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
Executive directors: Pieter van Zyl (CEO)
Non-executive director: 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
Sponsor: One Capital
Transfer secretaries: Computershare Investor Services Proprietary
Limited
12 March 2013

Unaudited condensed consolidated interim financial results for the six months ended 31 December 2012

Highlights

- Cash generated up R8,4 million to R10,1 million
- Revenue up 5%, driven by higher selling prices for lumber and plywood
- Debt to equity ratio improved to 25% from 28%
- Cost of debt down 27%
- Efficiency and cost optimisation in the processing plants achieving targeted results with a R31,6 million increase in operating segment profit
- Biological asset value increased by R18,9 million
- Underlying TNAV up 8% to 671 cents per share

Commentary

Group performance and financial review

The reporting period contained numerous external challenges, including a softening market, industrial action impacting both log supply and product distribution and various natural disasters. Despite this earnings for the year remained consistent with the comparable prior period. Improved selling prices resulted in a 5% increase in revenue and a 4% increase in gross profit. Payroll and utility costs increased at above inflationary rates as was expected.

Processing plants

Processing plant efficiencies improved during the period and the combined lumber and plywood volumes produced increased by 6% against an increase in log intake of only 3% compared to the prior period. Planned capital investment 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 which are aimed at improved fibre utilisation, increased efficiencies and product diversification.
The capital investment at York’s plywood plant has improved efficiencies making the plant more cost competitive and improving its profitability.

Purchase of saw logs

York remains of the opinion that future log demand will exceed supply in the Southern African market with consequential upward pressure on saw log prices over the medium to long term. Given the above, York strategically manages its own plantation growth and harvesting versus the purchase of third party logs to ensure the optimal return for the group. For the comparable period York purchased 45% more logs from external sources. York's current strategy is to acquire ca. 30% of its total log requirements externally.

Purchasing saw logs externally has the following impact on York's results:

- Cash generated from operations is reduced compared to only processing logs from own plantations.
- The operating margin from the forestry division is higher than that of processing. External log purchases impact the forestry margin negatively and need to be offset by improved efficiencies in the processing division or lumber selling prices.
- The potential incremental operating profit for the period under review, should York have been able to source its full log requirement from own plantations, would have been ca. R22 million higher.
- The Group's earnings are positively impacted by an R18,9 million increase in biological asset fair value adjustment; this is a direct consequence of the reduced harvesting of York's own plantations. This increase offset the lost operating profit as mentioned above.

As the York plantations mature a reduced reliance on third party logs can be expected.

Biological asset

The biological asset is valued on a discounted cash flow (DCF) 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.

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, offsetting the growth that resulted from lower harvesting during the period. As the TUP areas are replanted to normalised levels the future plantation asset growth, as taken into account in the DCF model, will increase the value of the asset.

Cost of debt

Interest bearing debt decreased by R34,4 million to R545 million at December 2012. The refinancing of the Group's debt in the previous period resulted in a R10,1 million (excluding hedge interest expense) decrease in comparable financing costs.

The average maturity period of the Group's committed debt facilities after the Land Bank refinance is nine years with unutilised committed borrowing facilities in excess of R210 million.

Tangible net asset value

Adjusted tangible net asset value (TNAV) improved by 8% to 671 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
Net cash generated from operations amounted to R44,1 million. Despite significant expenditure on the purchase of logs from third parties during this period, cash generated for the period of R10,1 million was up R8,4 million on the comparable prior year period.

Outlook
Despite significant cost pressures from escalations in labour, fuel and electricity costs, York remains poised to advance its strong market position. Alternative marketing channels are being explored and our Southern African growth strategy is well underway. York has been investing in appropriate technology to further strengthen its cost competitive advantage. The Sabie integrated site development will reinforce York's position as the cost leader in the Southern African market.
The fundamental market drivers supporting demand for York's product offering remain positive. Market confidence in the residential building and construction sectors is at a low level and once this improves, strong growth is anticipated. York is well placed to take advantage of this growth.

Consolidated statement of financial position

	31 Dec 2012 Unaudited R'000	31 Dec 2011 Unaudited R'000	30 Jun 2012 Audited R'000
ASSETS			
Non-current assets			
Biological asset (note 5)	1 795 463	1 650 241	1 782 061
Investment property	26 150	24 940	26 088
Property, plant and equipment	410 282	417 681	404 609
Goodwill	565 442	565 442	565 442
Intangible assets	1 714	2 847	3 205
Other financial assets	1 421	1 057	1 311
Total non-current assets	2 800 472	2 662 208	2 782 716
Current assets			
Biological asset (note 5)	293 612	312 931	288 161
Inventories	162 652	121 664	151 322
Trade and other receivables	154 171	151 227	137 080
Cash and cash equivalents	154 670	105 211	144 570
Current tax receivable	-	11 833	-
Total current assets	765 105	702 866	721 133
Total assets	3 565 577	3 365 074	3 503 849
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	189	408
Retained income	691 535	553 855	647 998
Total equity	2 213 945	2 075 958	2 170 320
Liabilities			
Non-current liabilities			
Cash settled share-based payments	14 399	10 411	16 054
Deferred tax	536 778	450 583	519 183

