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

Unaudited condensed consolidated interim financial results

For the six months ended 31 December 2013

Highlights

- Revenue up 14%, through the acquisition of the Roodekop and Epping businesses that added remanufacturing and distribution capabilities
- EBITDA down by 33% due to reduced average selling prices
- Cash from operating activities up R7,1 million to R51,2 million
- Biological asset value increased by R9,7 million
- Underlying TNAV up 4% to 696 cents per share
- Debt to equity percentage remains at 25%

Consolidated statement of financial position

	31 Dec 2013 Unaudited R'000	31 Dec 2012 Unaudited R'000	30 Jun 2013 Audited R'000
Assets			
Non-current assets			
Biological asset (note 5)	1 816 337	1 795 463	1 827 525
Investment property	22 842	26 150	22 966
Property, plant and equipment	449 261	410 282	429 994
Goodwill	565 442	565 442	565 442
Intangible assets	2 077	1 714	2 257
Deferred tax	9 126	5 143	7 127
Other financial assets	23 074	1 421	29 969
Total non-current assets	2 888 159	2 805 615	2 885 280
Current assets			
Biological asset (note 5)	294 246	293 612	273 345
Inventories	188 058	162 652	190 960
Trade and other receivables	153 657	154 171	157 306
Cash and cash equivalents	152 425	154 670	158 694
Total current assets	788 386	765 105	780 305
Total assets	3 676 545	3 570 720	3 665 585
Equity and liabilities			
Equity			
Share capital	16 562	16 562	16 562
Share premium	1 505 352	1 505 352	1 505 352
Reserves	–	496	569
Retained income	768 519	691 535	754 862
Total equity	2 290 433	2 213 945	2 277 345
Liabilities			
Non-current liabilities			
Cash settled share-based payments	12 472	14 399	18 874
Deferred tax	563 653	541 921	557 634
Loans and borrowings	542 615	507 870	559 398
Provisions	18 927	46 575	18 927
Retirement benefit obligations	22 583	22 943	23 073
Total non-current			

liabilities	1 160 250	1 133 708	1 177 906
Current liabilities			
Current tax payable	2	2	2
Loans and borrowings	31 547	37 088	37 775
Cash settled share-based payments	13 399	4 328	4 573
Operating lease liability	138	–	164
Trade and other payables	180 776	181 649	167 820
Total current liabilities	225 862	223 067	210 334
Total liabilities	1 386 112	1 356 775	1 388 238
Total equity and liabilities	3 676 545	3 570 720	3 665 585

Consolidated statement of comprehensive income

	Six months ended 31 Dec 2013 Unaudited R'000	Six months ended 31 Dec 2012 Unaudited R'000	Year ended 30 Jun 2013 Audited R'000
Revenue	671 934	590 703	1 131 994
Cost of sales	(468 453)	(379 629)	(721 696)
Gross profit	203 481	211 074	410 298
Other operating income	8 306	5 641	38 787
Selling, general and administration expenses	(173 823)	(150 014)	(287 720)
Operating profit	37 964	66 701	161 365
Fair value adjustments	5 241	18 879	25 230
Profit before finance costs	43 205	85 536	186 595
Investment income	2 646	2 428	6 239
Finance costs	(28 212)	(26 878)	(54 672)
Profit before taxation	17 639	61 130	138 162
Taxation	(3 982)	(17 593)	(31 298)
Profit for the period	13 657	43 537	106 864
Other comprehensive income/(loss):			
Available-for-sale financial assets adjustments	(569)	110	205
Taxation related to components of other comprehensive income	–	(22)	(44)
Other comprehensive income for the period net of taxation	(569)	88	161
Total comprehensive income	13 088	43 625	107 025
Basic earnings per share (cents) (note 7)	4	13	32
Headline earnings per share (cents) (note 8)	4	13	33

