

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 31 December 2019

RESULTS OVERVIEW

www.york.co.za

- Revenue increased by 8%
- EBITDA increased by R70 million
- Debt reduced by R155 million
- Cash generated from operations decreased by 35% to R64 million
- Biological asset value increased by 6%
- Earnings per share improved from a loss of 20 cents per share to a loss per share of 19 cents
- Headline earnings per share remained the same at a loss of 20 cents
- No dividend has been declared for the interim period ended 31 December 2019.

ABOUT THIS SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement. The full announcement was made available on SENS on 31 March 2020, and is accessible via the following JSE link <https://senspdf.jse.co.za/documents/2020/jse/isse/YRK/HY2020SENS.pdf> and can be found on the Company's website at www.york.co.za. Copies of the full announcement may also be requested at the Company's registered office, at no charge, on Mondays to Fridays, during office hours.

On behalf of the Board

PP van Zyl

Chief Executive Officer

GCD Stoltz

Chief Financial Officer

31 March 2020

Executive directors: Pieter van Zyl (CEO), Gerald Stoltz (CFO)

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

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

Postal address: PO Box 1191, Sabie, 1260

Auditor: PricewaterhouseCoopers Inc. **Company Secretary:** Sue Hsieh **Sponsor:** One Capital

Transfer secretaries: Computershare Investor Services Proprietary Limited



YORK TIMBERS

**UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

SALIENT FEATURES

- **Revenue increased** by **8%**.
- **EBITDA** (earnings before interest, tax, depreciation and amortisation) **increased** by **R70 million**.
- **Debt reduced** by **R155 million**.
- **Cash generated** from operations **decreased** by **35%** to **R64 million** (31 December 2018: R99 million*).
- **Cash in bank** at reporting date of **R55 million**.
- **Biological asset** value **increased** by **6%**.

* Restated.

COMMENTARY

The financial results for the period were impacted by:

- Lower sales of plywood due to Brazilian manufacturers dumping their uncertified product in an unregulated South African market.
- Excessively high log prices in Mpumalanga compared to other regions in Southern Africa resulted in an increase in operating costs that could not be recovered from the market.

This negatively impacted cash flow over the reporting period.

York responded to these market challenges with some success and maintained its lumber market share.

EBITDA increased by R70 million from the prior reporting period.

OPERATIONAL RESULTS

Local plywood sales have been negatively impacted by imported plywood, predominantly from Brazil. Prices plunged by more than 35% over an eight-month period. Most of this plywood was not certified in accordance with SANS 929 building standards and originates from plantations that are not certified under sustainable practices. York has approached the Department of Trade and Industry and the National Home Builders Registration Council to levy tariffs on the dumping of plywood, as well as impose certification for structural application in South Africa. York's plywood has been certified by regulating bodies in North America, the United Kingdom, Europe and South Africa and is produced from certified plantations under the Forestry Stewardship Council. International prices were also impacted by the dumping by Brazilian manufacturers. Prices started to improve from January 2020 and indications are that prices will slowly increase to previous trading levels. The weakening of the exchange rate assists York in its export strategy (But please note that the Brazilian Real has also plummeted against the Dollar in tandem with the Rand.)

Annualised lumber sales decreased by 1% from the prior reporting period. York's market share increased slightly on the back of lower sales. Producers from Swaziland are gaining market share in South Africa at the expense of local producers who pay higher prices for raw materials, labour and diesel than those levied or legislated in South Africa.

York is consolidating its Escarpment processing operations to be more cost effective and is increasing its processing capacity at its Highveld operations.

The forestry division's results were impacted by longer lead distances and inconsistent production of roadside volumes by harvesting operators. Historical damage caused predominantly by pests to plantations is impacting the suitability of logs for solid wood processing. This necessitated a change in harvesting systems and processing technologies.

