

Highlights

- Revenue up 136% to R929.1 million (2006: R393.9 million)
- EBITDA up 267% to R152.7 million (2006: R41.6 million)
- Log and lumber prices increased substantially as a result of South Africa's long-term timber shortage
- Forests Fair value adjustment to plantations of R239.9 million
- Fully diluted headline earnings per share up 20% to 323.4 cents (2006: 268.5 cents)
- Cash generated by operating activities grew 654% to R60.4 million (2006: R8 million)
- Acquisition of Global Forest Products completed in July 2007, making York a major integrated forestry and sawmilling company
- BEE ownership increased to 27%.

Note to financial statements

For the twelve months ended 31 December 2007

Acquisition of Global Forest Products

R'000	Pre acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	342 963	(56 677)	286 286
Biological assets	1 321 968	–	1 321 968
Inventories	106 658	–	106 658
Trade and other receivables	121 593	–	121 593
Cash and cash equivalents	4 868	–	4 868
Loans and borrowings	(257 066)	–	(257 066)
Deferred tax liabilities	(332 226)	36 651	(295 575)
Trade and other payables	(155 053)	(54 643)	(209 696)
Net identifiable assets and liabilities	1 153 705	(74 669)	1 079 036
Goodwill on acquisition	–	–	624 618
Consideration paid in cash	–	–	1 703 654
Cash and cash equivalents purchased	–	–	(4 868)
Acquisition of subsidiaries, net of cash acquired	–	–	1 698 786

York purchased 100% of all the shares in and shareholders' claims against Global Forest Products (Pty) Limited and South African Plywood (Pty) Limited during the period under review for an amount inclusive of acquisition costs of R1 703 million. The acquisition was settled by cash raised from a rights offer and debt facilities extended by Rand Merchant Bank Limited.

Global Forests is an integrated forest products business, head quartered in Sabie, South Africa that manages almost 87 000 ha of land, predominantly pine plantations. The business also owns and operates timber processing facilities which includes three sawmills and a plywood plant. Global Forests is a significant supplier of solid wood products to the South African market and actively exports to five other countries. All land holdings of Global Forests are Forest Stewardship Council certified. Plantations are classified into two areas, namely Escarpment situated in Sabie, Graskop and White River areas and the Highveld. The Sawmills are also situated in these areas.

Goodwill representing the difference of fair values of assets purchased and the acquisition price, is underpinned by the availability of own logs for the Global and York mills, ensuring sustainability. The calculation of the intangible assets arising as a result of the merger have not been finalised. The detailed split of the goodwill and intangible assets will be separately disclosed in the annual results for the period ending June 2008.

The acquiree's revenue and profit since acquisition date (13 July) was R445.6 million and R173.1 million (EBIT) respectively. The financial effects, had the acquisition for the business combination been effected on 1 January, would have been R1 533 million for group revenue and R530.7 million for group EBIT for the twelve months ended 31 December 2007.

Approval of the purchase was ratified by Shareholders on 12 July 2007

R'000	Fully diluted 2007	Basic 2007	Basic and fully diluted 2006
Reconciliation of headline earnings			
Basic earnings per share – cents	323.8	335.4	283.6
Loss/(surplus) on disposal of fixed assets	(0.4)	(0.4)	(0.7)
Increase in fair value of investment properties	–	–	(12.5)
Revaluation of plant	–	–	(1.9)
Headline earnings per share	323.4	335.0	268.5
Increase to previous period (%)	20.4	24.7	–

Note to reconciliation of headline earnings

In terms of Circular 8/2007, increases in fair values of listed investments should no longer be added back in the calculation of headline earnings.

Headline earnings for 2006 are therefore restated by removing the add back of the increases in fair value of 5.3 cents, from 263.2 cents to 268.5 cents.

Notes to the Condensed Consolidated Interim Financial Statements

The company is domiciled in South Africa. The condensed consolidated Group interim financial results of the company for the 12 months ended 31 December 2007 comprise the company and its subsidiaries (together referred to as the Group).

The condensed consolidated interim financial results were authorised for issue on 25 March 2008.

