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 2013

Highlights

- Cash generated from operations of R106 million (2012: R197 million) impacted by external log purchases
- Investment of R45 million in processing technology to improve efficiencies (2012: R22 million)
- Revenue up 2%, driven by higher selling prices for lumber and plywood
- Processing plant revenue up R47 million achieving targeted results with a R30 million increase in operating segment profit
- Cost of debt down R25 million
- Debt to equity ratio low at 16%
- Biological asset value increased by R31 million
- Underlying TNAV up 5% to 692 cents per share

Summarised consolidated statement of financial position

	30 Jun 2013 Audited R'000	30 Jun 2012 Audited R'000
Assets		
Non-current assets		
Biological asset (note 5)	1 827 525	1 782 061
Investment property	22 966	26 088
Property, plant and equipment	429 994	404 609
Goodwill	565 442	565 442
Intangible assets	2 257	3 205
Other financial assets	29 969	1 311
Total non-current assets	2 878 153	2 782 716
Current assets		
Biological asset (note 5)	273 345	288 161
Inventories	190 960	151 322
Trade and other receivables	157 306	137 080
Cash and cash equivalents	158 694	144 570
Total current assets	780 305	721 133
Total assets	3 658 458	3 503 849
Equity and liabilities		
Equity		
Share capital	16 562	16 562
Share premium	1 505 352	1 505 352
Reserves	569	408
Retained income	754 862	647 998
Total equity	2 277 345	2 170 320
Liabilities		
Non-current liabilities		
Cash settled share based payments	18 874	16 054
Deferred tax	550 507	519 183
Loans and borrowings	559 398	529 550
Provisions	18 927	46 575
Retirement benefit obligations	23 073	22 179
Total non-current liabilities	1 170 779	1 133 541
Current liabilities		

Current tax payable	2	7
Loans and borrowings	37 775	28 850
Operating lease liability	164	-
Cash settled share-based payments	4 573	2 100
Trade and other payables	167 820	169 031
Total current liabilities	210 334	199 988
Total liabilities	1 381 113	1 333 529
Total equity and liabilities	3 658 458	3 503 849

Summarised consolidated statement of comprehensive income

	Year ended 30 Jun 2013 Audited R'000	Year ended 30 Jun 2012 Audited R'000
Revenue	1 131 994	1 112 843
Cost of sales	(721 696)	(691 324)
Gross profit	410 298	421 519
Other operating income	38 787	28 412
Selling, general and administration expenses	(287 720)	(283 863)
Operating profit	161 365	166 068
Fair value adjustments	25 230	130 843
Profit before finance costs	186 595	296 911
Investment income	6 239	6 484
Finance costs excluding hedge interest expense	(54 672)	(79 356)
Hedge interest expense (paid)	–	(1 997)
Hedge interest expense (ineffective portion)	–	(5 955)
Profit before taxation	138 162	216 087
Taxation	(31 298)	(78 269)
Profit for the period	106 864	137 818
Other comprehensive income/(loss):		
Available-for-sale financial assets adjustments	205	308
Effects of cash flow hedges	–	8 290
Taxation related to components of other comprehensive income	(44)	(2 364)
Other comprehensive income for the period net of taxation	161	6 234
Total comprehensive income	107 025	144 052
Earnings per share (cents) (note 7)	32	42
Headline earnings per share (cents) (note 8)	33	42

Summarised consolidated statement of cash flows

	Year ended 30 Jun 2013 Audited R'000	Year ended 30 Jun 2012 Audited R'000
Cash generated from operations	106 486	197 088
Investment income	6 239	6 484
Finance costs	(54 672)	(66 783)
Taxation paid	(5)	9 260
Net cash from operating activities	58 048	146 049
Cash flows from investing activities		
Purchase of property, plant and equipment	(51 958)	(36 340)

