

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

Audited summarised consolidated financial results
For the year ended June 2015

www.york.co.za

Highlights

- Cash generated from operations of R183 million increased by R31 million from the prior year
- R203 million invested in improvements and capacity
- Revenue up 17% and 99% improvement in profit for the year
- Operating profit increased by 23% due to improved sales, better average selling prices and operational efficiencies
- Commencement of R300 million plywood expansion project
- Net biological asset value increased by R37 million
- Underlying tangible net asset value up 4% to 739 cents per share
- Earnings per share increased by 107%

Commentary

Group performance and financial review

Combined sales volumes of both lumber and plywood increased by 12, 4% year-on-year. Production at processing plants increased by 3% from the previous year in spite of the August 2014 industrial action by wage earners and load shedding interruptions. The total production lost during 2015 amounted to 4% and 6% of planned production time respectively. The investments made in the current and previous years to increase efficiencies and production flow contributed to this year's results.

During 2015 York commenced with a R300 million upgrade of the existing plywood facility that will increase production capacity by 69%. This upgrade will be completed during the last quarter of the 2016 financial year. This investment is the first in a number of step changes planned for York's EBITDA generating ability.

The volume of lumber sold by York increased by 14% year-on-year relevant to the lumber market that grew by only 3%. The average selling prices for lumber increased by 5% in the period. Plywood volume sold by York increased by 7% year-on-year while the average selling price increased by 14%.

The previously loss-making Wholesale division that was purchased from Iliad Africa, became profitable during the year with an increase of R9 million in EBITDA relative to the prior year. Further investment in remanufacturing capabilities is planned for

the next year. This division contributed R392.5 million in turnover and has the ability to meet short delivery lead times and immediate stock availability required by customers across a range of products.

The Forestry division EBITDA decreased year-on-year by 29%, in line with York's sustainable forestry management practises and outside procurement strategy. Industry log prices for solid wood processing continues to increase for larger diameter logs, at the same time the number of hectares managed for pine long saw log rotation continues to reduce. The York biological asset increased year-on-year with a fair value adjustment of R37 million. The net movement of additional volume due to growth, price increases and costs added R59 million but was negatively impacted by the change in the applied discount rate by R22 million.

The Forestry division delivered 1 134 358m³ of own and purchased volumes, 7,2% more than the previous year. York suffered a fire at its Taurus plantation that resulted in a higher temporary unplanted area of 3,428 hectares. The targeted temporary unplanted area for the 2016 financial year is 2 238 hectares. York will continue to procure external raw material so as to conserve its own plantations over the medium term to achieve sustainable maturity. In line with this strategy, the Forestry division purchased 8% more external logs than the previous year. External purchases represented 35% (previous year also 35%) of total available processed volumes, whilst own plantations accounted for the remaining balance of required processed volumes. These external purchases had a negative impact of R28.8 million on the Forestry division's EBITDA. The standing volume of trees increased by 4%, enhancing the long-term value of the biological asset.

Balance sheet movements

York has invested R203 million in acquiring property, plant and equipment, the bulk of which relates to the plywood expansion project. This expenditure is funded with a term loan from the Land Bank of R280 million. The total long-term debt is R678 million, with a debt: equity ratio at a conservative 19%.

The working capital investment increased by 3% during the year, mainly as a result of higher plywood resin consumption and the revenue growth experienced by the Wholesale division. Accounts receivable days outstanding improved by 24% from the prior year. Trade payables have increased as a result of inventory purchases at our Wholesale division, higher external log purchases and the capital projects in progress.

During the year, York elected to utilise R14,3 million of its self-insurance fund to recoup firefighting costs. York also continued with the investment and contributed another R18,45 million towards this self-insurance fund. The total value of the self-insurance fund at year-end was R41,9 million.

Adjusted tangible net asset value

Adjusted tangible net asset value (TNAV) represents the physical net asset value, including property plant and equipment, biological assets, plus all other assets and less all liabilities, but specifically excludes intangible items such as goodwill and deferred tax. With this measurement management aims to demonstrate the actual value inherent in the company on a per share basis. It is a useful measurement as it aims to be a comparable data point to reference against the current traded share performance.

As at 30 June 2015, York traded at a 63% discount to the TNAV as at year-end. The annual growth in TNAV is 4,5% from 707c to 739c per share. York has re-purchased 3,7 million of its issued shares at year-end. Given this large discount, York will continue its repurchase programme.

Cash flow

Cash generated from operations improved to R182,5 million, up from R151,5 million. York invested R203,2 million (previous year R66,1 million) in property, plant and equipment.

York received Land Bank funding for the plywood expansion project of R183,9 million, and repaid existing loans to the value of R44 million during the year.

