

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)

Summarised consolidated financial results
for the year ended 30 June 2017

www.york.co.za

Highlights

- Revenue up 3%
- Return on equity improved from 9% to 12%
- EBITDA (earnings before interest, tax, depreciation, amortisation and net of fair value adjustments) up 3%
- Earnings per share up 59% as a result of a 21% increase in the value of biological assets
- Net asset value per share up 17% from 809 cents to 943 cents
- Core earnings per share down 46% due to increases in depreciation and interest paid
- Cash generated from operations remains positive at R170 million for the year

Commentary

Group performance and financial review

Revenue achieved for the year was R1,8 billion, a 3% improvement from the prior year. EBITDA increased by 3% from the prior year and ended on R246 million. Profit after tax amounted to R367 million, a 54% increase, driven by a 21% growth in the value of the biological asset. The increase in the biological asset's value includes a once-off adjustment due to an improvement achieved in the rotation age cycle of the plantation, the application of precision forestry and improvement in genetic planting material. The biological asset's value is a fair reflection of its current market value.

Earnings per share increased to 116 cents from 73 cents per share in the prior year, a 59% improvement.

Headline earnings per share reflected the same improvement of 59%, at 116 cents per share.

Core earnings per share (being headline earnings per share excluding the fair value adjustment on biological assets net of tax) decreased by 46%, ending at 17 cents per share compared to 31 cents per share in the prior year. Core earnings were negatively impacted due to an increase in depreciation due to the Plywood Expansion Project and higher interest paid on loan financing for the Plywood Expansion Project. The full benefit of the Plywood Expansion Project is not yet reflected in this financial period.

Market conditions

The absence of economic growth and lack of confidence in the construction sector resulted in lower sales volumes in most product categories. International demand for plywood is strong, with a wide range of applications. York is well-positioned to fully participate in

this market. York's market share increased in the subdued local lumber market and showed positive growth in the East and West Africa regions.

Operational review

The York lumber mills performed exceptionally well during the year under review at high efficiency levels and managed to extract maximum value from its raw materials. The Plywood Expansion Project was commissioned as planned but was scaled down to address one press with critical failure and another with metal fatigue. This resulted in York making the two presses redundant and replacing them with a new higher capacity press that will be commissioned in February 2018. This press upgrade was not part of the initial Plywood Expansion Project.

Raw material supply was repeatedly interrupted due to excessive price increases announced by the South African Forestry Company (SOC) Limited (SAFCOL). York is endeavoring to resolve this marketing policy dispute with SAFCOL, as we consider a 17% annual price increase on logs as unreasonable.

Forestry results were negatively impacted by this impasse, with higher than anticipated logistics costs, as logs were transported over longer than expected distances to keep plants fully supplied and operational. Alternative raw material supplies are available to York and are being secured.

The Wholesale strategy is delivering exceptional results as distribution costs are reduced and York has the ability to respond quickly to customer buying patterns.

Balance sheet movements

York continued to invest in its processing capabilities, totaling R154 million for the 2017 financial year. In addition, the Company secured standing trees to the value of R59 million. Investment activities were partly financed by increasing long-term debt by R98 million. Existing commitments of R80 million were repaid during the 2017 financial year.

Working capital increased as a result of additional warehouses being opened and accumulation of export orders. Export orders were deferred due to excessive distribution costs being charged. This issue has been resolved post year-end. York ended the 2017 financial year with R159 million cash and has sufficient cash reserves to fund the increase in working capital.

Share repurchase programme

In compliance with the JSE Limited Listings Requirements (Listings Requirements), the Companies Act of South Africa, 71 of 2008 (Companies Act) and in accordance with the resolution approved by shareholders at the 2016 annual general meeting, York continued to repurchase shares through its subsidiary, Agentimber Proprietary Limited. The repurchased shares total 4,6% of the issued shares. York's Board of Directors ("Board") has complete confidence in the value of the business and will request shareholders to continue supporting the share repurchase programme at the upcoming 2017 annual general meeting.

Outlook

The insourcing of mechanical harvesting and transport has proven to be very successful and York will continue introducing further appropriate technologies and equipment upgrades. Traditional costs associated with

outdated forestry practices are being replaced with better utilisation of capital equipment, fuel load reduction, improvement in tree breeding and enhancing genetic material that responds more effectively to growth sites.

Sustainable raw material supply is key to the success of York's growth strategy. South Africa has limited permissible area available to expand its forestry footprint. The Company is therefore engaged in expanding its forestry operations outside of South Africa.

The plywood operation is set to deliver the expected results and is currently achieving the defined and required operational specifications. The commissioning of the higher capacity press will allow York to further increase volume output aimed at the export market.

