

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
www.york.co.za

Audited summarised consolidated financial results
for the year ended 30 June 2014

Salient features

- Revenue up 17% driven largely by the acquisition of two wholesale businesses
- Cash generated from operations improved by R45 million to R151 million
- Earnings per share down by 53.1% due to reduced sawmill segment profitability and lower margins from wholesale division
- Biological assets' value increased by R2,2 million
- R182 million spent on external log purchases which enhances the value and long term sustainability of the biological assets
- 5% volume growth in biological assets
- Underlying tangible net asset value up 2% to 707 cents per share

Commentary

Group performance and financial review

Revenue for the year increased by 17%, whilst cash from operations increased by 42%. The increased revenue was driven mainly by the acquisition of two wholesale businesses. The trading nature of this acquisition, with consequent lower margins, reduced the gross margin by 3%. The additional volume sold contributed to increased turnover and cash generation. Operating profit reduced by 27.6%, largely as a result of the processing plants not being able to recover their cost increases from the market. We increased investment in our processing plants to further enhance efficiencies and expect consequent benefits in the next financial year.

Operations

Forestry division performed well during the year, driven by high price increases on eucalyptus and above inflation increases from pine plantations. The processing plants experienced substantial cost increases on utilities and wages, in an environment where lumber prices moved sideways. Plywood prices increased in line with cost escalations and contributed substantially to Processing division's profitability. The Wholesale division was restructured with associated once-off costs. This new channel will further advance York's marketing strategy going forward.

Biological assets

The quality of York's biological assets (plantations) has improved substantially over the last few years, with a positive incremental volume growth of 270 672 m³ during the year. An increase in the discount rate negatively impacted the overall valuation, with a net increase of R2.2 million reported for the year. All plantations remained FSC certified and continue to be managed on a sustainable basis. During the year York purchased logs with a cost of R182 million from third parties, negatively impacting EBITDA by an estimated R28.6 million relative to use of own plantations.

Adjusted tangible net asset value

TNAV improved by 2.2% from 688c to 703c, driven by continued investment in property, plant and equipment, as well as growth in the biological asset. Goodwill was tested for any impairment and remains unchanged.

Cash flow

Cash generated from operations improved to R151.5 million (2013: R106.5 million). Net cash of R114.5 million (prior year R82.7 million) was invested in the business. This included R61.1 million invested in capital projects and R34.2 million on the acquisition of wholesale businesses. The cash balance at the end of the period was R110.5 million.

Outlook

York's Board of Directors approved the R280 million expansion to the plywood plant, with funding being finalised. The upgraded plant is expected to be operational within the next 18 months, without impacting existing operations.

Lumber outlook remains stable, with volumes sold increasing and prices slowly moving upwards. Plywood demand remains strong, with prices at profitable levels. In line with our growth strategy, York will invest in plant efficiencies and value adding opportunities in order to improve operating margins.

Consolidated statement of financial position

	30 Jun 2014	30 Jun 2013
	Audited	Audited
	R'000	R'000
Assets		
Non-current assets		
Biological asset (note 5)	1 834 963	1 827 525
Investment property	21 866	22 966
Property, plant and equipment	463 645	429 994
Goodwill	565 442	565 442
Intangible assets	2 439	2 257
Other financial assets	38 464	29 969
Deferred tax	8 495	-
Total non-current assets	2 935 314	2 878 153
Current assets		
Biological asset (note 5)	268 129	273 345
Inventories	234 032	190 960
Trade and other receivables	171 893	157 306
Cash and cash equivalents	110 464	158 694
Total current assets	784 518	780 305
Total assets	3 719 832	3 658 458
Equity and liabilities		
Equity		
Share capital	16 562	16 562
Share premium	1 505 352	1 505 352
Reserves	(668)	569
Retained income	805 856	754 862
Total equity	2 327 102	2 277 345
Liabilities		
Non-current liabilities		
Cash settled share based payments	12 363	18 874
Deferred tax	574 879	550 507
Loans and borrowings	528 459	559 398
Provisions	11 671	18 927

Retirement benefit obligations	24 313	23 073
Total non-current liabilities	1 151 685	1 170 779
Current liabilities		
Current tax payable	2	2
Loans and borrowings	34 157	37 775
Cash settled share-based payments	13 785	4 573
Operating lease liability	358	-
Trade and other payables	192 743	167 820
Total current liabilities	241 045	210 334
Total liabilities	1 392 730	1 381 113
Total equity and liabilities	3 719 832	3 658 458

