

Condensed consolidated interim income statement

For the six months ended 30 June 2006

	30 Jun 2006 IFRS	30 Jun 2005 IFRS	31 Dec 2005 IFRS
<i>In thousands of Rands</i>			
Revenue	162 058	125 893	284 012
Cost of sales	(97 552)	(68 979)	(154 530)
Gross profit	64 506	56 914	129 482
Other operating income	4 141	3 366	4 157
Distribution expenses	(2 935)	(2 514)	(5 827)
Administration expenses	(18 754)	(14 222)	(31 595)
Other operating expenses	(31 016)	(28 946)	(67 962)
Profit from operations	15 942	14 598	28 255
Arbitration awards provision	-	-	(22 956)
Profit before finance costs	15 942	14 598	5 299
Finance income	77	2 619	8 812
Finance expenses	(2 473)	(2 359)	(1 449)
Profit before tax	13 546	14 858	12 662
Income tax expense	(3 928)	(6 332)	(6 404)
Profit for the period	9 618	8 526	6 258
Attributable to:			
Equity holders of the parent	9 618	8 526	6 258
Basic and diluted earnings per share – cents	87,1	77,2	56,7
Dividends paid – cents	-	150,0	250,0
	2006	2005	2005
	IFRS	IFRS	IFRS
Determination of headline earnings			
Basic and diluted earnings per share – cents	87,1	77,2	56,7
Profit on sale of shares	-	(0,32)	-
Surplus on disposal of fixed assets	-	-	(0,10)
Increase in fair value of investment properties	-	-	(4,50)
Increase in fair value of listed investment	-	-	(3,50)
Impairment of plant	-	-	(3,60)
Basic and diluted headline earnings per share	87,1	76,9	45,0

COMMENTARY

A NEW BEGINNING

HIGHLIGHTS COMPARED TO LAST YEAR

- **Revenue** up 29% to R162,1 million compared to same period last year
- **Headline earnings** per share up 13% to 87,1 cents (2005: 76,9 cents)
- **Operating profit** up 9% to R15,9 million (2005: R14,6 million)
- **Settlement** of all outstanding litigation with Safcol

The six month period under review marks a new beginning for Yorkcor in several respects:

- the outstanding litigation with state forestry group Safcol has been settled;
- a recent upward adjustment in log prices by Komatiland Forest (KLF), the forestry arm of Safcol, to its long-term contractors; this price increase will take effect from 1 August 2006 and will narrow the gap between the long-term contractors and open market buyers of saw logs. This means that Safcol customers with long-term contracts are now paying prices closer to that charged to Yorkcor and other open market customers, which was not the case in the past;
- some of the uncertainty in respect of KLF has been removed with the recent Cabinet decision that the State retain, for the foreseeable future, the KLF forests under public ownership after the proposed merger with Bonheur was terminated. However, new uncertainties have been introduced regarding the future role of Safcol;
- the Competition Commission is investigating complaints of price discrimination and excessive pricing by Komatiland Forests as well as the alleged prior implementation of a merger between Komatiland and the Bonheur consortium;
- market conditions show signs of levelling off;
- the proposed introduction of a BEE Charter for the timber industry.

On balance, however, we enter the second half of the current financial year even more confident.

FINANCIAL RESULTS

Revenue for the six months to 30 June 2006 increased by 29 per cent to R162,1 million, while headline earnings per share improved by 13% to 87,1 cents, versus 76,9 cents for the comparable period in 2005.

Yorkcor's balance sheet remains solid. Stock levels increased by 91% from the corresponding previous period and 41% since year end due to higher revenue volumes, organic growth and the expansion of our merchandising activities. The group's gearing increased from 9% in June 2005 to 49% in June 2006. This increase is attributable to certain Safcol provisions being converted to long-term debt and the acquisition of a timber plantation being purchased with debt funding.

Cash and cash equivalents improved by R16,7 million to R25,4 million as at the end of June 2006. Yorkcor is in a strong position for making acquisitions and funding further organic growth.

These results are particularly satisfying given the softer market conditions prevailing in the residential housing sector.

MARKET CONDITIONS

After several years of saw logs and consequently lumber prices increasing at levels well above the Consumer Price Index, there has been a noticeable levelling off in demand for lumber over the period under review. Despite the rand's volatility Yorkcor continues to grow its foreign trade.

Condensed consolidated interim balance sheet

As at 30 June 2006

	30 Jun 2006 IFRS	30 Jun 2005 IFRS	31 Dec 2005 IFRS
<i>In thousands of Rands</i>			
ASSETS			
Total non-current assets	85 819	74 561	95 256
Property, plant and equipment	63 712	58 001	63 894
Biological assets	14 278	-	14 278
Investment property	7 070	6 364	7 070
Other investments	759	10 196	10 014
Total current assets	110 015	81 298	68 019
Inventories	33 911	17 764	24 066
Trade and other receivables	50 679	38 899	35 246
Cash and cash equivalents	25 425	24 635	8 707
Total assets	195 834	155 859	163 275
EQUITY AND LIABILITIES			
Issued capital	552	552	552
Share premium	3 060	3 060	3 060
Retained earnings	78 452	85 458	68 834
Total equity attributable to equity holders of the parent	82 064	89 070	72 446
Total non-current liabilities	53 922	27 430	32 070
Interest bearing loans and borrowings	37 747	6 422	14 735
Provisions	9 053	9 053	12 728
Deferred tax liabilities	7 122	11 955	4 607
Total current liabilities	59 848	39 359	58 759
Interest bearing loans and borrowings	6 050	2 644	5 416
Provisions	-	-	22 956
Trade and other payables	52 518	33 122	29 645
Income tax payable	1 280	3 593	742
Total equity and liabilities	195 834	155 859	163 275