It is unfortunate that there has been no announcement for the preferred bidder of the Renewable Energy Independent Power Producer Procurement Programme submitted under the expedited 4b window. York is exploring alternative options to participate in the energy market as this remains a very viable revenue stream.

York is expanding its warehouses, with the aim of making its customers successful in challenging market conditions.

Consolidated statement of financial position

	As at 30 June 2017 Audited R'000	As at 30 June 2016 Audited R'000
Assets		
Non-current assets		
Biological asset (note 5)	2 392 979	1 993 501
Investment property	26 731	26 231
Property, plant and equipment	911 532	852 096
Goodwill	565 442	565 442
Intangible assets	908	1 632
Other financial assets	31 965	19 387
Deferred tax	3 084	3 039
Total non-current assets	3 932 641	3 461 328
Current assets		
Biological asset (note 5)	435 539	340 826
Inventories	339 693	239 459
Trade and other receivables	206 982	225 516
Current tax receivable	7 749	8 183
Cash and cash equivalents	159 347	286 144
Total current assets	1 149 310	1 100 128
Total assets	5 081 951	4 561 456

Equity and liabilities

Equity

Share capital	1 480 232	1 486 946
Reserves	(489)	91
Retained income	1 512 822	1 145 536
Total equity	2 992 565	2 632 573

Liabilities

Non-current liabilities

Loans from related parties	1 527	1 350
Cash-settled share-based payments	3 710	3 191
Deferred tax	825 867	687 332
Loans and borrowings	731 498	802 196
Provisions	13 900	13 114
Retirement benefit obligations	25 334	24 010
Total non-current liabilities	1 601 836	1 531 193

Current liabilities

Current tax payable	277	2
Loans and borrowings	180 804	91 949
Cash-settled share-based payments	4 370	3 369
Operating lease liability	1 415	80
Trade and other payables	300 684	302 290
Total current liabilities	487 550	397 690
Total liabilities	2 089 386	1 928 883
Total equity and liabilities	5 081 951	4 561 456

Consolidated statement of comprehensive income

	Year ended 30 June 2017	Year ended 30 June 2016
	Audited	Audited
	R'000	R'000
Revenue	1 832 805	1 771 049
Cost of sales	(1 335 303)	(1 270 483)
Gross profit	497 502	500 566
Other operating income	11 626	10 837
Other operating (losses)/gains	(3 024)	6 758
Administration expenses	(354 735)	(335 228)
Operating profit	151 369	182 933
Fair value adjustments	436 494	195 337
Profit before finance costs	587 863	378 270

Investment income	11 175	11 762
Finance costs	(88 595)	(56 632)
Profit before taxation	510 443	333 400
Taxation	(143 157)	(95 188)
Profit for the year	367 286	238 212
Other comprehensive income:		
Remeasurement of defined benefit liability	(806)	(890)
Taxation related to components of other comprehensive income	226	249
Other comprehensive income for the year net of taxation	(580)	(641)
Total comprehensive income	366 706	237 571
Basic earnings per share (cents) (note 7)	116	73
Headline earnings per share (cents) (note 8)	116	73

Consolidated statement of cash flows

	Year ended 30 June 2017	Year ended 30 June 2016
	Audited	Audited
	R'000	R'000
Cash generated from operations	169 979	284 963
Investment income	11 175	11 762
Finance costs	(88 595)	(56 632)
Taxation paid	(3 732)	(14 987)
Net cash from operating activities	88 827	225 106
Cash flows applied to investing activities		
Purchase of property, plant and equipment	(154 258)	(283 241)
Proceeds from disposal of property, plant and equipment	307	288
Purchase of investment property	-	(1 874)
Purchase of intangible assets	(168)	-
Proceeds/(repayment) of loans from/(to) Group companies	177	(155)
Purchase of financial assets	(32 200)	(7 550)
Proceeds from sale of financial assets	19 622	30 063
Purchase of biological assets	(59 082)	(1 384)

Proceeds from sale of biological assets	1 384	-
Net cash applied to investing activities	(224 218)	(263 853)
Cash flows from financing activities		
Reduction of share capital or buyback of shares	(6 714)	(24 992)
Net movement in loans and borrowings	18 157	150 785
Net cash from financing activities	11 443	125 793
Total cash movement for the year	(123 948)	87 046
Cash at beginning of year	286 144	192 068
Effect of exchange rate movement on cash balances	(2 849)	7 030
Cash at end of year	159 347	286 144