Proceeds from disposal of property, plant and equipment	83	376
Purchase of intangible assets	(67)	(937)
Purchase of financial assets	(28 453)	-
Purchase of biological assets	(2 264)	-
Purchase of investment property	(38)	-
Net cash from investing activities	(82 697)	(36 901)
Cash flows from financing activities		
Net movement in loans and borrowings	38 773	(68 062)
Net cash from financing activities	38 773	(68 062)
Total cash movement for the period	14 124	41 086
Cash at beginning of period	144 570	103 484
Cash at end of period	158 694	144 570

Summarised consolidated statement of changes in equity

	Share capital R’000	Share premium R’000	Hedging reserve R’000
Balance at 1 July 2011 (audited)	16 562	1 505 352	(5 969)
Profit for the year	–	–	–
Other comprehensive income			
Change in fair value of cash flow hedge, net of tax	–	–	5 969
Change in fair value of available-for-sale financial assets, net of tax	–	–	-
Total other comprehensive income	–	-	5 969
Total comprehensive income for the year and total transactions with owners	–	–	5 969
Balance at 30 June 2012 (audited)	16 562	1 505 352	–
Profit for the period	–	–	–
Other comprehensive income			
Change in fair value of available-for-sale financial assets, net of tax	–	-	–
Total other comprehensive income	–	–	–
Total comprehensive income for the period and total transactions with owners	–	–	-
Balance at 30 June 2013 (audited)	16 562	1 505 352	–

	Available-for-sale reserve R'000	Retained income R'000	Total equity R'000
Balance at 1 July 2011 (audited)	143	510 180	2 026 268
Profit for the year	–	137 818	137 818
Other comprehensive income			
Change in fair value of cash flow hedge, net of tax	–	–	5 969
Change in fair value of available-for-sale financial assets, net of tax	265	–	265
Total other comprehensive income	265	137 818	144 052
Total comprehensive income for the year and total transactions with owners	265	137 818	144 052
Balance at 30 June 2012 (audited)	408	647 998	2 170 320
Profit for the period	–	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	-	161
Total comprehensive income for the period and total transactions with owners	161	106 864	107 025
Balance at 30 June 2013 (audited)	569	754 862	2 277 345

Notes to the summarised 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, 2008 and the Companies Regulations, 2012. 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 the 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 S Pretorius CA (SA), the Acting 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 2013 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 2013. 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 19 September 2013.
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 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 2012.

2. Additional disclosure items

	30 Jun 2013 Audited R'000	30 Jun 2012 Audited R'000
Authorised capital commitments:		
Contracted, but not provided	11 852	4 117
Not contracted	25 098	5 798
Capital expenditure	51 958	36 340
Depreciation of property, plant and equipment	26 972	35 387
Amortisation of intangible assets	1 015	1 007
Impairment of trade receivables	1 189	132

- 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 to 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 2012, 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, countries within the Southern Africa Development Community (SADC). The segment analysis is as follows:

	Timber products	
	30 Jun 2013 Audited R'000	30 Jun 2012 Audited R'000
Revenue: external sales	1 090 205	1 042 790
Revenue: inter-segment sales	–	–
Total revenue	1 090 205	1 042 790
Depreciation and amortisation	(22 286)	(27 271)
Reportable segment profit*	87 990	57 961
Capital expenditure	44 601	21 959

	Forestry	
	30 Jun 2013 Audited R'000	30 Jun 2012 Audited R'000
Revenue: external sales	41 405	69 436
Revenue: inter-segment sales	522 944	491 494
Total revenue	564 349	560 930
Depreciation and amortisation	(3 502)	(4 835)
Reportable segment profit*	97 129	136 402
Capital expenditure	3 889	1 015

	Total	
	30 Jun 2013 Audited R'000	30 Jun 2012 Audited R'000
Revenue: external sales	1 131 610	1 112 226
Revenue: inter-segment sales	522 944	491 494
Total revenue	1 654 554	1 603 720
Depreciation and amortisation	(25 788)	(32 106)
Reportable segment profit*	185 119	194 363
Capital expenditure	48 490	22 974

