For the sale of nuts, revenue is recognised when the nuts are delivered to the customer.

Income from fruit packaging

Revenue is recognised at a point in time.

Revenue derived from fruit packaging services rendered is recognised when the goods are packed from the growers based on the pack-out distribution of the produce delivered by the grower.

2. ADDITIONAL DISCLOSURE ITEMS

	Audited 30 June 2021 R'000	Audited 30 June 2020 R'000
Authorised capital commitments		
– Contracted, but not provided	16 749	20 322
– Not contracted	49 315	91 694
Capital expenditure	86 853	44 688
Depreciation of property, plant and equipment	101 163	93 456
Amortisation of intangible assets	127	144
Impairment of trade receivables	(3 490)	4 779

- At year-end, the invoice discounting facility granted by Absa Bank was secured by the cession of a clearing account held with Absa Bank and the cession of trade receivables with a maximum exposure limit of R150 million, and Credit Guarantee Insurance Corporation of Africa Limited insurance. The invoice discounting facility bears interest at the prime interest rate on the utilised amount. The general banking facility is available to all companies within the Group.
- During the year, 1 472 032 shares previously held as treasury shares by a wholly-owned subsidiary, were transferred to qualifying individuals in terms of the share based payment scheme awarded in 2018 under the 2015 Share plan.

3. COMPARATIVE FIGURES

The summarised consolidated annual financial statements for the year ended 30 June 2020 are presented as published. In the 2019 financial year, the loan to Group companies in York's separate annual financial statements was not stated at amortised cost on the adoption of IFRS 9 and subsequently investment income was not recorded. This restatement relates to the Company's separate annual financial statements only and has no impact on the consolidated annual financial statements where inter-company transactions are eliminated. The results for the 2019 and 2020 financial year for York's separate annual financial statements have been restated. The effect of this restatement is set out in note 38 to the audited consolidated annual financial statements for the year ended 30 June 2021.

4. OPERATING SEGMENTS

The Group has four reportable segments (2020: 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, Canada and the United States of America.

The segmental analysis is as follows:

	Processing plants R'000	Wholesale R'000	Forestry and Fleet R'000	Agricultural R'000	Total R'000
For the year ended 30 June 2021					
Revenue: external sales	1 219 940	542 601	66 512	19 021	1 848 074
Revenue: inter-segment sales	304 732	–	812 168	3 420	1 120 320
Total revenue	1 524 672	542 601	878 680	22 441	2 968 394
Depreciation, amortisation and impairments	(70 630)	(7 093)	(19 389)	(1 685)	(98 797)
Reportable segment profit*	150 486	34 163	145 117	4 492	334 258
As at 30 June 2021					
Capital expenditure	41 482	282	25 156	12 079	78 999
Fair value adjustment (pine and eucalyptus trees)	–	–	12 958	–	12 958

	Processing plants R'000	Wholesale R'000	Forestry and Fleet R'000	Total R'000
For the year ended 30 June 2020				
Revenue: external sales	933 437	448 816	53 119	1 435 372
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 (pine and eucalyptus trees)	–	–	(159 301)	(159 301)

* Being EBITDA and fair value adjustments on pine and eucalyptus trees.

4. OPERATING SEGMENTS continued

	Audited 30 June 2021 R'000	Audited 30 June 2020 R'000
Revenue per geographical area		
South Africa	1 538 666	1 177 936
Southern Africa Development Community (SADC)	204 375	167 823
International (non-SADC)	107 629	93 066
Total	1 850 670	1 438 825
Reconciliation of reportable segment profit/(loss)		
Total EBITDA for reportable segments	334 258	12 357
Depreciation and amortisation for reportable segments	(98 797)	(88 283)
Depreciation, amortisation and impairment for non-reporting segments	(2 607)	(5 472)
Non-reporting segments EBITDA	(8 583)	(710)
Operating profit/(loss)	224 271	(82 108)

5. BIOLOGICAL ASSET

	Audited 30 June 2021 R'000	Audited 30 June 2020 R'000
Reconciliation of pine and eucalyptus biological asset		
Opening balance	2 906 890	3 154 557
Reconciliation of biological assets due to changes in standing volume:		
– Increase due to growth and enumerations ¹	362 074	176 181
– Adjustment to standing timber values to reflect changes to sales price, cost and discount rate assumptions ²	(6 484)	(143 329)
– Decrease due to harvesting and disposal	(342 632)	(192 153)
Standing timber purchased	935	44 880
Standing timber harvested	(44 880)	(133 246)
Closing balance	2 875 903	2 906 890
Classified as non-current assets	2 502 597	2 391 304
Classified as current assets ³	373 306	515 586