Consolidated statement of changes in equity

	Share capital	Share premium	Defined benefit plan reserve	Retained income	Total equity
Audited	R' 000	R' 000	R' 000	R' 000	R' 000
Balance as at 1 July 2015	16 377	1 495 561	732	907 324	2 419 994
Profit for the year	-	-	-	238 212	238 212
Other comprehensive income	-	-	(641)	-	(641)
Total comprehensive income for the year	-	-	(641)	238 212	237 571
Purchase of own shares	(469)	(24 523)	-	-	(24 992)
Balance as at 30 June 2016	15 908	1 471 038	91	1 145 536	2 632 573
Profit for the year	-	-	-	367 286	367 286
Other comprehensive income	-	-	(580)	-	(580)
Total comprehensive income for the year and total	-	-	(580)	367 286	366 706

transactions
with owners

Purchase of own shares	(106)	(6 608)	-	-	(6 714)
Balance as at 30 June 2017	15 802	1 464 430	(489)	1 512 822	2 992 565

Notes to the consolidated annual financial statements

1. Basis of preparation

These summarised consolidated annual financial statements have been prepared in accordance with the Listings Requirements, the Companies Act and the Companies Regulations, 2011. The Group has applied the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council, as well as the presentation and disclosure requirements of International Accounting Standard (IAS) 34 Interim Financial Reporting. The financial results have been compiled under the supervision of JPF van Buuren CA(SA), the Chief Financial Officer.

These summarised consolidated annual financial statements have been extracted from and do not include all the information required for full annual financial statements, and should be read in conjunction with the audited consolidated annual financial statements for the year ended 30 June 2017, which are available on the Company's website, www.york.co.za, or from the Company's registered office. The directors take full responsibility for the preparation of the summarised consolidated annual financial statements and for the correct extraction of the financial information.

These summarised consolidated annual financial statements have been extracted from audited information, but are not audited. The auditor, KPMG Inc., has issued an opinion on the Group's consolidated annual financial statements for the year ended 30 June 2017. The audit was conducted in accordance with International Standards on Auditing. The auditor issued an unmodified audit opinion. 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 from the Company's registered office. These summarised consolidated annual financial results have been prepared on the going concern basis and were approved by the Board on 13 September 2017.

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 in terms of IFRS and are consistent in all material respects with those

applied during the year ended 30 June 2016, except for the new standards that became effective during this financial year.

2. Additional disclosure items

	30 June 2017	30 June 2016
	Audited	Audited
	R'000	R'000
Authorised capital commitments		
- Contracted, but not provided	20 267	59 229
- Not contracted	13 022	32 112
Capital expenditure	154 258	283 241
Depreciation of property, plant and equipment	92 174	56 344
Amortisation of intangible assets	892	1 079
Impairment of trade receivables	(1 766)	(335)

- The Group did not have any litigation settlements during the reporting period.

- The banking facility granted by Absa Bank (2016: FirstRand Bank Limited) was secured by a cession of trade receivables and Credit Insurance Solutions (CIS) insurance and cross-suretyships of R154 million with Absa Bank, and R5 million with FirstRand Bank Limited, within the Group. The general banking facility is available to all companies across the Group.

- The Group did not have any covenant defaults or breaches of its loan agreements during the period under review or at the reporting date.

- No events have occurred between the reporting date and the date of release of these results which require adjustment of or disclosure in these results.

- The Company repurchased 2,1 million shares through a subsidiary company within the Group.

3. Comparative figures

The summarised consolidated annual financial statements for the year ended 30 June 2016 are presented as previously published.

4. Operating segments

The Group has three reportable segments, which are the Group's strategic divisions. The Group operates in three geographical areas, 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 R'000	Total R'000
2017				
Revenue: external sales	1 245 719	523 233	60 699	1 829 651

Revenue: inter-segment sales	252 837	-	708 406	961 243
Total revenue	1 498 556	523 233	769 105	2 790 894
Depreciation and amortisation	(69 269)	(1 782)	(18 726)	(89 777)
Reportable segment profit*	137 738	21 759	95 900	255 397
Capital expenditure	110 923	3 426	27 468	141 817

2016

Revenue: external sales	1 227 743	464 958	77 519	1 770 220
Revenue: inter-segment sales	204 926	-	646 253	851 179
Total revenue	1 432 669	464 958	723 772	2 621 399
Depreciation and amortisation	(47 964)	(1 419)	(7 732)	(57 115)
Reportable segment profit*	124 152	17 171	100 879	242 202
Capital expenditure	286 306	1 088	62 371	349 765

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

	30 June 2017	30 June 2016
	Audited	Audited
	R'000	R'000
Revenue per geographical area		
South Africa	1 592 917	1 552 248
Southern Africa Development Community (SADC)	215 602	218 801
International (Non-SADC)	24 286	-
Total	1 832 805	1 771 049
Reconciliation of reportable segment profit or loss		
Total EBITDA for reportable segments	255 397	242 202
Depreciation, amortisation and impairment	(94 732)	(57 115)
Unallocated amounts	(9 296)	(2 154)
Operating profit	151 369	182 933