The limited supply of suitable planting material resulted in an increase in the temporarily unplanted area. Substantial improvements were made in the tree breeding strategy that will increase the availability of suitable hybrid planting material. The increase in operational costs and the discount rate are the main drivers that negatively impacted the biological asset valuation by R134,1 million. A comprehensive revision of cost structures in the forestry division is in progress.

York procures a significant volume of logs from external sources. The South African Forestry Company Limited (SAFCOL) has been approached regarding the high log prices charged in the Mpumalanga region, which are between 22% and 41% higher than other regions in South Africa. These log prices threaten the sustainability of the sawmilling industry and related jobs in Mpumalanga as operations are not competitive at current input costs. York continues to engage with SAFCOL regarding the high log prices.

COMMENTARY continued

York has concluded a recognition agreement with the majority trade union. Industrial relations are conducted in accordance with the stipulations of this agreement, and wage negotiations were concluded successfully.

BALANCE SHEET AND CASH FLOWS

Capital expenditure was limited to R20,5 million over the period. All expenditures will be managed stringently to ensure optimal utilisation of available funds for the remainder of the fiscal year.

The fair value of the biological asset has been adjusted downwards by R134,1 million, as a result of higher costs and increase in the discount rate to the value of R75,2 million and standing timber harvested of R58,9 million.

Working capital levels have increased by 16% to R228,3 million which necessitated the commercial closing of the plywood plant for four weeks during the reporting period. Subsequent to the reporting period, plywood sales volumes increased with improved average selling prices.

York's debt reduced by R155,4 million compared to the prior reporting period of which R74,5 million was during the six months ended December 2020.

OUTLOOK

Subsequent to the reporting date, notices were issued to employees under section 189A of the Labour Relations Act at two of York's sawmills in the Escarpment region. The consultation process is underway with all relevant stakeholders. High log prices in the Mpumalanga region are the primary reason for these mills becoming financially unviable.

The COVID-19 pandemic and subsequent lockdown will have an impact on York's business, our customers and suppliers. The Board considered the current cash position and facilities available to the Company. Various options considering the impact of COVID-19 were discussed and assessed in terms of its financial obligations. The Company has proactively engaged with its financiers and constructive proposals to mitigate the impact of the nationwide lockdown are being considered. With those measures implemented, York will be able to service its obligations in the foreseeable future under the current regulations of the nationwide lockdown.

York is taking appropriate steps to assist with limiting the spread of the virus. York has implemented stringent measures to combat the spread of COVID-19 at all operations in terms of the required guidelines to ensure the well-being of all of our staff. Most of York's operations will be closed during the lockdown period.

York is continuously evaluating the various changes in regulations to consider which of its operations can be re-opened. Certain essential services require timber for the manufacturing and transport of products, making of pallets and crates, and for use as packaging material. York will endeavour to supply these products as and when required. Operations are scheduled to open after 16 April 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Unaudited as at 31 Dec 2019 R'000	Unaudited as at 31 Dec 2018 R'000	Audited as at 30 Jun 2019 R'000
ASSETS			
Non-current assets			
Biological assets (note 5)	2 534 007	2 443 572	2 639 014
Investment property	30 740	26 481	30 740
Property, plant and equipment	866 846	917 988	893 891
Goodwill	357 630	565 442	357 630
Intangible assets	6 008	305	3 616
Deferred tax	9 191	4 591	7 899
Other financial assets at amortised cost	42 557	46 610	61 903
Total non-current assets	3 846 979	4 004 989	3 994 693
Current assets			
Biological assets (note 5)	486 409	400 357	515 543
Inventories	348 436	276 113	374 553
Current tax receivable	477	1 309	11 000
Trade and other receivables	192 462	144 870	221 243
Cash and cash equivalents	54 691	125 506	89 003
Total current assets	1 082 475	948 155	1 211 342
Total assets	4 929 454	4 953 144	5 206 035
EQUITY AND LIABILITIES			
Equity			
Share capital	15 802	15 802	15 802
Share premium	1 464 430	1 464 430	1 464 430
Reserves	3 822	959	2 356
Retained income	1 554 865	1 585 575	1 614 129
Total equity	3 038 919	3 066 766	3 096 717
Liabilities			
Non-current liabilities			
Deferred tax	908 607	836 070	930 875
Lease liability	8 368	11 145	9 995
Borrowings	458 703	554 915	530 865
Provisions	16 103	15 040	15 738
Retirement benefit obligations	27 258	26 847	26 764
Total non-current liabilities	1 419 039	1 444 017	1 514 237
Current liabilities			
Current tax payable	275	86	17
Borrowings	150 469	209 609	152 571
Lease liability	8 231	7 654	8 152
Trade and other payables	312 518	224 001	434 279
Bank overdraft	3	1 011	62
Total current liabilities	471 496	442 361	595 081
Total liabilities	1 890 535	1 886 378	2 109 318
Total equity and liabilities	4 929 454	4 953 144	5 206 035

