

# UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

## Salient features

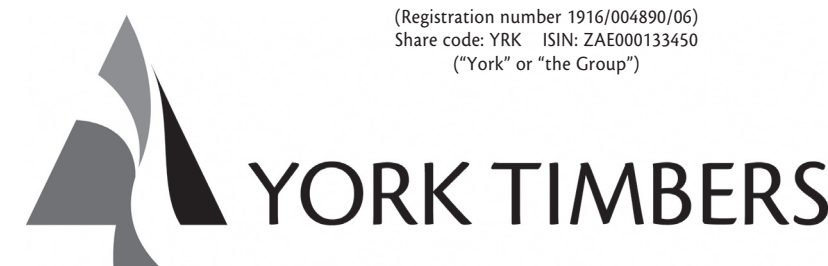
Net asset value per share: 524 cents

Tangible net asset value per share: 337 cents

Debt and capital restructuring finalised

R500 million capital injection by shareholders

**YORK TIMBER HOLDINGS LIMITED**  
(Registration number 1916/004890/06)  
Share code: YRK ISIN: ZAE000133450  
("York" or "the Group")



UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION	31 December	30 June	31 December
	2009	2009	2008
	Restated	Restated	Restated
Note(s)	Unaudited R'000	Audited R'000	Unaudited R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	428 665	429 456	399 188
Investment property	5 020	5 020	4 920
Biological assets	1 414 822	1 492 002	1 988 450
Intangible assets	2 609	2 984	–
Goodwill	610 352	610 352	610 352
Other financial assets	816	3 911	2 273
	<b>2 462 284</b>	<b>2 543 725</b>	<b>3 005 183</b>
<b>Current assets</b>			
Biological assets	243 216	246 369	–
Instalment sale receivables	1 259	1 854	–
Inventories	165 367	214 629	239 078
Trade and other receivables	124 358	109 012	178 321
Cash and cash equivalents	21 754	124 417	96 610
Non-current assets held for sale and assets of disposal groups	4	3 174	83 153
	<b>559 128</b>	<b>717 110</b>	<b>597 162</b>
<b>Total assets</b>	<b>3 021 412</b>	<b>3 260 835</b>	<b>3 602 345</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5	16 419	3 919
Share premium	5	1 477 295	1 026 888
Reserves		(35 350)	(88 438)
Retained income		262 563	407 237
	<b>1 720 927</b>	<b>1 349 606</b>	<b>1 575 521</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Cash settled share based payments	6	419	50
Other financial liabilities		628 752	1 061 544
Finance lease obligation		40 523	23 252
Instalment sale liabilities		1 673	2 907
Retirement benefit obligation		22 916	20 200
Provisions		54 643	54 643
Deferred tax		364 020	414 974
	<b>1 112 946</b>	<b>1 577 570</b>	<b>1 700 894</b>
<b>Current liabilities</b>			
Other financial liabilities		38 999	97 819
Finance lease obligation		5 031	3 438
Instalment sale liabilities		1 523	1 781
Trade and other payables		137 030	215 450
Current tax payable		2 999	5 425
Liabilities of disposal groups	4	1 957	9 746
	<b>187 539</b>	<b>333 659</b>	<b>325 930</b>
<b>Total liabilities</b>	<b>1 300 485</b>	<b>1 911 229</b>	<b>2 026 824</b>
<b>Total equity and liabilities</b>	<b>3 021 412</b>	<b>3 260 835</b>	<b>3 602 345</b>

