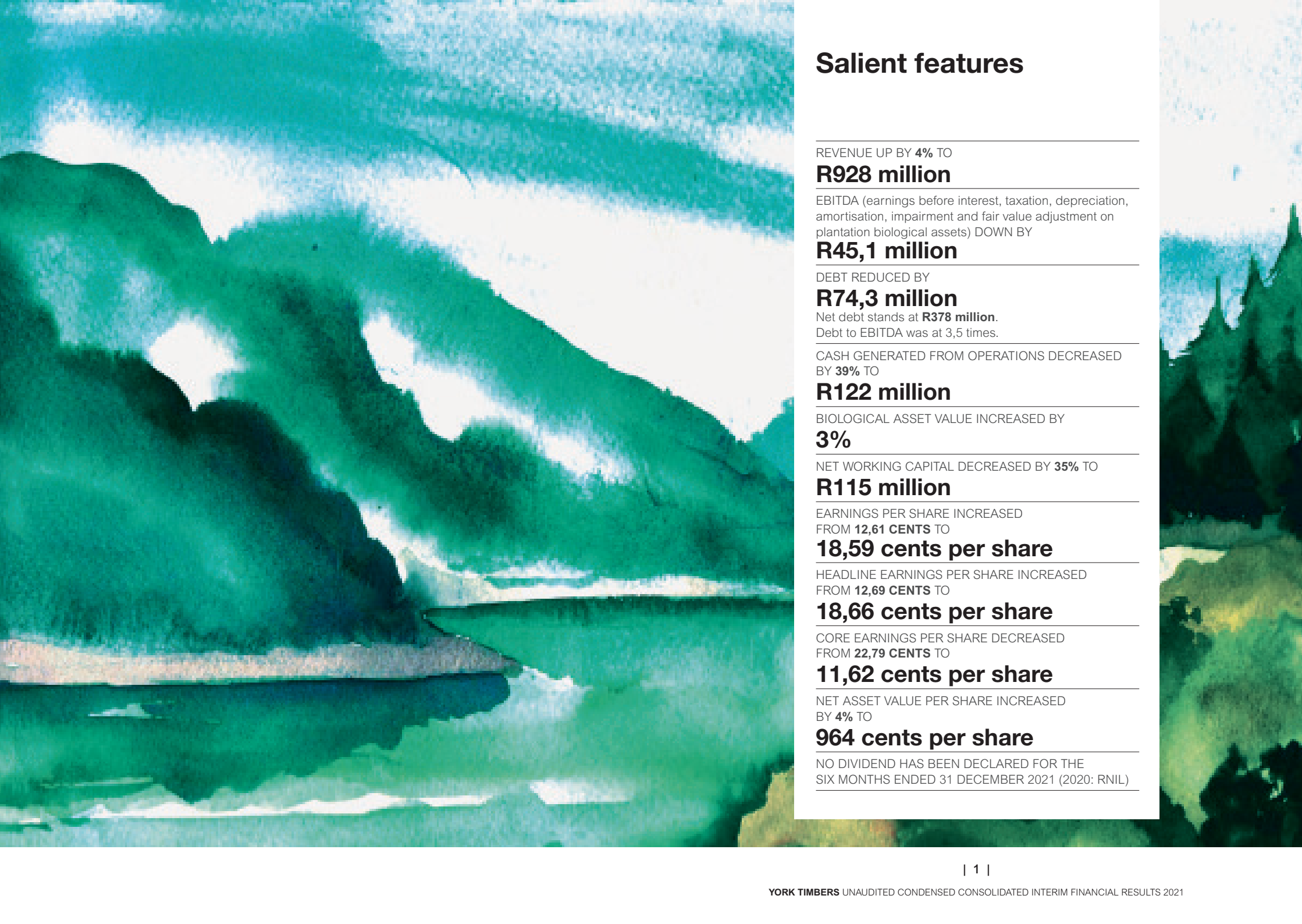


YORK TIMBERS



UNAUDITED
CONDENSED
CONSOLIDATED
INTERIM FINANCIAL
RESULTS 2021



Salient features

REVENUE UP BY 4% TO

R928 million

EBITDA (earnings before interest, taxation, depreciation, amortisation, impairment and fair value adjustment on plantation biological assets) DOWN BY

R45,1 million

DEBT REDUCED BY

R74,3 million

Net debt stands at **R378 million**.

