



The York Timber Organisation Limited ("York" or "the Company")

RESULTS
for the six months ended 30 June 2007

York produced robust results for the six month period, notwithstanding rapidly escalating raw material (saw log) prices and a modest slowdown in the demand for timber finished products (lumber).

Saw log prices accounted for approximately 55% of total production costs and continued to rise during the period mainly due to Komatiland Forests (Pty) Limited ("KLF") closing the gap between long-term contract saw log prices and spot market prices by raising long-term prices. Despite this, York was able to substantially maintain its margins through increases in lumber prices, efficiencies at its mills and steady volumes. It is pleasing to report that York's ongoing exposure to these price increases has to an extent been mitigated by the acquisition of plantations and the consequent substantial increase in the proportion of raw material requirements it produces itself.

Although the demand for lumber for the 12 months ended June 2007 was 4,5% lower than that for the previous year, York's sales volumes did not decline.

Lumber prices increased by 21,7% year on year to 30 June 2007.

The post balance sheet acquisition of Global Forest Products (Pty) Limited increases York self reliance as it now owns sufficient forestry resources to satisfy at least 70% of its own timber requirements.

FINANCIAL RESULTS

Revenue for the six months to 30 June 2006 increased by 53% to R247 million. Sales volumes were up 6% over the corresponding period.

The net operating margin was 8% (2006: 9,8%). The reduction in margin was due to a 91% increase in lower margin timber warehousing revenue, whilst higher margin sawmilling revenue only increased by 29%. The contribution per cubic metre of sawmilling lumber sold increased marginally over the corresponding period, indicating that the company had maintained production efficiency in its processing plants.

Headline earnings per share was 148,8 cents, up 71% on the previous period. After taking into account the fully convertible preference shares issued in terms of the BEE transaction concluded in February 2007, fully diluted headline earnings per share improved by 36% from 87,1 cents to 118,8 cents.

York's balance sheet remains solid. Stock levels increased by 34% over the corresponding period due to higher raw material prices and organic growth. Receivables and other debtors increased by 62% mainly due to the growth in sales prices over the corresponding period and a marginal weakening in debtors days. Working capital management will be a focus going forward.

The Company's gearing increased from 49% in June 2006 to 51% in June 2007 due to R20 million debt used for the acquisition of the Goedgelooft plantation and the warehousing division using trade finance to improve its cashflows.

Cash and cash equivalents were lower at the end of the period as a result of the use of a portion of the surplus cash to fund the Goedgelooft acquisition in March 2007. York traditionally generates the larger portion of its profits during the busier period from July to December each year, due to the cyclical nature of the timber industry. When viewed in this context, the performance for the first half of the year is satisfactory.

MARKET CONDITIONS

After several years of saw log and consequently lumber prices increasing at levels well above the Consumer Price Index, there has been a noticeable levelling off in the demand for lumber.

Industry analysts Crickmay and Associates have however forecast annual lumber shortages of between 32% and 55% until 2036.

KLF continued to narrow the gap between long-term and spot log prices. On 1 April 2007 KLF raised the long-term saw log prices by 20% and on 1 September 2007 by a further 14%. Crickmay estimates a current gap of R300/m³ between import parity and the current prices. Future increases will thus level off as import parity is approached.

STRATEGY

During the period under review, York made substantial progress in pursuit of its strategy of developing efficient sawmills underpinned by sustainable resource supplies. The acquisition of Goedgelooft Plantation and the post balance sheet acquisition of Global Forest Products constitute a major step forward for the Company.

The enlarged York will be approximately 70% self-sufficient with regard to grown raw material. However, the ongoing scarcity of timber, coupled with the effects of the recent fires, mean that York may consider further plantation acquisitions in order to reduce its reliance on external saw log supplies.

In the current period, York's sawmilling operations will continue to focus on improving efficiency.

LIQUIDITY OF SHARES

The Company has recently completed a R350 million rights offer to fund the acquisition of Global Forest Products and a R203 million issue of shares for cash to finance working capital within the enlarged Company.

As a consequence of this, the number of ordinary shares in issue increased from 8 170 068 to 78 370 068 shares and liquidity has improved dramatically.

BEE EQUITY HOLDING BOLSTERED

Together with two of its major shareholders, the Industrial Development Corporation ("IDC") and Blackstar PLC, York completed two black economic empowerment transactions. Excluding the IDC stake, approximately 28% of its equity is now owned by previously disadvantaged individuals.