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2019

	Unaudited for the six months ended 31 Dec 2019 R'000	Unaudited for the six months ended 31 Dec 2018 R'000	Audited for the year ended 30 Jun 2019 R'000
Revenue	867 866	800 227	1 600 522
Cost of sales	(640 895)	(608 699)	(1 140 167)
Gross profit	226 971	191 528	460 355
Other operating income	8 515	16 158	31 940
Other operating gains	4 139	2 733	21 351
Impairment of goodwill	–	–	(207 812)
Other operating expenses	(215 722)	(253 972)	(412 148)
Operating profit/(loss)	23 903	(43 553)	(106 314)
Fair value adjustments	(75 226)	(11 831)	207 901
(Loss)/profit before finance costs	(51 323)	(55 384)	101 587
Investment income	1 908	2 851	5 269
Finance costs	(33 135)	(39 106)	(77 537)
(Loss)/profit before taxation	(82 550)	(91 639)	29 319
Taxation	23 286	26 810	(65 587)
Loss for the period	(59 264)	(64 829)	(36 268)
Other comprehensive income			
Remeasurement of defined benefit liability	–	–	133
Taxation related to components of other comprehensive income	–	–	(37)
Other comprehensive income for the period net of taxation	–	–	96
Total comprehensive loss for the period	(59 264)	(64 829)	(36 172)
Basic loss per share (cents) (note 8)	(19)	(20)	(11)
Diluted loss per share (cents) (note 8)	(19)	(20)	(11)
Headline (loss)/earnings per share (cents) (note 9)	(20)	(20)	50
Diluted headline (loss)/earnings per share (cents) (note 9)	(20)	(20)	50

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ending 31 December 2019

	Share capital R'000	Share premium R'000	Share- based payment reserve R'000	Defined benefit plan reserve R'000	Retained income R'000	Total equity R'000
Balance as at 1 July 2018	15 802	1 464 430	614	(967)	1 650 397*	3 130 276*
Loss for the year	–	–	–	–	(36 268)	(36 268)
Other comprehensive income	–	–	–	96	–	96
Total other comprehensive income/(loss) for the year	–	–	–	96	(36 268)	(36 172)
Employees share option scheme	–	–	2 613	–	–	2 613
Balance as at 30 June 2019 (audited)	15 802	1 464 430	3 227	(871)	1 614 129	3 096 717
Loss for the period	–	–	–	–	(59 264)	(59 264)
Other comprehensive income	–	–	–	–	–	–
Total other comprehensive loss for the period	–	–	–	–	(59 264)	(59 264)
Employees' share option scheme	–	–	1 466	–	–	1 466
Balance as at 31 December 2019 (unaudited)	15 802	1 464 430	4 693	(871)	1 554 865	3 038 919

* The deferred tax adjustment on the adoption of IFRS 9 changed with R7 000 from that reported December 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2019