Consolidated statement of cash flows

	Six months ended 31 Dec 2013 Unaudited R'000	Six months ended 31 Dec 2012 Unaudited R'000	Year ended 30 Jun 2013 Audited R'000
Cash flows from operating activities			
Cash receipts from customers	675 583	573 612	1 152 220
Cash paid to suppliers and employees	(598 791)	(505 073)	(1 045 734)
Cash generated from operations	76 792	68 539	106 486
Investment income	2 646	2 428	6 186
Finance costs	(28 212)	(26 878)	(54 672)
Taxation paid	–	(5)	(5)
Net cash from operating activities	51 226	44 084	58 048
Cash flows from investing activities			
Purchases of property, plant and equipment	(36 419)	(20 579)	(51 958)
Proceeds from disposal of property, plant and equipment	1	73	83
Purchases of intangible assets	(43)	–	(67)
Purchase of biological assets	(4 349)	–	(2 264)
Purchases of investment property	–	(36)	(38)
Proceeds from disposal/ (purchase) of financial assets	6 326	–	(28 453)
Net cash from investing activities	(34 484)	(20 542)	(82 697)
Cash flows from financing activities			
Net movement in loans and borrowings	(23 011)	(13 442)	38 773
Net cash from financing activities	(23 011)	(13 442)	38 773
Total cash movement for the period	(6 269)	10 100	14 124
Cash at the beginning of the period	158 694	144 570	144 570
Cash at end of the period	152 425	154 670	158 694

Consolidated statement of changes in equity

	Share capital R'000	Share premium R'000	Available-for sale reserve R'000	Retained income R'000	Total equity R'000
Balance at 1 July 2012 (audited)	16 562	1 505 352	408	647 998	2 170 320
Profit for the year	–	–	–	106 864	106 864
Other comprehensive income					
Change in fair value of available -for- sale financial assets, net of tax	–	–	161	–	161
Total other comprehensive income	–	–	161	106 864	107 025
Total comprehensive income for the year and total transactions with owners	–	–	161	106 864	107 025
Balance at 30 June 2013 (audited)	16 562	1 505 352	569	754 862	2 277 345
Profit for the period	–	–	–	13 657	13 657
Other comprehensive income					
Change in fair value of available -for- sale financial assets, net of tax	–	–	(569)	–	(569)
Total other comprehensive income	–	–	(569)	–	(569)
Total comprehensive income for the period and total transactions with owners	–	–	(569)	13 657	13 088
Balance at 31 December 2013 (unaudited)	16 562	1 505 352	–	768 519	2 290 433

Notes to the consolidated financial statements

1. Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the JSE Listings Requirements, the Companies Act of South Africa, 2008 (as amended) and the Companies Regulations, 2011. The Group has applied the recognition and measurement requirements of International

Financial Reporting Standards (IFRS) and the AC 500 standards as issued by the Accounting Practices Board (APB) 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 Pieter van Buuren CA (SA), the Chief Financial Officer.
These condensed 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 2013 which are available on the Company's website, www.york.co.za, or at the Company's registered office.
The financial results have not been reviewed or audited. The financial results, which have been prepared on the going concern basis, were approved by the Board of Directors on 10 March 2014.
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.

2. Additional disclosure items

	31 Dec 2013 Unaudited R'000	31 Dec 2012 Unaudited R'000	30 Jun 2013 Audited R'000
Authorised capital commitments:			
− Contracted, but not provided	16 457	18 363	11 852
− Not contracted	3 611	5 082	25 098
Capital expenditure	28 317	20 615	36 445
Depreciation of property, plant and equipment	17 054	15 726	26 977
Amortisation of intangible assets	223	507	1 015
Impairment of trade receivables	12	–	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 FirstRand Bank Limited. Group companies have provided cross suretyships of 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.

3. Comparative figures
The unaudited condensed consolidated interim financial results are for the six months ended 31 December 2013. The comparative unaudited condensed consolidated interim financial results for the six months

ended 31 December 2012, and 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 two reportable segments which are the Group's strategic divisions. The Group operates in one geographic segment, namely countries within the Southern Africa Development Community (SADC). The segment analysis is as follows:

Timber products

	31 Dec 2013 Unaudited R'000	31 Dec 2012 Unaudited R'000	30 Jun 2013 Audited R'000
Revenue: external sales	651 055	568 006	1 090 205
Revenue: inter-segment sales	–	–	–
Total revenue	651 055	568 006	1 090 205
Depreciation and amortisation	(15 210)	(13 372)	(22 286)
Reportable segment profit*	4 442	41 018	87 990
Fair value adjustment	–	–	–
Capital expenditure	25 516	18 919	44 601