(a) Basis of preparation

The condensed consolidated interim financial results of The York Timber Organisation Limited have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34: Interim Financial Reporting. The condensed interim financial results do not include all of the information required for full annual financial statements, and should be read in conjunction with the most recent consolidated financial statements of the Group as at and for the year ended 31 December 2006.

(b) Basic and headline earnings per share

Basic and headline earnings per share are calculated by dividing the earnings attributable to ordinary shareholders for the period of R134.9 million (December 2006: R13.3 million) by the weighted average of 40 246 113 ordinary shares in issue. (December 2006: 11 040 597 shares).

(c) Fully diluted headline earnings per ordinary share

The calculation of fully diluted headline earnings per ordinary share is based on headline earnings attributable to ordinary shareholders of R137.7 million (December 2006: R29.1 million) and the weighted average of 42 526 807 fully diluted ordinary shares (December 2006: 11 040 597).

(d) Dividends

Preference dividends amounting to R0.957 million were paid in July 2007.

Unpaid preference dividends amounting to R1.765 million were accrued for at 31 December 2007 and are due for payment in July 2008. The preference shares issued are convertible at the option of the holder, and are therefore classified as a liability, in accordance with the classification requirements of IAS 32. Accordingly the preference dividends are included in finance expense.

(e) Review by external auditors

KPMG Inc, the company's independent auditor, has issued an unmodified review report on the condensed consolidated interim financial results. Their review report is available for inspection at the company's registered office.

(f) Significant accounting policies

Except for the adoption of IFRS 2: Share based payments, the accounting policies applied by the Group in these condensed consolidated interim financial results are the same as those applied by the Group in the most recent annual financial statements as at and for the year ended 31 December 2006.

(g) Year-end change

The company's year-end has been changed from December to June to fall in line with the GFP financial year-end. The current results are based on a 12 month period. The next results reported in June 2008 will be for an 18 month period.

(h) Contingent income

The Driekop fire damage claim is well advanced and should be settled within the next three months. The quantum of the materials damage claim is R110 million, the loss of profits is R75 million and R8 million for additional costs of workers. Income of R13.2 million of the claim is included in these results.

Highlights

York's acquisition of Global Forest Products ("GFP") significantly changed the size and nature of the company and resulted in significant increases to revenue and EBITDA. York now comprises 60 000 hectares of plantations, 30 000 hectares of unafforested land, eight sawmills, a plywood mill and a national warehouse network.

The Group produced robust results for the twelve month period under review, notwithstanding rapidly escalating raw material (saw log) prices and a modest slowdown in the demand for timber finished products (lumber). The results were a function of profitable milling operations, a large fair value adjustment on plantations as a result of log price increases, offset by a loss and write offs of R106 million on the forest fires in 2007.

Significant progress has been made in integrating York and GFP and ongoing efforts will be directed towards improving efficiencies and unlocking operational synergies.

Industry experts project that there will be a chronic shortage of logs in South Africa over the next 30 years. Log prices increased significantly during 2007 and are likely to continue increasing. Post the acquisition of GFP the company owns sufficient forestry resources to satisfy at least 65% of its saw log requirements. Ownership of these resources has also enabled York to benefit from the increases in log prices.

Condensed consolidated interim income statement

For the twelve months ended 31 December 2007

In thousands of Rands	Reviewed 31 December 2007	Audited 31 December 2006
Revenue	929 169	393 975
Cost of sales	(379 167)	(242 481)
Gross profit	550 002	151 494
Other operating income	5 375	927
Distribution expenses	(78 142)	(6 883)
Other expenses	(324 526)	(103 919)
EBITDA	152 709	41 619
Fair value adjustment	239 943	5 722
Write offs relating to the fire	(106 403)	–
Depreciation and amortisation	(15 607)	(5 068)
Profit from operations	270 552	42 273
Arbitration awards provision	–	3 273
Profit before finance costs	270 552	45 546
Finance income	5 867	2 066
Finance expenses	(85 310)	(5 282)
Profit before tax	191 109	42 330
Income tax expense	(56 142)	(11 014)
Profit for the period	134 967	31 316
Attributable to:		
Equity holders of the parent	134 967	31 316
Fully diluted earnings per share – cents	323.8	283.6
Basic earnings per share – cents	335.4	283.6