	Unaudited for the six months ended 31 Dec 2019 R'000	Restated* Unaudited for the six months ended 31 Dec 2018 R'000	Audited for the year ended 30 Jun 2019 R'000
Cash flows from operating activities			
Cash generated from operations (note 6)	63 925	99 107	223 822
Investment income	1 908	2 851	5 269
Finance costs	(32 016)	(38 034)	(74 152)
Tax refunded/(paid)	10 507	2 054	(8 659)
Net cash from operating activities	44 324	65 978	146 280
Cash flows from investing activities			
Purchase of property, plant and equipment	(20 474)	(44 868)	(81 170)
Proceeds from disposal of property, plant and equipment	4 602	1	27 399
Additions to investment property	–	–	(30)
Proceeds from disposal of investment property	–	250	250
Purchase of intangible assets	(2 449)	–	(3 479)
Proceeds from sale of intangible assets	–	–	2
Purchase of other financial assets at amortised cost	(11 094)	(6 903)	(22 415)
Proceeds on other financial assets at amortised cost	30 440	–	219
Net cash generated from/(applied to) investing activities	1 025	(51 520)	(79 224)
Cash flows from financing activities			
Net repayment of borrowings	(74 491)	(40 071)	(122 466)
Repayment of lease liability	(5 651)	(4 673)	(9 622)
Net cash applied to financing activities	(80 142)	(44 744)	(132 088)
Total cash movement for the period	(34 793)	(30 286)	(65 032)
Cash at beginning of the period	88 941	152 030	150 030
Effect of exchange rate movement on cash balances	540	2 751	1 943
Cash at the end of the period	54 688	124 495	88 941

* The sale of biological assets has been reclassified from cash flows from investing activities (31 December 2018) to cash flows generated from operating activities. These biological assets are purchases of raw material for consumption within 12 months and are of an operating nature.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2019

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 condensed consolidated interim financial results have been compiled under the supervision of GCD 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 2019 which are available on the Company's website, www.york.co.za or at the Company's registered office.

The condensed consolidated interim financial results have not been reviewed or audited by the Company's external auditor. The condensed

consolidated interim financial results, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 March 2020.

Other than the change in the risk-free rate included in the weighted average cost of capital and the change in the volume adjustment factor (refer to note 5) there have been no material changes to judgements or estimates relating to amounts reported as at 31 December 2018. The movement in purchased plantations has been reclassified from investing activities to operating activities.

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 R'000.

2. CHANGE IN ACCOUNTING POLICY AND RESTATEMENT

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the 30 June 2019 consolidated annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS continued
 for the six months ended 31 December 2019

3. ADDITIONAL DISCLOSURE ITEMS

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 Jun 2019 R'000
Authorised capital commitments			
– Contracted, but not provided for	23 641	11 406	6 502
– Not contracted	46 221	47 909	28 199
Capital expenditure	22 923	44 868	84 679
Depreciation of property, plant and equipment	49 735	47 126	98 718
Amortisation of intangible assets	57	158	324

- The Group did not have any litigation settlements during the reporting period.
- The banking facility granted by Absa Bank was secured by a cession of trade receivables and Credit Insurance Solutions insurance and cross-suretyships of R154 million. 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 movement occurred in the number of shares in issue during the period under review.

4. OPERATING SEGMENTS

The Group has three reportable segments which are the Group's strategic divisions. The Group operates in three geographic segments, namely South Africa, countries within the Southern Africa Development Community (SADC) and international (non-SADC).

The segmental analysis is as follows:

Processing plants

	Dec 2019 R'000	Dec 2018 R'000	Jun 2019 R'000
Revenue: external sales	568 506	430 923	955 009
Revenue: inter-segment sales	132 165	136 485	351 099
Total revenue	700 671	567 408	1 306 108
Depreciation and amortisation	(30 309)	(29 872)	(61 583)
Reportable segment profit*	38 269	(17 287)	51 838
Fair value adjustment	–	–	–
Capital expenditure	15 154	20 157	37 657