Forestry

	31 Dec 2013 Unaudited R'000	31 Dec 2012 Unaudited R'000	30 Jun 2013 Audited R'000
Revenue: external sales	20 527	22 372	41 405
Revenue: inter-segment sales	285 193	265 505	522 944
Total revenue	305 720	287 877	564 349
Depreciation and amortisation	(1 711)	(1 673)	(3 502)
Reportable segment profit*	49 171	45 730	97 129
Fair value adjustment	5 365	18 853	28 384
Capital expenditure	534	77	3 889

Total

	31 Dec 2013 Unaudited R'000	31 Dec 2012 Unaudited R'000	30 Jun 2013 Audited R'000
Revenue: external sales	671 582	590 378	1 131 610
Revenue: inter-segment sales	285 193	265 505	522 944
Total revenue	956 775	855 883	1 654 554
Depreciation and amortisation	(16 921)	(15 054)	(25 788)
Reportable segment profit*	53 613	86 748	185 119
Fair value adjustment	5 365	18 853	28 384
Capital expenditure	26 050	18 996	48 490

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

	31 Dec 2013 Unaudited R'000	31 Dec 2012 Unaudited R'000	30 Jun 2013 Audited R'000
Reconciliation of reportable segment profit or loss			
Total EBITDA for reportable segments	53 613	86 748	185 119
Depreciation, amortisation and impairment	(17 296)	(16 233)	(25 788)
Unallocated amounts	1 647	(3 814)	2 034
Operating profit	37 964	66 701	161 365

5. Biological assets

	31 Dec 2013 Unaudited R'000	31 Dec 2012 Unaudited R'000	30 Jun 2013 Audited R'000
Reconciliation of biological assets			
Opening balance	2 100 870	2 070 222	2 070 222
Fair value adjustment:			
– Increase due to growth and enumerations	154 896	157 628	384 403
– Decrease due to harvesting	(162 788)	(155 738)	(311 580)
– Adjustment to standing timber values to reflect fair value at period end	13 257	16 963	(44 439)
Purchased plantation	4 348	–	2 264
Closing balance	2 110 583	2 089 075	2 100 870
Classified as non-current assets	1 816 337	1 795 463	1 827 525
Classified as current assets*	294 246	293 612	273 345

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

	31 Dec 2013 Unaudited	31 Dec 2012 Unaudited	30 Jun 2013 Audited
Key assumptions used in the discounted cash flow valuation			
Risk free rate (R186 bond)	8,23%	7,29%	7,89%
Beta factor	1,09	1,02	1,04
Cost of equity	15,23%	13,9%	14,61%
Pre-tax cost of debt	9,5%	9,5%	9,5%
Debt: equity ratio	35:65	35:65	35:65
After-tax weighted average cost of capital	12,29%	11,43%	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 at 7% and 7% over the next two years respectively and at 6% over the long term* (2012: 6,5% in the

first year and 6% over the long term); (2013: 8% over the next two years and 6% over the long term).
- Operating costs: The costs comprise of the forestry 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 fixed assets 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 costs have been reviewed and updated to current actual costs. A long-term inflation rate of 5,5%* (2012: 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 from the prior period. No businesses were disposed of during the period. During the period warehousing businesses based in Roodekop and Epping were acquired from Illiad Africa Limited. This integration was effective on 1 August 2013.

7. Earnings per share

The calculation of basic earnings per share is based on:

	31 Dec 2013 Unaudited	31 Dec 2012 Unaudited	30 Jun 2013 Audited
Basic earnings attributable to ordinary shareholders (R'000)	13 657	43 537	106 864
Weighted average number of ordinary shares in issue (R'000)	331 241	331 241	331 241
Earnings per share (cents)	4	13	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:

	31 Dec 2013 Unaudited R'000	31 Dec 2012 Unaudited R'000	30 Jun 2013 Audited R'000
Reconciliation of basic earnings to headline earnings			
Basic earnings attributable to ordinary shareholders	13 657	43 537	106 864
Loss/(profit) on sale of assets and liabilities (net of tax)	57	(45)	157
Fair value adjustment on investment property (net of tax)	101	–	2 565
(Reversal)/impairment of			

plant, equipment and vehicles (net of tax)	13	–	(498)
Headline earnings for the period	13 828	43 492	109 088
Weighted average number of ordinary shares in issue (‘000)	331 241	331 241	331 241
Headline earnings per share (cents)	4	13	33

9. Directorship and company secretary
Mr Pieter van Buuren was appointed as the CFO with effect from 1 October 2013.

Commentary

Group performance and financial review

The reporting period was characterised by strong price competition that required York to react in order to protect its market share. Sales volumes increased but average selling prices were below prior year levels resulting in a decrease in margins but an increased cash flow generation.
The acquisition of the Roodekop and Epping businesses became effective on 1 August 2013. A restructuring of these businesses was carried out and will be completed by the financial year end. These businesses provided the Group with a new revenue stream, an improved market penetration and the ability to improve customer service levels.