Condensed consolidated interim balance sheet

As at 31 December 2007

In thousands of Rands	Reviewed 31 December 2007	Audited 31 December 2006
ASSETS		
Total non-current assets	2 512 069	90 603
Property, plant and equipment	365 474	65 801
Biological assets	1 514 024	18 000
Goodwill	624 618	–
Investment property	7 400	5 900
Other investments	553	902
Total current assets	604 967	138 564
Inventories	165 537	34 724
Trade and other receivables	249 792	69 909
Cash and cash equivalents	189 638	41 731
Non-current assets held for sale	–	2 200
Total assets	3 117 036	229 167
EQUITY AND LIABILITIES		
Issued capital	3 918	552
Share premium	1 002 740	3 061
Retained earnings	235 261	100 294
Total equity attributable to equity holders of the parent	1 241 919	103 907
Total non-current liabilities	1 556 266	50 060
Interest bearing loans and borrowings	1 153 163	32 757
Provisions	53 985	7 889
Deferred tax liabilities	349 118	9 414
Total current liabilities	318 851	75 200
Interest bearing loans and borrowings	67 027	12 050
Trade and other payables	241 079	57 676
Income tax payable	10 745	5 474
Total equity and liabilities	3 117 036	229 167

Segmental report

for the twelve months ended 31 December 2007

Business segments

(All amounts in thousands)

	Sawn timber products		Plywood		Merchandising		Forestry		Elimination		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue	561 101	230 657	92 295	–	240 898	160 807	34 815	2 511	–	–	929 169	393 975
External sales	25 052	–	–	–	–	–	225 810	–	–	–	–	–
Inter-segment sales	589 213	235 657	92 295	–	240 898	160 807	260 625	2 511	(253 862)	(5 010)	929 169	393 975
Total revenue	589 213	235 657	92 295	–	240 898	160 807	260 625	2 511	(253 862)	(5 010)	929 169	393 975
Result												
Segment result	59 205	35 359	(9 636)	–	6 427	8 106	225 606	3 668	–	–	281 602	47 133
Unallocated expenses	–	–	–	–	–	–	–	–	–	–	(11 783)	(8 101)
Unallocated income	–	–	–	–	–	–	–	–	–	–	733	3 241
Profit from operations	–	–	–	–	–	–	–	–	–	–	270 552	42 273
Other information												
Segment assets	486 839	162 261	76 511	–	57 506	47 554	2 454 284	–	–	–	3 075 140	209 815
Unallocated corporate assets	–	–	–	–	–	–	–	–	–	–	41 896	19 352
Consolidated total assets	–	–	–	–	–	–	–	–	–	–	3 117 036	229 167
Segment liabilities	137 376	35 330	8 112	–	48 938	25 907	113 190	–	–	–	307 616	61 237
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	–	–	4 328	4 328
Non-current and current loans and borrowings	–	–	–	–	–	–	–	–	–	–	1 220 190	44 807
Taxation and deferred taxation	–	–	–	–	–	–	–	–	–	–	359 863	14 888
Consolidated total liabilities	–	–	–	–	–	–	–	–	–	–	1 875 117	125 260
Additions to biological assets	–	–	–	–	–	–	20 690	–	–	–	20 690	–
Capital expenditure	12 365	6 132	174	–	16	864	16 737	–	–	–	25 292	6 996
Depreciation	12 021	4 532	1 157	–	757	236	1 762	–	–	–	15 697	4 768
Impairment of tangible assets	–	300	–	–	–	–	–	–	–	–	–	300

Business segments

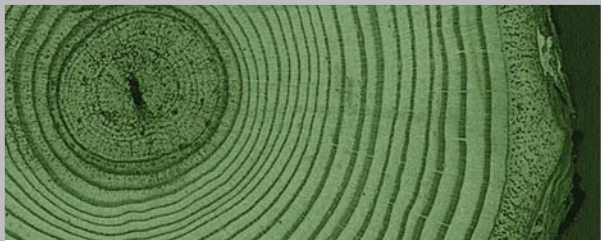
Business segments: The Company is organised into four major operating divisions – Sawn timber products, Plywood, Merchandising and Forestry. The divisions are the basis on which the Company reports its primary segment information. The Sawn timber products segment produces and sells a broad range of structural and industrial sawn timber products. The Plywood division manufactures and sells plywood products. The Merchandising division buys and sells timber related products on a wholesale basis. The Forestry division owns plantations on which it grows pine and eucalyptus trees that are felled on a rotational basis and then sold.