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

4. Operating segments (continued)

	30 Jun 2013 Audited R'000	30 Jun 2012 Audited R'000
Reconciliation of reportable segment profit or loss		
Total EBITDA for reportable segments	185 119	194 363
Depreciation, amortisation and impairment	(25 788)	(28 658)
Unallocated amounts	2 034	363
Operating profit	161 365	166 068

5. Biological assets

	30 Jun 2013 Audited R'000	30 Jun 2012 Audited R'000
Reconciliation of biological assets		
Opening balance	2 070 222	1 936 398
Fair value adjustment:		
Increase due to growth and enumerations	384 403	453 552

Decrease due to harvesting	(311 580)	(322 318)
Adjustment to standing timber values to reflect fair value at period end	(44 439)	2 590
Purchased plantations	2 264	-
Closing balance	2 100 870	2 070 222
Classified as non-current assets	1 827 525	1 782 061
Classified as current assets *	273 345	288 161

	30 Jun 2013 Audited	30 Jun 2012 Audited
Key assumptions used in the discounted cash flow valuation		
Risk free rate (Jun 2013: R186 bond, Jun 2012: R186 bond)	7,89%	7,95%
Beta factor	1.04	0,99
Cost of equity	14,61%	14,4%
Pre-tax cost of debt	9,5%	9,5%
Debt: equity ratio	35:65	35:65
After-tax weighted average cost of capital	11,89%	11,75%

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 by 8% per year over the next two years and at 6%* (2012: 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%* (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 during the period. No businesses were acquired or disposed of during the period.

7. Earnings per share

The calculation of basic earnings per share is based on:

	30 Jun 2013 Audited	30 Jun 2012 Audited
Earnings attributable to ordinary shareholders (R’000)	106 864	137 818
Weighted average number of ordinary shares in issue (R’000)	331 241	331 241

Earnings per share (cents)	32	42

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 2013 Audited R'000	30 Jun 2012 Audited R'000
Reconciliation of earnings to headline earnings		
Earnings attributable to ordinary shareholders	106 864	137 818
Loss on sale of assets and liabilities (net of tax)	157	366
Fair value adjustment on investment property (net of tax)	2 565	2 424
Reversal of impairment of plant, equipment and vehicles (net of tax)	(498)	(2 876)
Headline earnings for the period	109 088	137 732
Weighted average number of ordinary shares in issue ('000)	331 241	331 241
Headline earnings per share (cents)	33	42

9. Directorship and company secretary

Ms Han-hsiu Hsieh replaced Fusion Corporate Secretarial Services (Proprietary) Limited as the company secretary with effect from 15 November 2012.

Mr Duncan Erskine resigned as Chief Financial Officer (CFO), with effect from 30 January 2013. Mr Sean Pretorius assumed the role of acting Chief Financial Officer and a suitable successor has been recruited. Mr Pieter van Buuren has been appointed as Executive Director and Chief Financial Officer with effect from 1 October 2013. With effect from 6 March 2013, Messrs Dinga Mncube and Thabo Mokgatlha were appointed as independent non-executive directors of the Company.

COMMENTARY

Group performance and financial review

The directors are pleased to present a solid set of results in tough market conditions. Despite disproportionate escalations in labour and electricity costs, York achieved a lower than inflation increase in its cost of production through efficiency improvements. The EBITDA margin remained intact at 17%. Our performance this year reflects strategic capital investments that form the foundation of the unfolding growth strategy of the Group.

Overall market confidence was volatile with some erratic trends in purchasing patterns. York's strategy was to maintain prices and to hold higher levels of stock where appropriate. An average price increase of 5% for lumber was achieved. Strong growth in volume and prices of plywood was experienced. The Processing division's profit increased by 52% on the prior year.