Cash at year-end ended on R192 million, which is R81 million (74%) better than the prior year.

Outlook

York embarked on Project Evolve to improve planning and scheduling, contractor engagement, management and supervisory effectiveness, problem solving as well as improve reaction times to variations in performance achieved by the implementation of management operating systems. Benefits of this project create a dynamic platform to build York's growth strategy.

Extracting value from our plantation growth stock remains a key focus area. It is with this objective in mind that York continues to invest in the appropriate processing technology. York will continue to focus on efficiencies in its processing plants and improving process flow, where appropriate.

Insourcing of various forestry activities has and will continue to deliver benefits to York, and will remain a key priority. The continued improvements in our plantation growth stock through enhanced silviculture practices, site specie matching and effective external log procurement will ensure adequate raw material is available to deliver on the growth strategy.

York is committed to develop a more diversified earnings base. As a result, York will participate in the Department of Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) in the expedited bid window that closes on 11 November 2015. A bid for a 25 megawatt electrical biomass power plant will be submitted. This project will strengthen York's EBITDA generating capability, diversify earnings and extract increased value from available biomass in the Group.

Consolidated statement of financial position

	30 Jun 2015	30 Jun 2014
	Audited	Audited
	R'000	R'000
Assets		
Non-current assets		
Biological assets (see note 5)	1 821 029	1 834 963
Investment property	21 895	21 866
Property, plant and equipment	628 112	463 645
Goodwill	565 442	565 442
Intangible assets	2 711	2 439
Other financial assets	41 900	38 464
Deferred tax	7 050	8 495
Total non-current assets	3 088 139	2 935 314
Current assets		
Biological asset (see note 5)	319 038	268 129
Inventories	258 332	234 032
Trade and other receivables	210 928	171 893
Cash and cash equivalents	192 068	110 464
Current tax receivable	2 477	-
Total current assets	982 842	784 518
Total assets	4 070 982	3 719 832
Equity and liabilities		
Equity		
Share capital	16 377	16 562
Share premium	1 495 561	1 505 352
Reserves	732	(668)
Retained income	907 324	805 856
Total equity	2 419 994	2 327 102
Liabilities		
Non-current liabilities		
Loans from related parties	1 505	-

Cash-settled share-based payments	12 538	12 363
Deferred tax	605 605	574 879
Loans and borrowings	678 150	528 459
Provisions	12 371	11 671
Retirement benefit obligations	22 829	24 313
Total non-current liabilities	1 332 998	1 151 685
Current liabilities		
Current tax payable	79	2
Loans and borrowings	65 210	34 157
Cash-settled share-based payments	2 386	13 785
Operating lease liability	540	358
Trade and other payables	249 775	192 743
Total current liabilities	317 990	241 046
Total liabilities	1 650 988	1 392 730
Total equity and liabilities	4 070 982	3 719 832

Consolidated statement of comprehensive income

	Year ended 30 Jun 2015 Audited R' 000	Year ended 30 Jun 2014 Audited R' 000
Revenue	1 543 149	1 323 976
Cost of sales	(1 138 734)	(946 031)
Gross profit	404 415	377 945
Other operating income	29 618	17 215
Selling, general and administration expenses	(290 012)	(278 349)
Operating profit	144 021	116 811
Fair value adjustments	42 422	(2 084)
Bargain purchase on acquisition	6 244	2 984
Profit before finance costs	192 687	117 711
Investment income	3 585	5 820
Finance costs	(58 385)	(56 440)
Profit before taxation	137 887	67 071
Taxation	(36 419)	(16 097)
Profit for the period	101 468	50 994
Other comprehensive income/(loss):		
Available-for-sale financial assets adjustments	-	(680)

Remeasurement on defined benefit liability	1 944	(928)
Taxation related to components of other comprehensive income	(544)	371
Other comprehensive income for the period net of taxation	1 400	(1 237)
Total comprehensive income	102 868	49 757
Basic earnings per share (cents) (see note 7)	31	15

Consolidated statement of cash flows

	Year ended 30 Jun 2015 Unaudited R'000	Year ended 30 Jun 2014 Audited R'000
Cash generated from operations	182 574	151 461
Investment income	3 585	5 820
Finance costs	(58 385)	(56 440)
Taxation paid	(7 193)	-
Net cash from operating activities	120 581	100 841
Cash flows from investing activities		
Purchase of property, plant and equipment	(203 288)	(66 169)
Purchase of intangible assets	(1 417)	(2 127)
Acquisition of subsidiaries net cash acquired	(2 769)	(34 228)
Purchase of financial assets	(17 750)	(14 000)
Sale of financial assets	14 314	5 717
Purchase of biological assets	-	(4 206)
Sale of biological assets	5 477	-
Proceeds from disposal of property, plant and equipment	1 374	463
Proceeds from disposal of intangible assets	41	37
Net cash from investing activities	(204 018)	(114 513)
Cash flows from financing activities		
Reduction of share capital or buy-back of shares	(9 976)	-
Net movement in loans and	175 017	(34 558)

borrowings		
Net cash from financing activities	165 041	(34 558)
Total cash movement for the period	81 604	(48 230)
Cash at beginning of period	110 464	158 694
Cash at end of period	192 068	110 464