5. Biological asset

	30 June 2017	30 June 2016
	Audited	Audited
	R'000	R'000
Reconciliation of biological asset		
Opening balance	2 334 327	2 140 067
Fair value adjustment		
- Increase due to growth and enumerations	349 005	329 011
- Adjustment to standing timber values to reflect fair value at year-end	366 875	189 821
Decrease due to harvesting	(279 387)	(325 956)
Purchased plantations	59 082	1 384
Standing timber harvested	(1 384)	-
Closing balance	2 828 518	2 334 327
Classified as non-current assets	2 392 979	1 993 501
Classified as current assets	435 539	340 826

	30 June 2017	30 June 2016
	Audited	Audited
Key assumptions used in the discounted cash flow valuation		
Risk-free rate (R186 bond)	8,78%	8,80%
Beta factor	1,21	1,12
Cost of equity	16,44%	15,96%
Pre-tax cost of debt	10,50%	10,50%
Debt:equity ratio	35:65	35:65
After-tax weighted average cost of capital	13,33%	13,02%

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

- Volumes: Forecast volumes were updated at the reporting date using a merchandising model. Growth in the DCF model refers to the forecast yield of planted trees at maturity and has increased by less than in the prior year due to changes in temporary unplanted areas and trees per hectare.
- Log prices: The price per cubic metre is based on current and future expected market prices per log class. It was assumed that log prices will increase at 6,5% per year over the next year, 6% over the following year and 6% over the long term (2016: 6,5% per year over the next year, 6% over the following year and 6% over the long term).
- Operating costs: The costs are based on the unit costs of the forest management activities required to enable the trees to reach the age of felling. The costs include the current and future expected costs of

harvesting, maintenance and risk management, as well as an appropriate amount of fixed overhead costs. A contributory asset charge takes into account the cost of property, plant and equipment utilised to generate cash flows from the biological asset over the valuation period. The operating costs exclude the transport costs necessary to get the asset to market. These operating costs have been reviewed and updated to current actual costs. A long-term inflation rate of 5,8% in year one and 6% over the long term was used (2016: 6,15% in year one and 6% over the long term).

6. Related parties

The Group's related parties are its subsidiaries and key management, including directors. No change in control occurred in the Company's subsidiaries during the period.

7. Basic earnings per share

The calculation of basic earnings per share is based on:

	30 June 2017	30 June 2016
	Audited	Audited
Basic earnings attributable to ordinary shareholders (R'000)	367 286	238 212
Weighted average number of ordinary shares in issue ('000)	317 209	325 286
Earnings per share (cents)	116	73

No change occurred in the number of shares in issue and no instruments had a dilutive effect. A total of 15,2 million shares (2016: 13,1 million shares) have been repurchased by the Group and are held as treasury shares.

8. Headline earnings per share

The calculation of headline earnings per share is based on:

	30 June 2017	30 June 2016
	Audited	Audited
	R'000	R'000
Reconciliation of basic earnings to headline earnings		
Basic earnings attributable to ordinary shareholders	367 286	238 212
Loss on sale of assets and liabilities (net of tax)	126	161
Fair value adjustment on investment property (net of tax)	-	(1 910)
Impairment of plant, equipment and vehicles (net of tax)	1 200	1 729
Headline earnings for the year	368 612	238 192
Weighted average number of ordinary shares in issue ('000)	317 209	325 286
Headline earnings per share (cents)	116	73

9. Core earnings per share

The calculation of core earnings per share is based on:

	30 June 2017	30 June 2016
	Audited	Audited
	R'000	R'000
Basic earnings attributable to ordinary shareholders	367 286	238 212
Fair value adjustment on biological assets (net of tax)	(314 276)	(138 870)
Core earnings for the year	53 010	99 342
Weighted average number of ordinary shares in issue ('000)	317 209	325 286
Core earnings per share (cents)	17	31

10. Board of Directors

Mr Dinga Mncube was appointed as acting Chairman of the Board from 16 January 2017 to 6 April 2017 during Dr Myers' recovery from an operation. Dr Myers resumed his role as Chairman of the Board with effect from 6 April 2017.

Company information

Executive directors: Pieter van Zyl (Chief Executive Officer),
Pieter van Buuren (Chief Financial Officer)
Non-executive directors: Dr Jim Myers* (Non-executive Chairman, USA),
Paul Botha, Dr Azar Jammine*, Shakeel Meer, Dinga Mncube*,
Maserame Mouyeme*, Thabo Mokgatlha*, Gavin Tipper* (*independent)

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Postal address: PO Box 1191, Sabie 1260

Auditors: KPMG Inc.

Company secretary: Han-hsiu Hsieh

Sponsor: One Capital

Transfer secretaries: Computershare Investor Services Proprietary
Limited