Loans and borrowings	507 870	515 791	529 550
Provisions	46 575	54 643	46 575
Retirement benefit obligations	22 943	23 478	22 179
Total non-current liabilities	1 128 565	1 054 906	1 133 541
Current liabilities			
Current tax payable	2	-	7
Loans and borrowings	37 088	63 589	28 850
Cash settled share-based payments	4 328	-	2 100
Trade and other payables	181 649	170 621	169 031
Total current liabilities	223 067	234 210	199 988
Total liabilities	1 351 632	1 289 116	1 333 529
Total equity and liabilities	3 565 577	3 365 074	3 503 849

Consolidated statement of comprehensive income

	Six months ended 31 Dec 2012 Unaudited R'000	Six months ended 31 Dec 2011 Unaudited R'000	Year ended 30 Jun 2012 Audited R'000
Revenue	590 703	564 799	1 112 843
Cost of sales	(379 629)	(361 786)	(691 324)
Gross profit	211 074	203 013	421 519
Other operating income	5 641	2 524	28 412
Selling, general and administration expenses	(150 014)	(138 198)	(283 863)
Operating profit	66 701	67 339	166 068
Fair value adjustments	18 879	26 774	130 843
Profit before finance costs	85 536	94 113	296 911
Investment income	2 428	4 211	6 484
Finance costs excluding hedge interest expense	(26 878)	(37 023)	(79 356)
Hedge interest expense (paid)	-	(1 997)	(1 997)
Hedge interest expense (ineffective portion)	-	(5 955)	(5 955)
Profit before taxation	61 130	53 349	216 087
Taxation	(17 593)	(9 674)	(78 269)
Profit for the period	43 537	43 675	137 818
Other comprehensive income/(loss):			
Available-for-sale financial assets adjustments	110	53	308
Effects of cash flow hedges	-	8 290	8 290
Taxation related to components of other comprehensive income	(22)	(2 328)	(2 364)
Other comprehensive income for the period net of taxation	88	6 015	6 234
Total comprehensive income	43 625	49 690	144 052
Basic earnings per share (cents) (note 7)	13	13	42
Headline earnings per share (cents) (note 8)	13	13	42

Consolidated statement of cash flows

	Six months ended 31 Dec 2012 Unaudited R'000	Six months ended 31 Dec 2011 Unaudited R'000	Year ended 30 Jun 2012 Audited R'000
Cash flows from operating activities			
Cash receipts from customers	573 612	691 030	1 311 067
Cash paid to suppliers and employees	(505 073)	(591 431)	(1 113 979)
Cash generated from operations	68 539	99 599	197 088
Investment income	2 428	1 641	6 484
Finance costs	(26 878)	(36 856)	(66 783)
Taxation paid	(5)	–	9 260
Net cash from operating activities	44 084	64 384	146 049
Cash flows from investing activities			
Purchases of property, plant and equipment	(20 579)	(25 755)	(36 340)
Purchases of intangible assets	–	–	(937)
Purchases of investment property	(36)		
Proceeds from disposal of property, plant and equipment	73	107	376
Net cash from investing activities	(20 542)	(25 648)	(36 901)
Cash flows from financing activities			
Net movement in loans and borrowings	(13 442)	(37 009)	(68 062)
Net cash from financing activities	(13 442)	(37 009)	(68 062)
Total cash movement for the period	10 100	1 727	41 086
Cash at beginning of period	144 570	103 484	103 484
Cash at end of period	154 670	105 211	144 570

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 31 December 2012 (unaudited)	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	-	43 537	43 537
Other comprehensive income			
Change in fair value of available-for-sale financial assets, net of tax	88	-	88
Total other comprehensive income	88	-	88
Total comprehensive income for the period and total transactions with owners	88	43 537	43 625
Balance at 31 December 2012 (unaudited)	496	691 535	2 213 945

NOTES

1. Basis of preparation

These unaudited condensed consolidated 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 Sean Pretorius CA (SA), the Acting 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 2012 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 6 March 2013. There have 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

	31 Dec 2012 Unaudited R'000	31 Dec 2011 Unaudited R'000	30 Jun 2012 Audited R'000
Authorised capital commitments:			
- Contracted, but not provided	18 363	3 663	4 117
- Not contracted	5 082	7 094	5 798
Capital expenditure	20 615	25 755	37 277
Depreciation of property, plant and equipment	15 726	12 418	35 387
Amortisation of intangible assets	507	428	1 007
Impairment of trade receivables	-	-	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 FirstRand Bank Limited. Group companies have provided cross suretyship 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 statements are for the six months ended 31 December 2012. The comparative unaudited condensed consolidated interim financial statements for the six months ended 31 December 2011, and 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