Consolidated statement of changes in equity

	Share capital R'000	Share premium R'000	Defined benefit plan reserve R'000
Balance at 1 July 2013 (audited)	16 562	1 505 352	-
Profit for the year	-	-	-
Other comprehensive income	-	-	(668)
Total comprehensive income for the year and total transactions with owners	-	-	(668)
Balance at 30 June 2014 (audited)	16 562	1 505 352	(668)
Profit for the period	-	-	-
Other comprehensive income	-	-	1 400
Total comprehensive income for the period and total transactions with owners	-	-	1 400
Purchase of own shares	(185)	(9 791)	-
Balance at 30 June 2015 (audited)	16 377	1 495 561	732

	Available- for-sale reserve R'000	Retained income R'000	Total equity R'000
Balance at 1 July 2013 (audited)	569	754 862	2 277 345
Profit for the year	-	50 994	50 994
Other comprehensive income	(596)	-	(1 237)
Total comprehensive income for the year and total transactions with owners	(569)	50 994	49 757
Balance at 30 June 2014 (audited)	-	805 856	2 327 102

Profit for the period	-	101 468	101 468
Other comprehensive income	-	-	1 400
Total comprehensive income for the period and total transactions with owners	-	101 468	102 868
Purchase of own shares	-	-	(9 976)
Balance at 30 June 2015 (audited)	-	907 324	2 419 994

Notes to the consolidated financial statements

1. Basis of preparation

These summarised consolidated annual financial statements have been prepared in accordance with the JSE Listings Requirements, the Companies Act of South Africa, 2008 and the Companies Regulations, 2011. The Group has applied the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by 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. The directors take responsibility for the preparation of the summarised consolidated annual financial statements and that the financial information is correctly extracted from the underlying financial statements.

These summarised results 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 as at and for the year ended 30 June 2015, which are available on the Company's website, www.york.co.za or at the company's registered office.

The auditor, KPMG Inc., has issued their opinion on the Group's financial statements for the year ended 30 June 2015. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office. These summarised consolidated annual financial statements have been extracted from audited information, but are not itself audited. These summarised consolidated annual financial results

have been prepared on the going concern basis and were approved by the Board of Directors on 28 September 2015.

There has been no material changes in judgements or estimates relating to amounts reported in prior reporting periods. The Group 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 thousand. The significant accounting policies and methods of computation are consistent in all material respects with those applied in the year ended 30 June 2014, except for the new standards that became effective during the year.

2. Additional disclosure items

	30 Jun 2015 Audited R'000	30 Jun 2014 Audited R'000
Authorised capital commitments:		
- Contracted, but not provided	124 034	5 068
- Not contracted	8 097	290 160
Capital expenditure	203 288	66 169
Depreciation of property, plant and equipment	54 264	38 206
Amortisation of intangible assets	1 104	924
Reversal of impairment of trade receivables	-	(6 866)

- The Group did not have any litigation settlements during the reporting period.
- The Group participates in a pooled banking facility of R105 million granted by FirstRand Bank Limited. Group companies have provided cross suretyship, limited to R5 million, in favour of FirstRand Bank Limited in respect of their obligations to the bank. The Group did not have any other contingent liabilities at the reporting date.
- 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.
- No movement occurred in the number of shares issued during the period under review, although the Company has re-purchased some of its shares through a subsidiary company within the Group.

3. Comparative figures

The annual financial statements for the year ended 30 June 2014, had reclassifications as follows:

During the year it was established that depreciation and utility expenses previously classified as part of Selling, general and administration expenses should be reclassified to Cost of sales as these expenses are directly linked to the manufacturing of timber related products. The consolidated amount of the adjustment amounted to R66 865 000 (2014: R54 013 000). The directors have not presented a third column in the statement of financial position as this reclassification is limited to the Statement of Profit or Loss and other Comprehensive Income.

Statement of profit or loss and other comprehensive income

	30 Jun 2015 Audited R'000	30 Jun 2014 Audited R'000
Cost of sales	-	54 013
Selling, general and administration expense	-	(54 013)
Impact on operating profit	-	-
Impact on profit after tax	-	-

4. Operating segments

The Group has three reportable segments, which are the Group's strategic divisions. The Group operates in one geographic segment, being countries within the Southern Africa Development Community (SADC).