Consolidated statement of comprehensive income

	Year ended 30 Jun 2014 Audited R'000	Year ended 30 Jun 2013 Audited R'000
Revenue	1 323 976	1 131 994
Cost of sales	(892 018)	(721 696)
Gross profit	431 958	410 298
Other operating income	17 215	38 787
Selling, general and administration expenses	(332 362)	(287 720)
Operating profit	116 811	161 365
Fair value adjustments	(2 084)	25 230
Bargain purchase on acquisition	2 984	-
Profit before finance costs	117 711	186 595
Investment income	5 820	6 239
Finance costs	(56 440)	(54 672)
Profit before taxation	67 091	138 162
Taxation	(16 097)	(31 298)
Profit for the period	50 994	106 864
Other comprehensive income/(loss):		
Available-for-sale financial asset adjustments	(680)	205
Remeasurement of defined benefit liability	(928)	-
Taxation related to components of other comprehensive income	371	(44)
Other comprehensive (loss)/income for the period net of taxation	(1 237)	161
Total comprehensive income	49 757	107 025
Basic earnings per share (cents) (note 7)	15	32

Consolidated statement of cash flows

	Year ended 30 Jun 2014 Audited R'000	Year ended 30 Jun 2013 Audited R'000
Cash generated from operations	151 461	106 486
Investment income	5 820	6 239
Finance costs	(56 440)	(54 672)
Taxation paid	-	(5)
Net cash from operating activities	100 841	58 048
Cash flows from investing activities		
Purchase of property, plant and equipment	(66 169)	(51 958)

Purchase of intangible assets	(2 127)	(67)
Acquisition of subsidiaries net cash acquired	(34 228)	-
Purchase of financial assets	(14 000)	(28 453)
Sale of financial assets	5 717	-
Purchase of biological assets	(4 206)	(2 264)
Purchase of investment property	-	(38)
Proceeds from disposal of property, plant and equipment	463	83
Proceeds from disposal of intangible assets	37	-
Net cash from investing activities	(114 513)	(82 697)
Cash flows from financing activities		
Net movement in loans and borrowings	(34 558)	38 773
Net cash from financing activities	(34 558)	38 773
Total cash movement for the period	(48 230)	14 124
Cash at beginning of period	158 694	144 570
Cash at end of period	110 464	158 694

Consolidated statement of changes in equity

	Share capital R'000	Share premium R'000	Defined benefit plan reserve R'000
Balance at 1 July 2012 (audited)	16 562	1 505 352	-
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year and total transactions with owners	-	-	-
Balance at 30 June 2013 (audited)	16 562	1 505 352	-
Profit for the period	-	-	-
Other comprehensive income	-	-	(668)
Total comprehensive income for the period and total transactions with owners	-	-	(668)
Balance at 30 June 2014 (audited)	16 562	1 505 352	(668)
	Available- for-sale reserve R'000	Retained income R'000	Total equity R'000
Balance at 1 July 2012 (audited)	408	647 998	2 170 320
Profit for the year	-	106 864	106 864
Other comprehensive income	161	-	161
Total comprehensive income for the year			

and total transactions with owners	161	106 864	107 025
Balance at 30 June 2013 (audited)	569	754 862	2 277 345
Profit for the period	-	50 994	50 994
Other comprehensive income	(569)	-	(1 237)
Total comprehensive income for the period and total transactions with owners	(569)	50 994	49 757
Balance at 30 June 2014 (audited)	-	805 856	2 327 102

Notes to the consolidated financial statements

1. Basis of preparation

These summarised consolidated 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 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 financial statements as at and for the year ended 30 June 2014 which are available on the Company's website, www.york.co.za or at the company's registered office.

The auditors, KPMG Inc., have issued their opinion on the Group's financial statements for the year ended 30 June 2014. 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 financial statements have been extracted from audited information but are not audited. These summarised consolidated financial results have been prepared on the going concern basis and were approved by the Board of Directors on 17 September 2014. These summarised consolidated financial results are the responsibility of the directors.

There have been no material changes to judgements or estimates of amounts reported in prior reporting periods.

The Group financial results are presented in Rand, which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the year ended 30 June 2013, except for the new standards that became

effective during the year.

2. Additional disclosure items

	30 Jun 2014	30 Jun 2013
	Audited	Audited
	R'000	R'000
Authorised capital commitments:		
- Contracted, but not provided	5 068	11 852
- Not contracted	290 160	25 098
Capital expenditure	66 169	51 958
Depreciation of property, plant and equipment	38 206	26 972
Amortisation of intangible assets	924	1 015
Impairment of trade receivables	(6 866)	1 189

- The Group did not have any litigation settlements during the reporting period.
- The Group participates in a pooled banking facility of R85 million granted by First Rand Bank Limited. Group companies have provided cross suretyships, limited to R5 million, in favour of First Rand 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.