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

4. OPERATING SEGMENTS continued

Wholesale

	Dec 2019 R'000	Dec 2018 R'000	Jun 2019 R'000
Revenue: external sales	260 629	324 804	562 402
Revenue: inter-segment sales	–	–	–
Total revenue	260 629	324 804	562 402
Depreciation and amortisation	(4 083)	(3 903)	(8 202)
Reportable segment profit*	4 627	4 703	(1 051)
Fair value adjustment	–	–	–
Capital expenditure	409	180	392

Forestry and Fleet

	Dec 2019 R'000	Dec 2018 R'000	Jun 2019 R'000
Revenue: external sales	36 340	40 791	77 247
Revenue: inter-segment sales	405 117	283 462	708 813
Total revenue	441 457	324 253	786 060
Depreciation and amortisation	(12 506)	(10 899)	(231 667)
Reportable segment profit*	28 996	17 305	122 843
Fair value adjustment	(75 226)	(11 831)	203 672
Capital expenditure	4 517	18 771	36 197

Total before unallocated and inter-segment elimination

	Dec 2019 R'000	Dec 2018 R'000	Jun 2019 R'000
Revenue: external sales	865 475	796 518	1 594 658
Revenue: inter-segment sales	537 282	419 947	1 059 912
Total revenue	1 402 757	1 216 465	2 654 570
Depreciation and amortisation	(46 898)	(44 674)	(301 452)
Reportable segment profit*	71 892	4 721	173 630
Fair value adjustment	(75 226)	(11 831)	203 672
Capital expenditure	20 080	39 108	74 246

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

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS continued
 for the six months ended 31 December 2019

4. OPERATING SEGMENTS continued

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 Jun 2019 R'000
Reconciliation of reportable segment profit or loss			
Total EBITDA for reportable segments	71 892	4 721	173 630
Depreciation, amortisation and impairment	(49 792)	(47 284)	(310 982)
Non-reporting EBITDA	1 803	(990)	31 038
Operating profit/(loss)	23 903	(43 553)	(106 314)
Revenue per geographical area			
South Africa	742 469	690 007	1 384 318
Southern African Development Community (SADC)	110 197	68 858	158 725
International (non-SADC)*	15 200	41 362	57 479
Total	867 866	800 227	1 600 522

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

5. BIOLOGICAL ASSETS

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 Jun 2019 R'000
Change in discounted cash flows value attributable to:			
Opening balance	3 154 557	2 918 550	2 918 550
Net growth	146 771	(121 823)	(61 687)
Revenue and price	123 640	(11 581)	(6 452)
Operating cost	(181 039)	41 566	(79 685)
Discount rate	(164 599)	80 007	78 293
Standing timber purchased	–	–	133 246
Standing timber harvested	(58 914)	(62 790)	(71 811)
Disposals	–	–	(29 100)
Change in volume adjustment estimate ¹	–	–	273 203
Closing balance	3 020 416	2 843 929	3 154 557
Classified as non-current assets	2 534 007	2 443 572	2 639 014
Classified as current assets ²	486 409	400 357	515 543

¹ Since June 2019, an accuracy factor is used to calculate the accounting estimated volume. This represented a change in estimate.

² Biological assets to be harvested and sold in the 12 months after the reporting date.

5. BIOLOGICAL ASSETS continued

	Unaudited 31 Dec 2019 m ³	Unaudited 31 Dec 2018 m ³	Audited 30 Jun 2019 m ³
Reconciliation of standing volume (excluding purchased plantations)			
Opening balance	6 277 972	5 946 639	5 946 639
(Decrease)/increase due to growth and enumeration	(57 733)	490 840	953 231
Decrease due to harvesting	(317 438)	(310 106)	(621 898)
Closing balance	5 902 801	6 127 373	6 277 972
	Unaudited 31 Dec 2019*	Unaudited 31 Dec 2018*	Audited 30 Jun 2019
Key assumptions used in the calculation of the discount rate			
Risk-free rate ³	9,27%	8,88%	8,84%
Beta factor	1,26	1,16	1,17
Cost of equity	17,46%	16,41%	16,46%
Pre-tax cost of debt	10,00%	10,25%	10,25%
Debt:equity ratio	35:65	35:65	35:65
After-tax weighted average cost of capital	13,87%	13,25%	13,28%

* In the December 2019 and June 2019 reporting periods, the annualised yield of the bootstrapped zero coupon perfect fit bond curve maturing over ten years was used (December 2018: R186 bond). The reason for the change in the referenced risk-free rate is due to the volatility of the R186 bond as well as the bond maturing in December 2026. The underlying segment matures over a long period. The curve represents a suitable fit for the period under consideration.