The segment analysis is as follows:

2015	Sawmills	Wholesale	Forestry	Total
Revenue: external sales	1 079 157	400 399	62 833	1 542 389
Revenue: inter-segment sales	206 763	-	603 115	809 878
Total revenue	1 285 920	400 399	665 948	2 352 267
Depreciation and amortisation	(44 402)	(1 424)	(6 005)	(51 831)
Reportable segment profit*	97 026	4 065	93 131	194 222
Fair value adjustment	-	-	42 452	42 452
Capital expenditure	182 542	407	10 850	193 799
2014	Sawmills	Wholesale	Forestry	Total
Revenue: external sales	996 886	278 568	47 822	1 323 276

Revenue: inter-segment sales	177 133	-	572 946	750 079
Total revenue	1 174 019	278 568	620 768	2 073 355
Depreciation and amortisation	(31 761)	(1 154)	(3 693)	(36 608)
Reportable segment profit*	54 331	(5 289)	118 478	167 520
Fair value adjustment	-	-	(1 984)	(1 984)
Capital expenditure	52 872	3 482	7 993	64 347

*Being the earnings before interest, taxation, depreciation & amortisation (EBITDA)

	30 Jun 2015 Audited R'000	30 Jun 2014 Audited R'000
Reconciliation of reportable segment profit or loss		
Total EBITDA for reportable segments	194 222	167 520
Depreciation, amortisation and impairment	(51 831)	(36 608)
Unallocated amounts	1 630	(14 101)
Operating profit	144 021	116 811

5. Biological assets

	30 Jun 2015 Audited R'000	30 Jun 2014 Audited R'000
Reconciliation of biological assets		
Opening balance	2 103 092	2 100 870
Fair value adjustment:		
- Increase due to growth and enumerations	435 042	447 357
- Adjustment to standing timber values to reflect fair value at period end	(68 958)	(123 284)
Decrease due to harvesting	(323 632)	(326 057)
Purchased plantations	-	4 206
Sale of plantations	(5 477)	-
Closing balance	2 140 067	2 103 092
Classified as non-current assets	1 821 029	1 834 963
Classified as current assets*	319 038	268 129

	30 Jun 2015 Audited	30 Jun 2014 Audited
Key assumptions used in the discounted cash flow valuation		
Risk free rate (R186 bond)	8, 28%	8,31%
Beta factor	1, 09	1,08
Cost of equity	15, 28%	15,25%
Pre-tax cost of debt	10, 25%	10,00%
Debt: equity ratio	35:65	35:65
After-tax weighted average cost of capital	12.51%	12.43%

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

- Volumes: Forecast volumes were updated at the reporting date, using a merchandising model.
- 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 with 6,5% per year over the next two years and at 6%* (2014: 6,5% over the first two years and 6% over the long term) 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, 7% in year one and 6% over the long term* (2014: 5.5%) was used.

(*Management believes that, as a result of the anticipated shortage in local log supply and forecast long term demand, long-term revenue inflation will be greater than cost inflation.)

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. The Group acquired a joint operation during the year.

7. Earnings per share

The calculation of basic earnings per share is based on:

30 Jun 2015	30 Jun 2014
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	Audited	Audited
Basic earnings attributable to ordinary shareholders (R'000)	101 468	50 994
Weighted average number of ordinary shares in issue (R'000)	327 544	331 241
Earnings per share (cents)	31	15

No change occurred in the number of shares in issue and no instruments had a dilutive effect.

8. Headline earnings per share

The calculation of headline earnings per share is based on:

	30 Jun 2015 Audited R'000	30 Jun 2014 Audited R'000
Reconciliation of basic earnings to headline earnings		
Basic earnings attributable to ordinary shareholders	101 468	50 994
Profit on sale of assets and liabilities (net of tax)	(304)	(402)
Fair value adjustment on investment property (net of tax)	24	81
Impairment of plant, equipment and vehicles (net of tax)	-	229
Bargain purchase on acquisition	(6 244)	(2 984)
Headline earnings for the period	94 944	47 918
Weighted average number of ordinary shares in issue ('000)	331 032	331 241
Headline earnings per share (cents)	29	14

9. Directorship changes

Ms Maserame Mouyeme was appointed on 22 May 2015 as a non-executive independent director.

Company information

Executive directors: Pieter van Zyl (CEO), Pieter van Buuren (CFO)

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)

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

Postal address: PO Box 1191, Sabie 1260

Auditor: KPMG Inc.

Company secretary: Han-hsiu Hsieh

Chief Financial Officer: Pieter van Buuren

Sponsor: One Capital

Transfer secretaries: Computershare Investor Services (Pty) Ltd

29 September 2015