Debt to EBITDA was at 3,5 times.

CASH GENERATED FROM OPERATIONS DECREASED BY 39% TO

R122 million

BIOLOGICAL ASSET VALUE INCREASED BY

3%

NET WORKING CAPITAL DECREASED BY 35% TO

R115 million

EARNINGS PER SHARE INCREASED

FROM **12,61 CENTS** TO

18,59 cents per share

HEADLINE EARNINGS PER SHARE INCREASED

FROM **12,69 CENTS** TO

18,66 cents per share

CORE EARNINGS PER SHARE DECREASED

FROM **22,79 CENTS** TO

11,62 cents per share

NET ASSET VALUE PER SHARE INCREASED

BY 4% TO

964 cents per share

NO DIVIDEND HAS BEEN DECLARED FOR THE

SIX MONTHS ENDED 31 DECEMBER 2021 (2020: RNIL)

Commentary

OPERATIONAL RESULTS

EBITDA for the six months achieved is R127 million (December 2020: R173 million), the second highest achieved to date, resulting in cash generated of R122 million (December 2020: R199 million) for the period.

Sales and production volumes were lower than in the previous comparative period. This was due to high rainfall experienced from October to December 2021, with rainfall recorded at 61% higher than the long-term average. The higher rainfall impacted harvesting and deliveries, affecting internal and external log supplies. York procured 44% more volume from external log suppliers, with South African Forestry Company Limited (SAFCOL) being the biggest supplier. SAFCOL could not meet York's demand due to their harvesting capacity constraints and standing volumes were secured from SAFCOL to be harvested with York's contractor capacities.

The **Processing division** achieved EBITDA of R101 million (December 2020: R44 million). The processing results benefited from higher average selling price for lumber and plywood. Production volumes were 9% lower than the prior comparative period, due to inconsistent log supply. A key priority during the current period was to improve machine availability and this focus will be carried forward.

The spindleless peeler project was commissioned within budget and will allow the processing of smaller diameter logs. The project has cost and raw material sourcing benefits for the plywood division and importantly, enables York to peel Eucalyptus logs, thereby diversifying the product range.

The **Wholesale division** recorded an EBITDA of R21 million, R3 million less than the R24 million achieved for the prior comparative period. The looting of our customers' stores in both Gauteng and KwaZulu-Natal during the July 2021 unrest

(and its subsequent closure) impacted sales volumes.

The Wholesale division imported plywood products for distribution through its warehouses to service market demand.

York's preparation for the fire season was well executed, and quick response times resulted in limited damage to plantations. The **Forestry segment** achieved its lowest temporary unplanted areas (TUP) since the 2008 fires. At the reporting date, the TUP was 2 437 hectares. The low TUP cements the continued long-term sustainability of the biological asset and reduces reliance on external log suppliers. The reduction in TUP supported the increase in the biological asset value despite the higher discount rate.

The forestry division had to reallocate its harvesting capacities for standing volumes procured from external log suppliers to ensure continuous delivery to York's mills. The reallocation of resources resulted in forestry and fleet's EBITDA loss of R8.1 million as own harvesting was sacrificed. Additional capacities have since been procured to execute the budgeted harvesting for the second half of the financial year.

Available alternative logs that could be sourced were from further plantations at up to six times the usual lead distances. As a result, the increase in the diesel price and longer lead distances impacted operating costs.

High instances of log theft in plantations were experienced and are an industry problem. York has introduced additional security measures to mitigate log theft and is working with relevant stakeholders to adopt a consolidated approach in addressing the issue.

It is the off-season period for the **Agricultural segment**, and pre-season activities have been completed. The macadamia and avocado crops are expected to yield good quality and tonnages.

FINANCIAL RESULTS

The biological asset value increased by 3% to R2 909 million due to higher volumes from the reduced TUP.

York's self-insurance fund balance increased to R90 million (December 2020: R60 million). This is mainly attributable to a claims-free fire season.