	31 Dec 2012 Unaudited R'000	31 Dec 2011 Unaudited R'000	30 Jun 2012 Audited R'000
Revenue: external sales	568 006	523 970	1 042 790
Revenue: inter-segment sales	-	-	-
Total revenue	568 006	523 970	1 142 790
Depreciation and amortisation	(13 372)	(8 811)	(27 271)
Reportable segment profit*	41 018	9 420	57 961
Capital expenditure	18 919	23 036	21 959

Forestry

	31 Dec 2012 Unaudited R'000	31 Dec 2011 Unaudited R'000	30 Jun 2012 Audited R'000
Revenue: external sales	22 372	40 829	69 436
Revenue: inter-segment sales	265 505	243 308	491 494
Total revenue	287 877	284 137	560 930
Depreciation and amortisation	(1 673)	(2 358)	(4 835)
Reportable segment profit*	45 730	72 872	136 402
Capital expenditure	77	795	1 015

Total

	31 Dec 2012 Unaudited R'000	31 Dec 2011 Unaudited R'000	30 Jun 2012 Audited R'000
Revenue: external sales	590 378	564 799	1 112 226
Revenue: inter-segment sales	265 505	243 308	491 494
Total revenue	855 883	808 107	1 603 720
Depreciation and amortisation	(15 054)	(12 890)	(32 106)
Reportable segment profit*	86 748	82 292	194 363
Capital expenditure	18 996	23 831	22 974

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

	31 Dec 2012 Unaudited R'000	31 Dec 2011 Unaudited R'000	30 Jun 2012 Audited R'000
Reconciliation of reportable segment profit or loss			
Total EBITDA for reportable segments	86 748	82 292	194 363
Depreciation, amortisation and impairment	(16 233)	(12 846)	(28 658)

Unallocated amounts	(3 814)	(2 107)	363
Operating profit	66 701	67 339	166 068

5. Biological assets

	31 Dec 2012 Unaudited R'000	31 Dec 2011 Unaudited R'000	30 Jun 2012 Audited R'000
Reconciliation of biological assets			
Opening balance	2 070 222	1 936 398	1 936 398
Fair value adjustment:			
- Increase due to growth and enumerations	157 628	115 360	453 552
- Decrease due to harvesting	(155 738)	(159 328)	(322 318)
- Adjustment to standing timber values to reflect fair value at period end	16 963	70 742	2 590
Closing balance	2 089 075	1 963 172	2 070 222
Classified as non-current assets	1 795 463	1 650 241	1 782 061
Classified as current assets*	293 612	312 931	288 161

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

	31 Dec 2012 Unaudited	31 Dec 2011 Unaudited	30 Jun 2012 Audited
Key assumptions used in the discounted cash flow valuation			
Risk free rate (Jun/Dec 2012: R186 bond, Dec 2011: R207 bond)	7,29%	7,89%	7,95%
Beta factor	1,02	0,94	0,99
Cost of equity	13,9%	14,1%	14,4%
Pre-tax cost of debt	9,5%	10,0%	9,5%
Debt: equity ratio	35:65	30:70	35:65
After-tax weighted average cost of capital	11,43%	12,0%	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 at 6%* (2011: 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%* (2011: 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:

	31 Dec 2012 Unaudited	31 Dec 2011 Unaudited	30 Jun 2012 Audited
Basic earnings attributable to ordinary shareholders (R’000)	43 537	43 675	137 818
Weighted average number of ordinary shares in issue (R’000)	331 241	331 241	331 241
Earnings per share (cents)	13	13	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:

	31 Dec 2012 Unaudited R'000	31 Dec 2011 Unaudited R'000	30 Jun 2012 Audited R'000
Reconciliation of basic earnings to headline earnings			
Basic earnings attributable to ordinary shareholders	43 537	43 675	137 818
Profit)/loss on sale of assets and liabilities (net of tax)	(45)	(153)	366
Loss on non-current assets held for sale	-	-	-
Fair value adjustment on investment property (net of tax)	-	-	2 424
Reversal of impairment of plant, equipment and vehicles (net of tax)	-	-	(2 876)
Headline earnings for the period	43 492	43 522	137 732
Weighted average number of ordinary shares in issue (‘000)	331 241	331 241	331 241
Headline earnings per share (cents)	13	13	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 31 January 2013. Mr Sean Pretorius is fulfilling the role of CFO while the recruitment process for a permanent CFO is underway.
With effect from 6 March 2013, Messrs Dinga Mncube and

Thabo Mokgatlha were appointed as non-executive directors of the Company.