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS continued
for the six months ended 31 December 2019

5. BIOLOGICAL ASSETS

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

Volumes: The expected yields per log class are calculated with reference to 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 pre-defined products as a basis for calculating log yields.

Volume adjustment factor: Due to the susceptibility of the plantations to the environment, an adjustment factor is used to reduce the volumes obtained from the merchandising model. This percentage is based mainly on factors such as animal damage and damage due to natural elements, such as wind, rain, hail, droughts and fires. An adjustment factor of 8% (2018: 8%) has been used. An accuracy factor is used to calculate the accounting estimated volume. The improvements in control measures have resulted in an adjustment of 1% (2018: 10%). This is a downwards adjustment of harvestable volume.

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 5% over the next year, at 5% over the following year, and at 5,20% over the long term (2018: 5,50% per annum over the next year, 5,30% over the following year, and at 5,50% per annum over the long term). Log prices are computed at a weighted average of external market prices and internal prices charged to the Group's processing operations. Internal prices are generally lower than external prices and are limited to levels that result in the profitability of the processing operations.

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 5% over the next year, 5% over the following year, and 5,20% over the long term (2018: 5,50% per annum over the next year, 5,30% over the following year, and 5,50% 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. Cost to sell includes the harvesting cost that is part of the operating cost.

Discount rate: In determining the weighted average cost of capital (WACC), comparable forestry group of companies' Beta is used to determine the Beta applied in WACC.

6. CASH GENERATED FROM OPERATIONS

	Unaudited 31 Dec 2019 R'000	Restated* Unaudited 31 Dec 2018 R'000	Audited 30 Jun 2019 R'000
(Loss)/profit before taxation	(82 550)	(91 639)	29 319
Adjustments for:			
Depreciation and amortisation	49 792	47 284	99 042
Loss/(profit) on disposal of assets	(3 599)	18	(19 408)
Profit on foreign exchange	(540)	(2 751)	(1 943)
Investment income	(1 908)	(2 851)	(5 269)
Finance costs	33 135	39 106	77 537
Fair value adjustments	75 226	11 831	(207 901)
Impairment of property, plant and equipment and goodwill	–	–	211 940
Purchase of biological assets	–	–	(133 246)
Sale of biological assets*	58 915	62 790	100 911
Movement in retirement benefit liabilities	494	417	467
Movement in provisions	365	417	1 115
Share-based payment expense: equity-settled	1 466	1 312	2 613
Changes in working capital			
Inventories	26 117	24 243	(74 197)
Trade and other receivables	28 781	113 861	37 488
Trade and other payables	(121 769)	(104 931)	105 354
Cash generated from operations	63 925	99 107	223 822

* The sale of biological assets has been reclassified from cash flows from investing activities (31 December 2018) to cash flows generated from operating activities. These biological assets are purchases of raw material for consumption within 12 months and are of an operating nature.

7. RELATED PARTIES

The Group's related parties are its subsidiaries and key management, including directors. No businesses were disposed of during the six-month period. York Agri Proprietary Limited was incorporated during the period for purposes of expanding into other agricultural industries.