Working capital was down 35% from the prior period to R115 million. Inventories were up 8%, with trade receivables down 9% due to lower sales volumes experienced during the higher rainfall months. Trade payables up 20% attributable to the higher value of external log purchases.

Additions to property, plant and equipment of R42 million include the spindleless peeler at R18 million and replacement of production vehicles.

Cash balances at the reporting date are at R65 million (December 2020: R41 million).

York's debt position reduced by 14% (R74 million) to R443 million.

OUTLOOK

With an upward pressure on average selling prices, demand for lumber has slowed down to pre-COVID-19 levels. Alternative markets, product offerings, and certification requirements are being explored. Trial orders have been initiated.

Plywood demand and prices are expected to continue at current levels for the remainder of the financial year. We are diversifying our plywood product offering and we have already seen overseas customers place trial orders.

The planting program was completed in February 2022, and good survival rates have been achieved. Log prices from SAFCOL are anticipated to increase at more than 12% from this year's bid prices – this underpins the importance of

continuous planting and returning the plantations to full rotation which is expected to take place from 2026/2027.

Volumes from own harvesting will increase for the balance of the current financial year. A depot system for thinning in the Escarpment has been introduced to improve stock control, accessibility, and increase supply to York sawmills and our pulp customers.

Management is continuing with efforts to improve and streamline the relationship with SAFCOL. One of the areas that is receiving focus is alternative procurement models to alleviate SAFCOL's harvesting constraints.

York has entered into a cooperative agreement with its primary technology, service, and development partner, Raute Corporation (Raute). The goal is to enhance the profitability of our plywood division through dedicated technical development and support from Raute. One of our focus areas is to improve the return on the significant investment in our plywood operations, as well as technological improvement. Increasing raw material feedstock sources is also a key part of this effort.

Plant availability is expected to improve following enhancements in our preventative maintenance and component replacement programme.

The refinancing of Land Bank loans at lower rates has commenced, and the process is expected to be concluded at the end of the 2022 financial year.

Additional areas and different crops for the agricultural business are being explored. The initial soil, climatic, water availability, and market studies are positive and we will continue to develop our feasibility models and investment plans in our agricultural division.

Consolidated statement of financial position

As at 31 December 2021

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
ASSETS			
Non-current assets			
Biological assets (note 5)	2 617 864	2 371 718	2 502 597
Investment property	37 430	30 740	34 180
Property, plant and equipment	894 976	837 744	905 645
Goodwill	357 630	357 630	357 630
Intangible assets	10 812	7 041	9 556
Deferred tax	11 638	4 681	4 336
Other financial assets at amortised cost	90 164	59 864	97 583
Total non-current assets	4 020 514	3 669 418	3 911 527
Current assets			
Biological assets (note 5)	291 315	455 155	375 554
Inventories	211 489	195 337	183 265
Current tax receivable	820	11 530	1 072
Trade and other receivables	232 836	255 741	271 933
Cash and cash equivalents	106 529	120 441	108 030
Total current assets	842 989	1 038 204	939 854
Non-current assets held for sale	–	–	750
Total assets	4 863 503	4 707 622	4 852 131

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
EQUITY AND LIABILITIES			
Equity			
Share capital	1 491 177	1 480 232	1 484 157
Reserves	2 240	5 124	2 193
Retained income	1 597 530	1 436 349	1 537 978
Total equity	3 090 947	2 921 705	3 024 328
Liabilities			
Non-current liabilities			
Deferred tax	903 423	863 018	887 618
Lease liability	–	1 114	394
Borrowings	318 284	348 672	347 330
Provisions	17 033	16 662	16 576
Retirement benefit obligations	26 129	27 368	25 658
Total non-current liabilities	1 264 869	1 256 834	1 277 576
Current liabilities			
Current tax payable	10 850	17	2 934
Borrowings	125 102	168 965	167 461
Lease liability	1 062	7 621	4 690
Trade and other payables	328 865	273 159	337 534
Bank overdraft	41 290	79 321	36 850
Provisions	228	–	256
Deferred income	290	–	502
Total current liabilities	507 687	529 083	550 227
Total liabilities	1 772 556	1 785 917	1 827 803
Total equity and liabilities	4 863 503	4 707 622	4 852 131