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2006

	Share capital	Share premium	Retained earnings	Total
<i>In thousands of Rands</i>				
1 January 2005 – IFRS	552	3 060	93 493	97 105
Net profit for the period	-	-	8 526	8 526
Dividend paid	-	-	(16 561)	(16 561)
Balance at 30 June 2005 – IFRS	552	3 060	85 458	89 070
1 January 2006 – IFRS	552	3 060	68 834	72 446
Net profit for the period	-	-	9 618	9 618
Balance at 30 June 2006 – IFRS	552	3 060	78 452	82 064

POST BALANCE SHEET EVENT – SAFCOL SETTLEMENT

Yorkcor and Safcol have settled the last outstanding item in a long-standing arbitration between the companies. Adequate provision was made in our 2005 year-end balance sheet for the amounts settled. Safcol has expressed its satisfaction that the arbitration proceedings have been settled and looks forward to building a successful relationship with Yorkcor in the future.

PRIVATISATION

The government has back-pedalled on its earlier decision to privatise KLF, having spent the last 10 years and three attempts at great expense to achieve this end. This has kept the industry, not to mention KLF staff, in a state of suspense throughout this period. Yorkcor's view is that the South African government, in keeping with trends elsewhere in the world, should not be in the commercial forestry business and should pursue the privatisation of KLF.

STRATEGY

Yorkcor continues to make progress in pursuit of its four-pronged growth strategy:

- Our requirement for a black economic empowerment partner is one that would add real value to our business and shareholders. We are *inter alia* exploring broad-based black economic empowerment in the geographical environment in which we operate. A further cautionary has been issued in this regard, which we expect to be finalised in the coming weeks, allowing for the withdrawal of the cautionary.
- The pursuit of selective acquisitions, various forestry opportunities have been identified and are under consideration.
- In the development of new merchandising opportunities we have forged alliances with saw millers offering the benefit of our marketing supremacy.
- We are securing new log supplies from KLF and independent growers on competitive terms.

LIQUIDITY OF SHARES

Yorkcor is committed to remaining listed on the JSE Limited. A listing is the ideal vehicle for growth. To improve liquidity a number of options are being contemplated.

PROSPECTS

We are actively seeking acquisitions and alliances with other industry players, and we expect to make an announcement on introducing BEE partners at the shareholder level in the near future. The prospects for the second half of the year are positive, and we expect to maintain our current growth path.

Ivor Tucker Chief executive officer

John Lehman Financial director

Condensed consolidated interim cash flow

For the six months ended 30 June 2006

	28 Jun 2006 IFRS	30 Jun 2005 IFRS	31 Dec 2005 IFRS
<i>In thousands of Rands</i>			
Cash flows from operating activities			
Cash generated by operating activities	15 405	6 265	15 633
Provisions transferred to interest-bearing liabilities	(26 631)	-	-
Net finance income	(2 396)	260	1 302
Taxation paid	(875)	(7 820)	(18 091)
Income from investments	-	-	6 060
Dividends paid	-	(16 561)	(27 601)
Net cash (outflow)/inflow from operating activities	(14 497)	(17 856)	(22 697)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	-	35	80
Additions to property, plant and equipment	(1 686)	(1 924)	(3 230)
Additions to biological assets	-	-	(8 920)
Additions to other investments	9 255	(3 008)	(2 826)
Net cash inflow/(outflow) from investing activities	7 569	(4 897)	(14 896)
Cash flows from financing activities			
Increase/(decrease) in borrowings	23 646	(1 344)	(2 432)
Net cash inflow/(outflow) from financing activities	23 646	(1 344)	(2 432)
Net increase/(decrease) in cash and cash equivalents	16 718	(24 097)	(40 025)
Cash and cash equivalents at the beginning of the period	8 707	48 732	48 732
Cash and cash equivalents at the end of the period	25 425	24 635	8 707

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The York Timber Organisation Limited (the Company) is a company domiciled in South Africa. The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the Group).

The condensed consolidated interim financial statements were authorised for issuance on 31 August 2006.

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial statements. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

(b) Basis of preparation

The financial statements are presented in Rands, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments held for trading, financial instruments and investment property.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of interim financial statements are in conformity with IAS 34 Interim Financial Reporting which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

(c) Minority interest

In the corresponding previous period the company reported a minority interest charge of R463 000. The associate company is now a 100% subsidiary and therefore a minority interest is no longer required. The effect of the change resulted in the earnings per share for the six months to June 2005 increasing from 73,1 cents to 77,2 cents per share.

Executive directors:

I S D Tucker, A C de Villiers, L S Cooper, J K H Lehman

Non-executive directors:

Dr M J C van Vuuren (Chairman), Dr J Kopp, S Motlana, T G Mokoena

Company Secretary:

J F Dekker

Registered Office:

5th Floor, Yorkcor Park,
86 Watermeyer Street, Val de Grace, Pretoria 0184,
PO Box 380, Pretoria 0001

Transfer Secretaries:

Computershare Investor Services 2004 (Proprietary) Limited,
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107

www.yorkcor.co.za