Geographical segments: The Company regards its business as a single geographical segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of accounts, wages and accrued liabilities. Segment assets and liabilities do not include deferred income taxes and taxes currently payable.

Inter-segment transfers: Segment revenue, segment expenses and segment results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated in consolidation.

There were no changes in segment accounting policy although two new segments were added.



FINANCIAL RESULTS

Revenue for the twelve months to 31 December 2007 increased by 136% to R929.1 million. Sales volumes for the "old York mills" were at the same level as those for the corresponding period with the balance of the increase due to the acquisition of GFP.

EBITDA increased by 267% to R152.7 million with EBITDA margin increasing to 16.4% (2006: 10.6%). The improvement in margin was due to higher forestry margins from the newly acquired GFP forests.

Plantations were re-valued by an amount of R239.9 million, based on the net standing value method. The method values plantations based on current long-term Komatiland contract prices for saw logs over four years of age, excluding transport costs, taking into account different diameters and grades. Spot market prices are currently approximately 16% higher than the long-term contract prices.

Severe plantation fires were experienced in 2007 and resulted in a substantial reduction in the planted area of South Africa's planted timberlands. York's uninsured losses arising from the fire amounted to R106 million and comprised fire damage to plantations, fire fighting costs and costs of log stocks damaged by fire.

Fully diluted headline earnings per share increased 20% to 323.4 cents (2006: 268.5 cents) whilst ordinary earnings per share increased 18.2% to 335.4 cents (2006: 283.6 cents).

Gearing increased from 10.7% in December 2006 to 44.1% in December 2007 due to the financing raised for the GFP acquisition. Robust operating cashflows are expected to reduce the debt over the next five years. The interest rate on 96% of the debt has been hedged until July 2011.

WORKING CAPITAL

Cash generated by operations amounted to R133.1 million (2006: R38.6 million). Working capital required over the period was R72.6 million (2006: R30.6 million). Included in the working capital required is an amount of R45.2 million directly attributable to the fires. This investment in working capital should reverse over the next six months as recoveries are made from the company's insurers and the wet-decks stocks are processed and sold. Cash from operating activities grew 65.4% to R60.4 million (2006: R8 million).

Working capital requirements from normal trade activities remained constant at 35 days (2006: 35).

2007 FIRES: THE "PERFECT STORM"

The worst ever plantation fires in South Africa's history were experienced in 2007 and cost York R106 million in damage to its plantation assets and other related costs. The cost of the fire was charged to the income statement, but was effectively offset by the gain in plantation values as a result of increases in log prices.

The rebuild of the Driekop Sawmill will be completed by March 2009. The damage to the mill and the loss of profits were both insured. Additional preventative actions are currently being implemented based on the experience gleaned from last year. These actions have greatly enhanced our ability to fight or avert future fires of this magnitude. Steps taken include a strengthening of fire prevention and detection measures, enhanced initial and extended attack processes and refinements to salvage measures.

MARKET CONDITIONS

The slowdown in domestic construction has been felt in the lumber market. The value of residential building plans passed for 2007 increased by 5.3%, (2006: 6.4%) while alterations and additions showed strong growth of 11% for the same period (2006: 9.0%). Lumber output by South Africa's sawmills declined by 2.5% over 2007 as a result of reduced raw material supplies. This partially compensated for the slowing market demand. Demand for plywood is increasing as the construction of stadiums, bridges, hotels and power-stations gains momentum.

While the demand for lumber may continue to slow down for some time, a substantial correction would be needed for a domestic surplus to arise. Government's objectives of delivering affordable housing and the large infrastructural projects already committed to, should be more than adequate to compensate for any slowdown in the domestic construction market.