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2021

	Unaudited Six months ended 31 Dec 2021 R'000	Unaudited Six months ended 31 Dec 2020 R'000	Audited Year ended 30 Jun 2021 R'000
Revenue	928 436	888 934	1 850 670
Cost of sales	(618 877)	(569 823)	(1 337 549)
Gross profit	309 559	319 111	513 121
Other operating income	4 370	3 697	28 743
Other operating gains/(losses)	15 632	(7 827)	(9 154)
Other operating expenses	(253 425)	(187 040)	(308 439)
Operating profit	76 136	127 941	224 271
Other non-operating gains/(losses)	25 203	(44 684)	19 227
Profit before finance costs	101 339	83 257	243 498
Investment income	3 169	810	3 618
Finance costs	(18 752)	(27 144)	(48 447)
Profit before taxation	85 756	56 923	198 669
Taxation	(26 204)	(17 066)	(59 025)
Profit for the period	59 552	39 857	139 644
Other comprehensive income			
Remeasurement of defined benefit liability	–	–	2 001
Taxation related to remeasurement of defined benefit liability	–	–	(560)
Other comprehensive income for the period net of taxation	–	–	1 441
Total comprehensive income for the period	59 552	39 857	141 085
Basic earnings per share (cents) (note 8)	19	13	44
Diluted earnings per share (cents) (note 8)	19	12	44
Headline earnings per share (cents) (note 9)	19	13	43
Diluted headline earnings per share (cents) (note 9)	19	13	43

Consolidated statement of changes in equity

For the six months ended 31 December 2021

	Share capital ¹ R'000	Share- based payment reserve R'000	Defined benefit plan reserves R'000	Total reserves R'000	Retained income R'000	Total equity R'000
Balance as at 1 July 2020	1 480 232	4 759	(611)	4 148	1 396 492	2 880 872
Profit for the year	–	–	–	–	139 644	139 644
Other comprehensive income	–	–	1 441	1 441	–	1 441
Total other comprehensive profit for the year	–	–	1 441	1 441	139 644	141 085
Employees' share option scheme	–	2 371	–	2 371	–	2 371
Employee share options vested	3 925	(5 767)	–	(5 767)	1 842	–
Total contributions by and distributions to owners of the Group recognised directly in equity	3 925	(3 396)	–	(3 396)	1 842	2 371
Balance as at 30 June 2021 (audited)	1 484 157	1 363	830	2 193	1 537 978	3 024 328
Profit for the period	–	–	–	–	59 552	59 552
Other comprehensive income	–	–	–	–	–	–
Total other comprehensive income for the year	–	–	–	–	59 552	59 552
Employees' share option scheme	–	7 067	–	–	–	7 067
Employee share options vested	7 020	(7 020)	–	–	–	–
Total contributions by and distributions to owners of the Group recognised directly in equity	7 020	47	–	47	–	7 067
Balance as at 31 December 2021 (unaudited)	1 491 177	1 410	830	2 240	1 597 530	3 090 947

¹ In the prior year, the share capital and share premium were disclosed separately.

Consolidated statement of cash flows

For the six months ended 31 December 2021

	Unaudited Six months ended 31 Dec 2021 R'000	Unaudited Six months ended 31 Dec 2020 R'000	Audited Year ended 30 Jun 2021 R'000
Cash flows from operating activities			
Cash generated from operations (note 6)	121 817	198 944	429 022
Interest received	3 169	810	3 618
Interest paid	(18 475)	(26 430)	(47 046)
Tax paid	(9 533)	(11 038)	(23 400)
Net cash from operating activities	96 978	162 286	362 194
Cash flows from investing activities			
Purchase of property, plant and equipment	(42 032)	(38 721)	(82 096)
Proceeds from disposal of property, plant and equipment	686	142	937
Purchase of investment property	(2 843)	–	(1 150)
Proceeds from disposal of investment property	750	–	–
Purchase of intangible assets	(1 312)	(1 034)	(3 607)
Acquisition of business net of cash acquired	–	–	(77 805)
Purchase of other financial assets at amortised cost	(16 762)	(7 594)	(62 728)
Proceeds from other financial assets at amortised cost	24 181	1 061	18 476
Net cash applied to investing activities	(37 332)	(46 146)	(207 973)
Cash flows from financing activities			
Net repayment of borrowings	(71 561)	(66 432)	(69 107)
Repayment of lease liability	(4 142)	(4 110)	(8 124)
Net cash applied to financing activities	(75 703)	(70 542)	(77 231)
Total cash movement for the period	(16 057)	45 598	76 990
Cash at the beginning of the period	71 180	3 012	3 013
Effect of exchange rate movement on cash balances	10 116	(7 490)	(8 823)
Cash at the end of the period	65 239	41 120	71 180