3. Comparative figures

The annual financial statements for the year ended 30 June 2013, are presented as published and have not been restated.

4. Operating segments

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

2014	Processing	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 seg- ment profit*	54 331	(5 289)	118 478	167 520
Capital expen- diture	52 872	3 482	7 993	64 347
2013				
	Timber products		Forestry	Total
Revenue:				
external sales	1 090 205		41 405	1 131 610
Revenue: inter- segment sales		-	522 944	522 944
Total revenue	1 090 205		564 349	1 654 554

Depreciation and amortisation	(22 286)	(3 502)	(25 788)
Reportable segment profit*	87 990	97 129	185 119
Capital expenditure	44 601	3 889	48 490

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

	30 Jun 2014 Audited R'000	30 Jun 2013 Audited R'000
Reconciliation of reportable segment profit or loss		
Total EBITDA for reportable segments	167 520	185 119
Depreciation, amortisation and impairment	(36 608)	(25 788)
Unallocated amounts	(14 101)	2 034
Operating profit	116 811	161 365

5. Biological assets

	30 Jun 2014 Audited R'000	30 Jun 2013 Audited R'000
Reconciliation of biological assets		
Opening balance	2 100 870	2 070 222
Fair value adjustment:		
- Increase due to growth and enumerations	447 357	384 403
- Adjustment to standing timber values to reflect fair value at period end	(123 284)	(44 439)
Decrease due to harvesting	(326 057)	(311 580)
Purchased plantations	4 206	2 264
Closing balance	2 103 092	2 100 870
Classified as non-current assets	1 834 963	1 827 525
Classified as current assets*	268 129	273 345

	30 Jun 2014 Audited	30 Jun 2013 Audited
Key assumptions used in the discounted cash flow valuation		
Risk free rate (R186 bond)	8.31%	7,89%
Beta factor	1.08	1.04
Cost of equity	15.25%	14,61%
Pre-tax cost of debt	10.00%	9,5%
Debt: equity ratio	35:65	35:65
After-tax weighted average cost of capital	12.43%	11,89%

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% over the long term * (2013: 8% over the first two years 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 was introduced in the current period; this 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 5,5%* (2013: 5,5%) was used.

(*Management believe that as a result of the higher demand for timber products and limited supply of logs for solid wood processing, 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. On 1 August 2013 York acquired wholesales businesses based at Roodekop and Epping from the Illiad Africa group for a cash consideration of R34.2 million.

7. Earnings per share

The calculation of basic earnings per share is based on:

	30 Jun 2014 Audited	30 Jun 2013 Audited
Basic earnings attributable to ordinary shareholders (R'000)	50 994	106 864
Weighted average number of ordinary shares in issue (R'000)	331 241	331 241
Earnings per share (cents)	15	32

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 2014 Audited R'000	30 Jun 2013 Audited R'000
Reconciliation of basic earnings to headline earnings		
Basic earnings attributable to ordinary shareholders	50 994	106 864
(Profit)/loss on sale of assets and liabilities (net of tax)	(402)	157
Fair value adjustment on investment property (net of tax)	81	2 565
Impairment/(reversal) of impairment of plant, equipment and vehicles (net of tax)	229	(498)
Bargain purchase on acquisition	(2 984)	-
Headline earnings for the period	47 918	109 088
Weighted average number of ordinary shares in issue ('000)	331 241	331 241
Headline earnings per share (cents)	14	33

9. Directorship

On 1 October 2013 Johannes Petrus Fourie van Buuren was appointed as the Chief Financial Officer.

30 September 2014

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Executive directors: Pieter van Zyl (CEO), Pieter van Buuren (CFO)
Non-executive directors: Dr Jim Myers* (Non-executive Chairman, USA),
Paul Botha, Dr Azar Jammie*, Shakeel Meer, Dinga Mncube*,
Thabo Mokgatlha*, Gavin Tipper* (*independent)

Registered office: York Corporate Office: 3 Main Road, Sabie,
Mpumalanga. Postal address: PO Box 1191, Sabie 1260

Auditors: KPMG Inc.

Company secretary: Han-hsiu Hsieh

Chief Financial Officer: Pieter van Buuren

Sponsor: One Capital

Transfer secretaries: Computershare Investor Services (Pty) Ltd