Processing plants

The York philosophy of cost optimisation resulted in processing plant efficiencies improving during the year. The unit cost of production increased by 5% year-on-year, despite above inflation increases in labour, electricity and insurance costs. Cost structures at the processing plants have been well managed and costs were contained during the year. Combined lumber and plywood volumes produced increased by 3% against an increase in log intake of only 1%, compared to the prior year. Our continued investment in technology should further improve processing margins and the Group’s cash generating ability. York has received Development Facilitation Act (DFA) approval from the Mpumalanga DFA Tribunal for the intended developments at its Sabie site and is well on track to obtaining all other necessary approvals. York will continue to progress its strategy of complete fibre utilisation.

Forestry division

York continues to procure third party raw material so as to conserve our own plantations over the medium term to achieve sustainable maturity. In line with this strategy, the Forestry division produced 16% lower volumes than the prior year with external purchases being 25% higher. This decision significantly impacts the nature of the Group’s earnings and resulted in a ca R24 million increase in costs compared to the prior year. The forecast volume of trees used in the discounted cash flow valuation has increased by 12%, reflecting an increase in the long term value of the biological asset. Had York supplied all of its own raw material needs, the resultant EBITDA would have been in the order of R114 million, an increase of 60,7%.

Biological asset

The biological asset is valued on a discounted cash flow (DCF) basis using the key assumptions described in note 5 to the audited summarised consolidated financial statements. Any changes to the assumptions are carefully validated with reference to external data.

As a consequence of the decision to purchase third party logs, the net volume of timber in the Group’s plantations should increase. During the reporting period York suffered fire damage to a limited area of its plantations and as a result the temporary unplanted (TUP) area increased by 291 hectares, partially reducing the impact of the growth that resulted from lower harvesting during the period, a net increase of R73 million. As the TUP areas are replanted to normalised levels the value of the plantation asset will increase.

York continues to invest in research on genetic improvements, site species matching and silviculture practices to improve the future yields from its plantations. Initial trials indicate that the future yield improvements will be significant.

Cost of debt

The refinancing of the Group's primary debt resulted in a decrease in finance costs for the year. The loans and borrowings balance increased during the year as a result of the utilisation of the Land Bank facility for the purchase of the businesses of Thorpe Timber Company and Timber Preservation Services from Iliad Africa Holdings Limited. The money was deposited into an attorney trust account pending approval by the Commissioner of the Competition Commission. The unconditional approval was granted on 23 July 2013 and York took effective control on 1 August 2013.

Adjusted tangible net asset value

Adjusted tangible net asset value (TNAV) improved by 5% to 692 cents per share over the period. TNAV represents the net asset value of York after the removal of the goodwill and deferred taxation associated with the biological asset cash generating unit.

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, should harvested areas not be re-established or should the plantations be disposed of.

Cash flow

Cash generated from operations was impacted by the Group's continued strategy to procure third party saw logs while preserving its own plantations and increased stock at year-end in preparation for higher seasonal sales during the first two quarters. The net cash flow from operations was R106 million.

Outlook

York remains well positioned to advance its strong market position. The acquisition subsequent to year end of the businesses of Thorpe Timber Company in Roodekop and Timber Preservation Services in Epping will improve our access to the market through the wholesale channels. This will improve York's market footprint nationally and lead to growth and diversification of revenue; the wholesale division has expanded the Group's value adding capacity thereby diversifying our product offering to the market.

The efficiency and processing improvements resulting from the Group's investment in technology will improve operating margins at York's processing plants and further increase York's cost competitive advantage.

The lead indicators of the primary drivers of York's market suggest growth going forward. The South African market is underpinned by a need for residential building and infrastructure development which will drive a continued demand for timber related products.

The Group is actively pursuing both internal and external growth possibilities with a strong focus on fibre utilisation and processing efficiencies, this strategy is aimed at unlocking York's full potential and significantly improving both earnings and cash generating ability.

Executive director: Pieter van Zyl (CEO)
Non-executive directors: Dr Jim Myers* (Non-executive Chairman, USA), Paul Botha, Dr Azar Jammine*, 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

Acting Chief Financial Officer: Sean Pretorius

Sponsor: One Capital

Transfer secretaries: Computershare Investor Services (Pty) Ltd