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2021

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim 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 interim results were prepared in accordance with and contain the information required by IAS 34: *Interim Financial Reporting*, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The unaudited condensed consolidated interim financial results have been compiled under the supervision of Gabriël Stoltz CA(SA), the Chief Financial Officer.

These unaudited condensed consolidated interim financial results do not include all the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements as at and for the year ended 30 June 2021, which are available on the Company's website, www.york.co.za, or at the Company's registered office.

The unaudited condensed consolidated interim financial results have not been reviewed or audited by the Company's external auditor. The unaudited condensed consolidated interim financial results, which have been prepared on the going concern basis, were approved by the Board of Directors of the Company (Board) on 24 March 2022.

The significant accounting policies and methods of computation are consistent in all material respects with those applied during the period ended 31 December 2020, except for the following additions to the accounting policies relating to the accounting principles of bearer fruit plants and agricultural produce:

Biological assets (unharvested fruit)

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.

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 costs 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 five 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 at the date of harvest is recognised in profit or loss and thereafter measured at the lower of cost and net realisable value.

Notes to the condensed consolidated interim financial statements continued

For the six months ended 31 December 2021

1. BASIS OF PREPARATION continued

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 Group until 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 Group 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 packing 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.

These unaudited condensed consolidated interim financial results are presented in South African Rand, which is the Company's functional currency. All financial information presented has been rounded to the nearest R'000.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the preparation of the unaudited condensed consolidated interim financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those accounting policies applied in the preparation of the 30 June 2021 consolidated annual financial statements.

3. ADDITIONAL DISCLOSURE ITEMS

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Authorised capital commitments			
– Contracted, but not provided	16 673	17 432	16 749
– Not contracted	54 866	67 486	49 315
Capital expenditure	46 187	39 755	86 853
Depreciation of property, plant and equipment	51 297	44 623	101 163
Amortisation of intangible assets	56	69	127
Write-back of trade receivables	796	1 188	3 490

3. ADDITIONAL DISCLOSURE ITEMS continued

The Group was not involved in any litigation settlements during the current reporting period.

- At year-end, the invoice discounting facility granted by Absa Bank Limited (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 in the Group.
- Pursuant to the rules of the 2015 Share Plan, the late Chief Executive Officer's restricted shares vested on 19 July 2021. During the six-month period, 3 000 000 shares were repurchased from a related company to allocate the shares to his estate.

4. OPERATING SEGMENTS

The Group has four reportable segments (2020: three reportable segments), due to the inclusion of the agricultural businesses acquired in the June 2021 reporting period, which are the Group's strategic divisions. The Group operates in three geographical segments, namely South Africa, Southern African 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

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Revenue: external sales	622 677	611 313	1 219 940
Revenue: inter-segment sales	161 396	195 052	304 732
Total revenue	784 073	806 365	1 524 672
Depreciation and amortisation	(34 592)	(29 767)	(70 630)
Reportable segment profit*	100 639	44 300	150 486
Fair value adjustment to biological assets (plantation biological asset)	–	–	–
Capital expenditure	25 078	18 739	41 482

* Being EBITDA, impairment and fair value adjustment on plantation biological asset.