POST BALANCE SHEET EVENTS

Acquisition of Global Forest Products (Pty) Limited ("GFP") and South African Plywood (Pty) Limited ("SAP")

On 12 July 2007, York completed the acquisition of 100% of GFP and SAP for a consideration of R1,695 billion. GFP owns 56 805 hectares of certified plantation forests and 29 101 hectares of unforrested land. The acquisition makes York the largest integrated forestry and sawmilling company in South Africa. The merged companies own and operate eight sawmills and a plywood plant supplied by 60 000 hectares of plantations located around these plants.

The acquisition was financed with an appropriate level of gearing. The debt package is long-term in nature and is backed by a high quality forestry asset base. Integration of Global Forest Products is well underway and management expects to provide details on the progress at the year end results.

Forest fires

Between 27 July 2007 and 11 August 2007, approximately 84 000 hectares of South Africa's timber plantations suffered the most devastating wild fires in the country's history. Several sawmills were crippled by the fires which will further compound South Africa's saw log shortage. Approximately 16% of York's plantations were affected, and the Company sustained partial damage to its Driekop Sawmill. The mill is insured against asset losses and loss of profits. However, only minimal self insurance is held on the plantations due to the difficulty and cost of acquiring cover. A preliminary estimate of the cost of the damages to the plantations is R103 million, comprising a R25 million cash flow cost and a R78 million reduction in asset value (non-cash flow).

PROSPECTS

The prospects for the second half of the year are positive, and we expect to maintain our current growth rate.

On behalf of the board

Lance Cooper Chief Executive Officer

Executive directors:

Lance Cooper (CEO) and John Lehman (CFO)

Non-executive directors:

Jim Myers (Chairman, USA), Andrew Bonamiour, Paul Botha, Dick Claunch, Shaheed Meer, Clay Mokoena, Thipheho Modise, Simon Murray, Gavin Tipper

Company Secretary:

Francois Dekker

Registered and physical address:

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PO Box 1191, Sabie, 1260
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Transfer Secretaries:

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HIGHLIGHTS

- Revenue up 52% to R247 million
- Fully diluted headline earnings per share up 36% to 118,8 cents (2006: 87,1 cents)
- Operating profit up 24% to R19,7 million (2006: R15,9 million)
- Goedgelooft Plantation acquisition finalised in March 2007
- Acquisition of Global Forest Products completed in July 2007 - making York the largest integrated forestry and sawmilling company in South Africa

Unaudited condensed group income statement

for the six months ended 30 June 2007

(R'000)	6 months ended		6 months ended		Year ended	
	30 Jun 2007	30 Jun 2006	30 Jun 2006	31 Dec 2006	31 Dec 2006	31 Dec 2006
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	246 960	162 058	162 058	393 976		
Cost of sales	(164 500)	(97 552)	(97 552)	(242 481)		
Gross profit	82 460	64 506	64 506	151 494		
Other operating income	2 891	4 141	4 141	6 649		
Distribution expenses	(3 421)	(2 935)	(2 935)	(6 883)		
Administration expenses	(13 019)	(18 754)	(18 754)	(29 511)		
Operating expenses	(49 146)	(31 016)	(31 016)	(79 476)		
Profit from operations	19 765	15 942	15 942	42 273		
Arbitration awards provision	785	–	–	3 273		
Profit before finance costs	19 765	15 942	15 942	45 546		
Finance income	775	77	77	2 066		
Finance expenses	(1 902)	(2 473)	(2 473)	(5 282)		
Profit before tax	18 638	13 546	13 546	42 330		
Income tax expense	(5 526)	(3 928)	(3 928)	(11 014)		
Profit for the period	13 112	9 618	9 618	31 316		
Attributable to:						
Equity holders of the parent	12 155	9 618	9 618	31 316		
Convertible preference equity holders	957	–	–	–		
Basic earnings per share – (cents)	148,8	87,1	87,1	283,6		
Headline earnings per share – (cents)	148,8	87,1	87,1	263,2		
Fully diluted headline earnings per share – (cents)	118,8	87,1	87,1	263,2		
Preference dividends paid – (cents)	33,3	–	–	–		