Industry analysts Crickmay and Associates have forecast annual lumber shortages of between 20% and 50% until 2036. These shortages have been compounded by the destruction of large plantation areas during 2007.

In the period under review, Komatiland Forests (Pty) Limited ("KLF") continued to narrow the gap between long-term and spot log prices. On 1 April 2007, KLF raised long-term saw log prices by 20% and on 1 September 2007 by a further 14%. Another significant price increase was announced in February 2008. The predicted long-term domestic shortage of lumber will mean that South Africa will have to import a large portion of its future requirements and local prices are therefore expected to continue to rise until import parity is reached. Thereafter they should track exchange rates and international lumber prices. Import parity on sawn timber is estimated to be 20% above current prices (at an exchange rate of R7.80 to the US dollar). At April 2008, long-term prices will be 36% below spot prices. The closure of the gap between long-term and spot prices is expected to result in import parity being achieved. However, any further weakening of the rand will raise import parity levels further and result in further timber price increases.

OPERATIONAL PERFORMANCE

Satisfactory progress has been made in unlocking additional operational profits from the synergy opportunities arising from the GFP acquisition. The erstwhile York sawmills have benefited from a more stable raw material supply and the newly acquired GFP sawmills have shown improvements in recoveries and product mixes.

The loss incurred by the Plywood business has been reduced from R30 million in the previous 12 month period to R9.6 million in the six month period ending December 2007, and notwithstanding large increases in log cost. Most importantly the operation became profitable in November and the future outlook for Plywood is positive as a result of high demand and ongoing improvements within the plant as the recently upgraded equipment ramps up performance.

Certain of York's processing operations have standby generators which can be used to avoid production losses from load shedding. At other plants, timber residue fuelled turbines and steam engines are being de-mothballed and will be started up during 2008. York is positioned to exceed the required 10% saving in power consumption once the steam generators are commissioned and certain sawmilling plants are decommissioned during 2008 in line with the synergy plan.

Warehousing profits are down as a result of extra costs associated with the expansion of York's warehouse network in Durban and Cape Town and the limited importation of timber below import parity levels in order to set up foreign timber supply lines for the future.

STRATEGY

The acquisition of GFP has contributed to York's vision of securing a sustainable resource supply. The inherent value of the plantations in an environment of log shortages, and likely increasing shortages, provides a solid underpin to the business and as log prices rise and processing efficiencies and synergies are unlocked, the outlook for the company should be favourable.

York has the scope and capacity to acquire additional plantations to further reduce its purchase of raw material from third parties and will continue to seek such acquisitions. A medium-term goal will be complementary international acquisitions giving the Group the ability to address substantial shortfall of timber predicted for South Africa.

LIQUIDITY OF SHARES

During the 12 months under review, York completed a R350 million rights offer to fund the acquisition of GFP and a R203 million issue of shares for cash to finance working capital within the merged Group.

As a consequence, the number of ordinary shares in issue increased from 11 040 597 to 78 370 068 and the liquidity of the shares improved dramatically. The number of shareholders increased from 331 in 2006 to 706 in 2007, with 51% of shareholdings classified as non-public (i.e. holding more than 10%) and 49% classified as public.

BEE EQUITY HOLDING BOLSTERED

Together with two of its major shareholders, the Industrial Development Corporation ("IDC") and Blackstar Investors Plc, York completed two black economic empowerment transactions in the period. Excluding the IDC stake, approximately 27% of the Company's equity is now owned by previously disadvantaged individuals.

PROSPECTS

The prospects for the last six months of the period are positive, and the Directors of York expect the Company to maintain its current growth as operational efficiencies emerge and log prices continue to rise.

For and on behalf of the board

Lance Cooper
Chief Executive Officer

John Lehman
Chief Financial Officer

Executive Directors:

Lance Cooper (CEO), John Lehman (CFO), Gay Mokoena (Corporate Services)

Non-Executive Directors:

Jim Myers (Chairman, USA), Andrew Bonamur, Paul Botha, Dick Claunch, Shakeel Meer, Thlophohe Modise, Simon Murray, Gavin Tipper.

Company Secretary:

Francois Dekker

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