Notes to the condensed consolidated interim financial statements continued

For the six months ended 31 December 2021

4. OPERATING SEGMENTS continued

Wholesale

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Revenue: external sales	245 125	242 551	542 601
Revenue: inter-segment sales	27 885	–	–
Total revenue	273 010	242 551	542 601
Depreciation and amortisation	(3 514)	(3 535)	(7 093)
Reportable segment profit*	21 124	23 867	34 163
Fair value adjustment to biological assets (plantation biological asset)	–	–	–
Capital expenditure	209	–	282

Forestry and Fleet

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Revenue: external sales	40 658	33 846	66 512
Revenue: inter-segment sales	397 357	407 345	812 168
Total revenue	438 015	441 191	878 680
Depreciation and amortisation	(10 513)	(9 624)	(19 389)
Reportable segment (loss)/profit*	(8 100)	110 662	145 117
Fair value adjustment to biological assets (plantation biological asset)	25 203	(44 684)	12 958
Capital expenditure	15 203	20 046	25 156

* Being EBITDA, impairment and fair value adjustment on plantation biological asset.

4. OPERATING SEGMENTS continued

Agricultural

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Revenue: external sales	19 043	–	19 021
Revenue: inter-segment sales	6 561	–	3 420
Total revenue	25 604	–	22 441
Depreciation and amortisation	(2 084)	–	(1 685)
Reportable segment profit*	4 510	–	4 492
Fair value adjustment	–	–	–
Capital expenditure	1 920	–	12 079

Total before unallocated and inter-segment elimination

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Revenue: external sales	927 503	887 710	1 848 074
Revenue: inter-segment sales	593 199	602 397	1 120 320
Total revenue	1 520 702	1 490 107	2 968 394
Depreciation and amortisation	(50 703)	(42 926)	(98 797)
Reportable segment profit*	118 173	178 829	334 258
Fair value adjustment	25 203	(44 684)	12 958
Capital expenditure	42 410	38 785	78 999

* Being EBITDA, impairment and fair value adjustment on plantation biological asset.

Notes to the condensed consolidated interim financial statements continued

For the six months ended 31 December 2021

4. OPERATING SEGMENTS continued

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Reconciliation of reportable segment profit or loss			
Total EBITDA for reportable segments	118 173	178 829	334 258
Depreciation, amortisation and impairment	(51 353)	(44 692)	(101 404)
Non-reporting segments' EBITDA	9 316	(6 196)	(8 583)
Operating profit	76 136	127 941	224 271
Revenue per geographical area			
South Africa	759 170	734 329	1 538 666
SADC	119 282	99 464	204 375
International (non-SADC)*	49 984	55 141	107 629
Total	928 436	888 934	1 850 670

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

5. BIOLOGICAL ASSET

Plantation biological asset

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Change in discounted cash flows (DCF) value attributable to:			
Opening balance	2 875 903	2 906 890	2 906 890
Change in product mix and age ¹	(39 104)	(28 614)	36 761
Revenue and price ²	51 925	(22 699)	136 894
Operating cost	(114 578)	55 738	(53 251)
Discount rate	(34 742)	(59 782)	(107 596)
Standing timber purchased	–	9 547	935
Standing timber harvested	–	(44 880)	(44 880)
Change in volume ³	161 701	10 673	150
Closing balance	2 901 105	2 826 873	2 875 903
Classified as non-current assets	2 617 864	2 371 718	2 502 597
Classified as current assets ⁴	283 241	455 155	373 306

5. BIOLOGICAL ASSET continued

Plantation biological asset continued

	Unaudited 31 Dec 2021 m³	Unaudited 31 Dec 2020 m³	Audited 30 Jun 2021 m³
Reconciliation of standing volume (excluding purchased plantations)			
Opening balance	6 285 007	6 244 607	6 244 607
Increase due to growth and enumeration	465 447	330 464	744 151
Decrease due to harvesting and sales	(311 098)	(390 734)	(703 751)
Closing balance	6 439 356	6 184 337	6 285 007

	Unaudited 31 Dec 2021	Unaudited 31 Dec 2020	Audited 30 Jun 2021
Key assumptions used in the calculation of the discount rate			
Risk-free rate	9,81%	8,75%	9,26%
Beta factor	1,17	1,20	1,16
Cost of equity	17,09%	16,20%	16,45%
Pre-tax cost of debt	7,25%	7%	7%
Debt/equity ratio ⁵	28:72	25:75	25:75
After-tax weighted average cost of capital	13,74%	13,41%	13,61%

¹ Represents the cash flow profile change from the prior period yield forecast.