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 2021	Audited 30 June 2020
Key assumptions used in the discounted cash flow valuation		
Risk-free rate	9,26%	9,26%
Beta factor	1,16	1,13
Cost of equity	16,45%	16,48%
Pre-tax cost of debt	7,00%	7,25%
Debt:equity ratio	25:75	29:71
After-tax weighted average cost of capital (WACC)	13,61%	13,17%

5. BIOLOGICAL ASSET continued

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

Methodology and key assumptions used in determining the fair value of the pine and eucalyptus trees

- **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 the basis for calculating log yields.
- **Volume adjustment factor:** In a manner consistent to prior years, volumes expected from York plantations in MicroForest are adjusted downwards with 8% (2020: 8%). In the 2021 financial year, the harvesting volumes expected from York plantations in MicroForest were further reduced by a weighted average of 5% (2020: 4%), 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 pests 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 4,40% over the next year, 4,50% over the following year and at 4,50% over the long term (2020: 4,60% over the next year, 4,40% over the following year and at 4,80% over the long term). Log prices are computed at a weighted average of external market prices and internal prices, which are based on an internationally recognised log paying capability calculation. This calculation references the final product value derived from the log based on market prices.
- **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 4,40% over the next year, 4,50% over the following year and 4,50% over the long term (2020: 4,60% over the next year, 4,40% over the following year and 4,80% 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 WACC, a comparable group of forestry companies' Beta is used to determine the Beta applied in WACC.

5. BIOLOGICAL ASSET continued

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 (2020: 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.

	Audited 30 June 2021 R'000	Audited 30 June 2020 R'000
Reconciliation of unharvested fruit biological asset		
Additions through business combinations	3 892	–
Avocados and macadamias harvested	(2 859)	–
Change in fair value of avocados and macadamias	1 215	–
Closing balance	2 248	–
Classified as non-current assets	–	–
Classified as current assets ³	2 248	–

Methodology and key assumptions used in determining the fair value of the avocado and macadamia produce

The agricultural produce volumes were reduced by a weighted average of 1% based on the most recent actual volumes harvested compared to estimated volumes. Volume distribution between the export, local and reject markets is based on the year-to-date actual pack-out rate. The fair value of avocados and macadamias growing on the bearer plants is determined by reference to market prices for local, export and reject classes, adjusted for expected costs to reach maturity, which is typically one to two months after the end of the reporting period. Costs to sell include harvesting and packaging costs. Significant estimates include the expected agricultural produce yields and quality and the expected market price.

	Audited 30 June 2021 R'000	Audited 30 June 2020 R'000
Total biological assets (pine, eucalyptus and unharvested fruit)		
Closing balance	2 878 151	2 906 890
Classified as non-current assets	2 502 597	2 391 304
Classified as current assets ³	375 554	515 586

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

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 2021	Audited 30 June 2020
Basic earnings/(loss) attributable to ordinary shareholders (R'000)		
Reconciliation of weighted average number of ordinary shares		
Weighted average number of ordinary shares used for basic earnings per share ('000)	316 416	316 048
Bonus element of share-based payment ('000)	664	2 825
Weighted average number of ordinary shares in issue ('000)	317 080	318 873
Earnings/(loss) per share (cents)	44	(69)
Diluted earnings/(loss) per share (cents)	44	(69)

8. HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share is based on:

	Audited 30 June 2021 R'000	Audited 30 June 2020 R'000
Reconciliation of basic earnings to headline earnings		
Basic earnings/(loss) attributable to ordinary shareholders	139 644	(217 637)
Loss/(profit) on sale of assets and liabilities (net of tax)	1 115	(2 699)
Impairment of plant and equipment (net of tax)	82	112
Fair value adjustment on investment property	(2 189)	–
Bargain purchase	(4 413)	–
Impairment on goodwill	1 184	–
Headline earnings/(loss) for the year	135 423	(220 224)
Weighted average number of ordinary shares in issue ('000)	317 080	318 873
Headline earnings/(loss) per share (cents)	43	(70)
Diluted headline earnings/(loss) per share (cents)	43	(70)

9. CORE EARNINGS PER SHARE

The calculation of core earnings per share is based on:

	Audited 30 June 2021 R'000	Audited 30 June 2020 R'000
Basic earnings/(loss) attributable to ordinary shareholders	139 644	(217 637)
Fair value adjustment on biological assets (net of tax)	(10 205)	114 697
Core earnings for the year	129 439	(102 940)
Weighted average number of ordinary shares in issue ('000)	317 080	318 873
Core earnings/(loss) per share (cents)	41	(33)
Diluted core earnings/(loss) per share (cents)	41	(33)

10. BUSINESS COMBINATIONS

On 1 February 2021, Stadsrivier Vallei Proprietary Limited (previously known as York Agri Proprietary Limited), a wholly owned subsidiary of the Group, acquired the businesses of PVT Timber Products Proprietary Limited, Twycross Farms Proprietary Limited and Twycross Packers Proprietary Limited, as going concerns, for a net cash consideration of R64 million. These businesses comprise sawmilling and pallet-making, farming of avocados and macadamias and a fruit packing facility. R62 million of the acquisition was funded by way of a loan. This transaction was published on SENS on 15 December 2020.