Timber products
Production volumes increased over the comparable period with the cost of production maintained at below inflationary levels. Average selling prices for lumber were 1.8% lower than the comparative period. The lower selling prices contributed to the processing division not achieving the anticipated results. Restructuring costs of the Roodekop and Epping businesses also impacted the six month’s EBITDA. The restructuring process has been completed and these businesses should contribute positively to the timber products’ segment EBITDA in the last six months of the financial year.

Forestry
Forestry benefited from higher log intake at the processing plants. The increase in the minimum wage rate resulted in increased contractor costs and contributed to a 14% increase in forestry operating costs over the comparable period. Fixed costs were well managed and remains within the lower quartile of benchmarked costs. Harvesting of own plantations decreased and external purchases increased substantially over the comparative period. Despite the higher external purchases and an extraordinary mandatory minimum wage rate increase, the forestry division delivered solid results.

Biological asset
The biological asset is valued on a discounted cash flow basis using the key assumptions described in note 5 to the interim financial results. Any changes to the assumptions are carefully validated with reference to external data.
Despite York experiencing fire damage to a limited area of its plantations, the temporary unplanted area decreased in line with expectations and will continue to be managed according to sustainable

forestry practices. The increase in the valuation due to growth (R21,9 million) and forecasted log price increases (R125,4 million) was offset by an increase in the discount rate (R110,9 million) and costs (R26,7 million). York purchased standing timber from independent growers and the unharvested portion of such purchases forms part of the biological asset valuation at period end.

Underlying tangible net asset value

Underlying tangible net asset value (TNAV) increased by 4% to 696 cents per share over the period. Underlying TNAV represents the net asset value of York after the removal of the goodwill and the deferred taxation associated with the biological asset.

In considering the Group's net asset value cognisance should be taken of the fact that, while the components of the deferred tax related to the plantations originate and reverse through the Group's operations, the aggregate balance will only reverse should the plantation value decrease or York not re-establish harvested areas and/ or the plantations be disposed of.

Cash flow

Net cash generated from operating activities amounted to R51,2 million (2012: R44,1 million). Available cash resources were used to purchase additional external timber as well as new equipment that contributed to increased throughput and efficiencies in the processing plants. After repayment of loans and borrowings there was a net cash outflow for the period of R6,3 million.

Outlook

Lumber demand has increased on a rolling twelve month basis by 2% and is expected to increase in line with the GDP growth rate. The higher repo rate negatively impacted the building and construction sector. York's pricing strategy is to at least obtain inflationary rate increases for lumber. In order to increase York's global competitiveness and mitigate rising cost pressures, York will continue with its stated strategic intent to develop the Sabie integrated site.

Panel board prices are impacted by imports due to the shortage of supply. York is in the process of increasing its panel board production capacity which is expected to be completed by 2015.

York will re-commission its Golden Rhino Lumber sawmill during the second half of the financial year to achieve greater penetration in wholesale and remanufacturing sectors. The turnaround strategy, following the acquisition of the Roodekop and Epping businesses, is expected to deliver positive results in the next six months. The granting of the Environmental Impact Assessment approval for the Sabie integrated site is expected during the next six months and will allow development of the site to commence. The envisaged Sabie integrated site will enable York to be cost competitive with other emerging countries, to optimise its fibre utilisation and to diversify its product lines as well as access new markets.

24 March 2014

Executive directors: Pieter van Zyl (CEO), Pieter van Buuren (CFO)
Non-executive director: Dr Jim Myers* (Chairman, USA), Paul Botha, Dr Azar Jammine*, Shakeel Meer, Dinga Mncube*, Thabo Mokgatlha*, Gavin Tipper* (*independent)
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Auditors: KPMG Inc.
Company secretary: Han-hsiu Hsieh
Sponsor: One Capital
Transfer secretaries: Computershare Investor Services Proprietary Limited