² Revenue and price changes relate to inflationary adjustments over the next year, the following year and over the long term.

³ Change in volume in the DCF model refers to changes in the forecast yield at maturity of planted trees. An accuracy factor is used to calculate the accounting estimated volume. This is a downwards adjustment of harvestable volume. Temporary unplanted hectares decreased by 1 367 hectares from 30 June 2021. The DCF volumes over the 20-year period increased by 6% from 30 June 2021.

⁴ Being the biological assets to be harvested and sold in the 12 months after the reporting date.

⁵ The Group applied the debt/equity ratio of the market participants included in its comparable group of company's basket.

Notes to the condensed consolidated interim financial statements continued

For the six months ended 31 December 2021

5. BIOLOGICAL ASSET continued

Plantation biological asset continued

The additional key assumptions underlying the DCF 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 has been measured annually since 1976. A merchandising model, using the modelled tree shapes at various ages, is used to divide the trees into predefined products as a basis for calculating log yields.

Volume adjustment factor: In a manner consistent to prior periods, volumes expected from York plantations in MicroForest are adjusted downwards by an 8% factor (June 2021: 8%). For the interim reporting period, the harvesting volumes expected from York plantations in MicroForest were further reduced by a weighted average of 4% (June 2021: 4,50%), 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, 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 4,50% over the next year, at 4,50% over the following year, and at 4,50% over the long term (June 2021: 4,40% per annum over the next year, 4,50% over the following year, and at 4,50% per annum 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.

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 operating costs exclude the necessary costs to get the asset to the market. An inflation rate of 4,50% over the next year, 4,50% over the following year, and 4,50% over the long term (June 2021: 4,40% per annum over the next year, 4,50% over the following year, and 4,50% per annum 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. Costs to sell include harvesting costs which form part of the operating cost.

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 adjustment: 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 (June 2021: 20 years). The fair valuation of the biological asset is calculated on the assumption that no replanting of the plantations is done and therefore relates to a finite period. 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.

5. BIOLOGICAL ASSET continued

Unharvested fruit

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Reconciliation of biological asset			
Opening balance	2 248	–	–
Additions through business combinations	–	–	3 892
Avocados, citrus and macadamias harvested that arose from business combination	–	–	(2 859)
Change in fair value attributable to:	5 826	–	1 215
Avocados, citrus and macadamias harvested	(2 248)	–	–
Growth of unharvested avocados, citrus and macadamias	8 074	–	1 215
Closing balance	8 074	–	2 248
Classified as current assets	8 074	–	2 248

The additional key assumptions and methodology used in determining the fair value of the unharvested fruit are as follows:

The agricultural produce volumes were reduced by a weighted average of 1% based on the most recent actual volumes harvested compared to estimated volumes and volume distribution between export, local and reject markets 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 two to eight months after the end of the reporting period. Costs to sell include packaging costs and harvesting costs. Significant estimates include the expected agricultural produce yields and quality, and the expected market price.

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Total biological assets (plantation biological asset and unharvested fruit)			
Classified as non-current assets	2 617 864	2 371 718	2 502 597
Classified as current assets	291 315	455 155	375 554
Closing balance	2 909 179	2 826 873	2 878 151

Notes to the condensed consolidated interim financial statements continued

For the six months ended 31 December 2021

6. CASH GENERATED FROM OPERATIONS

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
Profit before taxation	85 756	56 923	198 669
Adjustments for:			
Depreciation and amortisation	51 353	44 692	101 290
Loss on disposal of assets	310	340	1 549
(Gain)/loss on foreign exchange	(10 116)	7 487	8 820
Investment income	(3 169)	(810)	(3 618)
Finance costs	18 752	27 144	48 447
Fair value (gains)/losses	(31 029)	44 684	(20 442)
Impairment of property, plant and equipment and goodwill	–	–	114
Purchase of plantation biological assets	–	(9 547)	(935)
Harvesting of purchased plantation biological assets	–	44 880	47 739
Movement in retirement benefit liabilities	471	458	256
Movement in provisions	429	413	583
Share-based payment expense: equity-settled	7 067	976	2 371
Changes in working capital:			
Inventories	(28 224)	33 854	48 238
Trade and other receivables	39 097	(90 942)	(107 137)
Trade and other payables	(8 668)	38 392	102 576
Deferred income	(212)	–	502
Cash generated from operations	121 817	198 944	429 022