The acquisition will enable the Group to diversify its earnings.

A bargain purchase was recognised as a result of the net assets purchased at fair value, as determined based on transactions in an external market, exceeding the consideration paid agreed between the Group and the seller. A deferred tax liability was recognised as a result of the immovable assets acquired for farming operations that are not deductible for taxation purposes in terms of paragraph 12 of the first schedule of the Income Tax Act.

Acquisition-related costs of R618 970 were incurred as legal fees and due diligence costs. The costs have been included as part of the other operating expenses in the Statement of Profit or Loss and Other Comprehensive Income as well as cash flow from operating activities in the Statement of Cash Flows for the period ended 30 June 2021.

On 12 May 2021, Stadsrivier Vallei Proprietary Limited (a wholly owned subsidiary of the Group) entered into a purchase agreement with Skillfull 1018 CC to acquire the business of farming of avocados and macadamias for a net cash consideration of R13,5 million. R13 million of the acquisition was funded by way of a loan. Although registration at the deeds office was not completed at year-end, the substance over form of the transaction was considered and Stadsrivier Vallei Proprietary Limited accounted for the transaction as at 30 June 2021.

10. BUSINESS COMBINATIONS continued

The acquisition will enable the Group to diversify its earnings.

The fair value was determined based on a revaluation performed by an independent external valuer and the most recent transactions in the external market. Goodwill was recognised due to the net cash consideration paid exceeding the fair value of the net identifiable assets purchased as a result of the immovable assets acquired for farming purposes not being deductible for taxation purposes. A deferred tax liability was recognised as a result of the immovable assets acquired for farming operations that are not deductible for taxation purposes in terms of paragraph 12 of the first schedule of the Income Tax Act.

Acquisition-related costs of R68 122 were incurred on legal fees. The costs have been included as part of the other operating expenses in the Statement of Profit or Loss and other Comprehensive Income as well as cash flow from operating activities in the Statement of Cash Flow for the period ended 30 June 2021.

	Audited 30 June 2021 R'000
Property, plant and equipment (including bearer plants)	83 182
Biological asset: unharvested fruit	3 892
Deferred tax	(8 163)
Inventory	2 312
Trade and other payables	(189)
Total identifiable net assets	81 034
Goodwill	1 184
Bargain purchase gain in a business combination	(4 413)
Consideration	(77 805)
Funded through	
Cash	(2 805)
Borrowing facility	(75 000)
Total consideration paid	(77 805)

11. CHANGE IN DIRECTORS

Mr Shakeel Meer resigned as a non-executive director of the Company on 1 April 2021. Mr Gabriël Stoltz, the Company's CFO, was appointed as interim CEO after the untimely passing of Mr Pieter van Zyl, the former CEO of the Group on 17 July 2021. Mr Adrian Zetler was appointed as a non-executive director of York and Mr Andre van der Veen was appointed as an alternate director to Mr Zetler on 1 September 2021. Ms Lindani Dhlamini was appointed as an independent non-executive director on 21 September 2021.

12. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the rules of the 2015 Share Plan, the late CEO's restricted shares have vested and will be settled to his estate. The number of shares that vested on 19 July 2021 have a deemed value of R6 430 730.

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**)

Directors

Executive directors

Gabriël Stoltz (*Chief Financial Officer and
interim Chief Executive Officer*)

Non-executive directors

Dr Jim Myers* (*Chairman, USA*)
Dr Azar Jammene*
Dinga Mncube*
Andries Brink*
Hetisani Mbanyele-Ntshinga*
Maxwell Nyanteh*
Lindani Dhlamini*
Adrian Zetler
Andre van der Veen (*alternate director to
Adrian Zetler*)

* *Independent*

Registered office

York Corporate Office
3 Main Road, Sabie, 1260
Mpumalanga, South Africa

Postal address

PO Box 1191, Sabie, 1260
Mpumalanga, South Africa

Auditor

PricewaterhouseCoopers Inc.

Company Secretary

Sue Hsieh

Chief Financial Officer

Gabriël Stoltz

Sponsor

One Capital

Transfer secretaries

Computershare Investor Services
Proprietary Limited

www.york.co.za



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