Unaudited condensed group cash flow statement

for the six months ended 30 June 2007

(R'000)	6 months ended		6 months ended		Year ended	
	30 Jun 2007	30 Jun 2006	30 Jun 2006	31 Dec 2006	31 Dec 2006	31 Dec 2006
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Cash flows from operating activities						
Cash (generated by)/applied to operating activities	(8 604)	15 405	15 405	8 015		
Provisions transferred to interest bearing liabilities	–	(26 631)	(26 631)	–		
Net finance income	775	77	77	891		
Net finance expense	(1 902)	(2 473)	(2 473)	(5 282)		
Taxation paid	(6 655)	(875)	(875)	(1 475)		
Income from investments	–	–	–	362		
Net cash (outflow)/inflow from operating activities	(16 386)	(14 497)	(14 497)	2 511		
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	24	–	–	783		
Additions to property, plant and equipment	(14 022)	(1 686)	(1 686)	(2 787)		
Additions to biological assets	(20 000)	–	–	–		
Proceeds on sale of other investments	–	9 255	9 255	10 069		
Reduction in purchase consideration	–	–	–	2 000		
Net cash (outflow)/inflow from investing activities	(33 998)	7 569	7 569	10 065		
Cash flows from financing activities						
Increase in borrowings	17 955	23 646	23 646	20 447		
Issue of share capital	–	–	–	1		
Net cash inflow from financing activities	17 955	23 646	23 646	20 448		
Net (decrease)/increase in cash and cash equivalents	(32 429)	16 718	16 718	33 024		
Cash and cash equivalents at the beginning of the period	41 731	8 207	8 207	8 207		
Cash and cash equivalents at the end of the period	9 302	25 425	25 425	41 731		

Unaudited condensed group statement of changes in equity

for the six months ended 30 June 2007

(R'000)	Share capital	Share premium	Retained earnings	Total
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
1 January 2007 – IFRS	552	3 061	100 294	103 907
Issue of 2 870 529 preference shares	144	28 074	–	28 218
Repurchase of 2 870 529 ordinary shares	(144)	(28 074)	–	(28 218)
Write off of issuing expenses	–	(1 348)	–	(1 348)
Preference dividend	–	–	(957)	(957)
Net profit for the period	–	–	13 112	13 112
Balance at 30 June 2007 – IFRS	552	1 713	112 449	114 714

Unaudited condensed group balance sheet

As at 30 June 2007

(R'000)	30 Jun 2007	30 Jun 2006	31 Dec 2006
	IFRS	IFRS	IFRS
ASSETS			
Total non-current assets	125 831	85 819	90 603
Property, plant and equipment	77 029	63 712	65 801
Biological assets	42 000	14 278	18 000
Investment property	5 900	7 070	5 900
Other investments	902	759	902
Total current assets	139 083	110 015	138 564
Inventories	45 546	33 911	34 724
Trade and other receivables	82 035	50 679	59 909
Cash and cash equivalents	9 302	25 425	41 731
Non-current assets held for sale	2 200	–	2 200
Total assets	264 914	195 834	229 167
EQUITY AND LIABILITIES			
Issued capital	552	552	552
Share premium	1 713	3 060	3 061
Retained earnings	112 449	78 452	100 294
Total equity attributable to equity holders of the parent	114 714	82 064	103 907
Total non-current liabilities	60 913	53 922	50 060
Interest bearing loans and borrowings	43 610	37 747	32 757
Provisions	7 889	9 053	7 889
Deferred tax liabilities	9 414	7 122	9 414
Total current liabilities	89 287	59 848	75 200
Interest bearing loans and borrowings	19 152	6 050	12 050
Provisions	–	–	–
Trade and other payables	65 790	52 518	57 676
Income tax payable	4 345	1 280	5 474
Total equity and liabilities	264 914	195 834	229 167

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 Group interim financial statements of the Company for the six months ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the Group).

The condensed consolidated interim financial statements were authorised for issue on 26 September 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 for financial instruments held for trading, financial instruments and investment property which are reflected at fair value, and non-current assets and disposal groups held for sale which are stated at the lower of carrying amount and fair value less costs to sell.

The interim financial statements are prepared in conformity with IAS 34 Interim Financial Reporting, which requires management to make judgments, 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) 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 R12,155 million (June 2006: R9,168 million) by 8 170 068 ordinary shares in issue (June 2006: 11 040 597 shares).

(d) 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 R13,112 million (June 2006: R9,618 million) and fully diluted ordinary shares of 11 040 597 (June 2006: 11 040 597).

Reconciliation between net profit attributable to the equity holders of the Company and headline earnings:

Determination of headline earnings	6 months ended 2007	6 months ended 2006	Year ended 2006
	IFRS	IFRS	IFRS
Basic and diluted earnings per share – cents	118,8	87,1	283,6
Surplus on disposal of fixed assets	–	–	(0,72)
Increase in fair value of investment properties	–	–	(12,51)
Fair value adjustments and impairments	–	–	(7,17)
Basic and diluted headline earnings per share	118,8	87,1	263,2