7. RELATED PARTIES

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

8. EARNINGS PER SHARE

	Unaudited 31 Dec 2021	Unaudited 31 Dec 2020	Audited 30 Jun 2021
Basic earnings attributable to equity holders of the Parent (R'000)	59 552	39 857	139 644
Reconciliation of weighted average number of ordinary shares used for earnings per share to weighted average number of ordinary shares used for diluted earnings per share			
Weighted average number of ordinary shares used for basic earnings per share ('000)	320 364	316 048	316 416
Adjusted for:			
Bonus element of share-based payment	1 007	3 508	664
Weighted average number of ordinary shares ('000)	321 371	319 556	317 080
Basic earnings per share (cents)	19	13	44
Diluted basic earnings per share (cents)	19	12	44

9. HEADLINE EARNINGS PER SHARE

	Unaudited 31 Dec 2021	Unaudited 31 Dec 2020	Audited 30 Jun 2021
Reconciliation between earnings and headline earnings (R'000)			
Basic earnings	59 552	39 857	139 644
Adjusted for:			
Loss on sale of assets (net of tax)	223	245	1 115
Impairment of property, plant and equipment (net of tax)	–	–	82
Fair value adjustment on investment property (net of tax)	–	–	(2 189)
Bargain purchase	–	–	(4 413)
Impairment of goodwill	–	–	1 184
Headline earnings for the period (R'000)	59 775	40 102	135 423
Weighted average number of ordinary shares ('000)	321 371	319 556	317 080
Headline earnings per share (cents)	19	13	43
Diluted headline earnings per share (cents)	19	13	43

Notes to the condensed consolidated interim financial statements continued

For the six months ended 31 December 2021

10. CORE EARNINGS PER SHARE

	Unaudited 31 Dec 2021	Unaudited 31 Dec 2020	Audited 30 Jun 2021
Reconciliation between basic earnings and core earnings (R'000)			
Basic earnings	59 552	39 857	139 644
Fair value adjustment on biological assets (net of tax)	(22 341)	32 172	(10 205)
Core earnings for the period (R'000)	37 211	72 029	129 439
Weighted average number of ordinary shares ('000)	321 371	319 556	317 080
Core earnings per share (cents)	12	23	41
Diluted earnings per share (cents)	12	23	41

11. CHANGES TO THE BOARD

Mr Zetler retired as a non-executive director of the Company with effect from the conclusion of the annual general meeting (AGM) held on Thursday, 11 November 2021 as a result of shareholders not confirming his appointment to the Board at the AGM and therefore the ratification of Mr van der Veen's appointment as Mr Zetler's alternate director was of no force and effect. Mr van der Veen was appointed as a non-executive director of the Company with effect from the date of the AGM.

12. SUBSEQUENT EVENTS

There were no subsequent events.

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 director

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

Non-executive directors

Dr Jim Myers* (*Chairman, USA*)
Dr Azar Jammie*
Dinga Mncube*
Andries Brink*
Hetisani Mbanyele-Ntshinga*
Maxwell Nyanteh*
Lindani Dhlamini*
André van der Veen

* *Independent*

Registered office

York Corporate Office

3 Main Road, Sabie, 1260
Mpumalanga, South Africa

Postal address

PO Box 1191, Sabie, 1260
Mpumalanga, South Africa

Tax reference number:

9225/039/71/9

Auditor

PricewaterhouseCoopers Inc.

Company Secretary

Han-hsiu Hsieh

Sponsor

One Capital

Transfer secretaries

Computershare Investor Services
Proprietary Limited

www.york.co.za



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