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS continued
 for the six months ended 31 December 2019

8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	Unaudited 31 Dec 2019	Unaudited 31 Dec 2018	Audited 30 Jun 2019
Basic loss attributable to ordinary shareholders (R'000)	(59 264)	(64 829)	(36 268)
Reconciliation of weighted average number of ordinary shares			
Issued number of shares	316 048	316 048	316 048
Bonus element of share-based payment	1 874	841	1 391
Weighted average number of ordinary shares ('000)	317 922	316 889	317 439
Loss per share (cents)	(19)	(20)	(11)
Diluted loss per share (cents)	(19)	(20)	(11)

9. HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share is based on:

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 Jun 2019 R'000
Reconciliation of headline earnings			
Basic loss attributable to ordinary shareholders	(59 264)	(64 829)	(36 268)
Adjusted for:			
(Profit)/loss on sale of assets (net of tax)	(2 592)	13	(13 974)
Impairment of property, plant and equipment	–	–	2 972
Fair value adjustment on investment property	–	–	(3 045)
Impairment of goodwill	–	–	207 812
Headline (loss)/earnings for the period	(61 856)	(64 816)	157 497
Weighted average number of ordinary shares ('000)	317 922	316 889	317 439
Headline (loss)/earnings per share (cents)	(20)	(20)	50
Diluted headline (loss)/earnings per share (cents)	(20)	(20)	50

10. CORE EARNINGS PER SHARE

The calculation of core earnings per share is based on:

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 Jun 2019 R'000
Reconciliation of core earnings			
Basic loss attributable to ordinary shareholders	(59 264)	(64 829)	(36 268)
Fair value adjustment on biological assets (net of tax)	54 163	8 518	(146 644)
Impairment of goodwill	–	–	207 812
Core (loss)/earnings for the year	(5 101)	(56 311)	24 900
Weighted average number of ordinary shares in issue ('000)	317 922	316 889	317 439
Core (loss)/earnings per share (cents)	(2)	(18)	8
Diluted core (loss)/earnings per share (cents)	(2)	(18)	8

11. SUBSEQUENT EVENTS

Subsequent to the reporting date, but before the unaudited condensed consolidated interim financial statements were authorised for release, notices were issued to employees under section 189A of the Labour Relations Act at two of York's sawmills. These sawmill operations' raw material is procured externally, and due to the high log prices and the weak lumber market, have become unviable. An accurate estimate of the financial impact cannot be made as the consultation process has yet to be completed.

Log prices in Mpumalanga are at a premium of 22% and 41% to KwaZulu-Natal and the Cape Provinces, respectively, according to the latest Crickmay intermill comparison. York applies a weighted log price for the valuation of the biological asset, being an internal price calculated using a log paying capability model with the market price of lumber as reference for own-source logs, and the actual external log price charged by external sources. The external log price charged by SAFCOL (South African Forestry Company Limited), the biggest external supplier, does not reference the current market conditions and price of lumber. With the closure of these two plants, the proportion of externally sourced logs will decrease, and with that the weighted log prices used in the biological asset valuation. Lower log prices reduce the value of the biological asset. This is illustrated in the sensitivity analysis in note 5 of the 30 June 2019 consolidated annual financial statements.

The local and global impact of the COVID-19 pandemic subsequent to the reporting period will have an impact on our business and that of our customers and suppliers. At the date of releasing this report, the Board considered the current cash position and facilities of the Company. Scenarios on the ability of the Company to absorb these impacts were considered and it was found that the Company will be able to service its obligations for the foreseeable future. This view assumes a positive outcome of current negotiations that management has with its lenders on payment holidays and/or extension of our current available facilities. Management and the Board will continue to focus on, and manage, the situation as it unfolds.

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”)

Tax reference number

9225/039/71/9

Country of incorporation and domicile

South Africa

Nature of the business and principal activities

Operation of plantations, sawmills, a plywood plant and wholesale lumber sales

Auditor

PricewaterhouseCoopers Inc.

Transfer secretary

Computershare Investor Services Proprietary Limited

Sponsor

One Capital

Registered office and business address

York Corporate Office
 3 Main Road, Sabie, 1260

Postal address

PO Box 1191, Sabie, 1260

Directors

Executive directors

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

Non-executive directors

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

Company Secretary

Sue Hsieh

www.york.co.za



www.york.co.za