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME	Six months ended	Twelve months ended	Six months ended
	31 December	30 June	31 December
	2009	2009	2008
Note(s)	Unaudited R'000	Audited R'000	Unaudited R'000
<b>Continuing operations</b>			
Revenue	407 333	998 122	601 528
Cost of sales	(260 394)	(676 836)	(330 733)
<b>Gross profit</b>	<b>146 939</b>	<b>321 286</b>	<b>270 795</b>
Other operating income	12 619	9 531	4 850
Selling, general and administration expenses	(147 359)	(270 957)	(249 250)
<b>Operating profit before separately disclosed items</b>	<b>12 199</b>	<b>59 860</b>	<b>26 395</b>
<b>Separately disclosed items</b>			
Insurance proceeds	–	158 731	78 053
Impairment of assets	–	(43 390)	–
<b>Operating profit</b>	<b>12 199</b>	<b>175 201</b>	<b>104 448</b>
Interest income	1 298	13 133	11 835
Restructuring costs	(79 708)	(12 129)	–
Fair value adjustments	(79 708)	(244 598)	(5 714)
Loss on non-current assets held for sale	4	(373)	–
Finance costs excluding hedge interest expense	(79 313)	(182 471)	(73 202)
Hedge interest expense	(44 678)	(15 422)	(11 095)
<b>(Loss)/profit before taxation</b>	<b>(190 202)</b>	<b>(266 659)</b>	<b>26 272</b>
Taxation	49 668	80 707	(6 970)
<b>(Loss)/profit from continuing operations</b>	<b>(140 534)</b>	<b>(185 952)</b>	<b>19 302</b>
<b>Discontinued operations</b>			
(Loss)/profit for the period from discontinued operations (net of taxation)	4	(4 140)	(45 968)
<b>(Loss)/profit for the period</b>	<b>(144 674)</b>	<b>(231 920)</b>	<b>21 495</b>
<b>Other comprehensive income</b>			
Available-for-sale financial assets adjustments	188	40	(219)
Effects of cash flow hedges	43 740	(89 545)	(101 640)
<b>Other comprehensive income/(loss) for the period (net of taxation)</b>	<b>43 928</b>	<b>(89 505)</b>	<b>(101 859)</b>
<b>Total comprehensive loss</b>	<b>(100 746)</b>	<b>(321 425)</b>	<b>(80 364)</b>
<b>Net (loss)/profit attributable to:</b>			
<b>Owners of the parent:</b>			
(Loss)/profit for the period from continuing operations	(140 534)	(185 952)	19 302
(Loss)/profit for the period from discontinued operations	(4 140)	(45 968)	2 193
<b>(Loss)/profit for the period attributable to owners of the parent</b>	<b>(144 674)</b>	<b>(231 920)</b>	<b>21 495</b>
<b>Earnings per share</b>			
Basic (loss)/earnings per share (cents)	12	(135)	(296)
Diluted (loss)/earnings per share (cents)	12	(129)	(296)
Headline (loss)/earnings per share (cents)	13	(141)	(254)
<b>Continuing operations</b>			
Basic (loss)/earnings per share (cents)	(131)	(237)	25
Diluted (loss)/earnings per share (cents)	(126)	(237)	24

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	Six months ended	Twelve months ended	Six months ended
	31 December	30 June	31 December
	2009	2009	2008
Note(s)	Unaudited R'000	Restated R'000	Restated R'000
<b>Cash flows from operating activities</b>			
Cash (utilised)/generated by operating activities	(25 306)	232 103	66 301
Interest income	1 298	13 132	11 835
Finance costs	(123 053)	(168 549)	(88 232)
Tax paid	(2 426)	(2 998)	(2 865)
Cash flows of held for sale/discontinued operations	4	(4 166)	(11 195)
<b>Net cash from operating activities</b>	<b>(153 653)</b>	<b>62 494</b>	<b>(9 566)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment on expanding of operations	(10 938)	(130 604)	(79 454)
Sale of property, plant and equipment	94	1 032	589
Purchase of other intangible assets	–	(3 662)	–
Decrease in loans and receivables	–	98	–
Contribution to self insurance fund	–	(2 108)	–
Proceeds from sale of non-current assets held for sale	–	650	–
Decrease in finance lease receivables	595	989	–
<b>Net cash from investing activities</b>	<b>(10 249)</b>	<b>(133 605)</b>	<b>(78 865)</b>
<b>Cash flows from financing activities</b>			
Proceeds on share issue	5	12 500	–
Increase in share premium	–	450 407	24 266
Redemption of redeemable preference shares	–	(16 537)	–
Repayment of other financial liabilities	(419 409)	(30 279)	(37 496)
Movement in instalment sale liabilities	(1 492)	(1 631)	–
Movement in cash settled share based payments	369	–	–
Finance lease payments	18 864	(2 829)	–
<b>Net cash from financing activities</b>	<b>61 239</b>	<b>(27 010)</b>	<b>(37 496)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(102 663)</b>	<b>(98 121)</b>	<b>(125 927)</b>
Cash and cash equivalents at the beginning of the period	124 417	222 538	222 537
<b>Total cash and cash equivalents at the end of the period</b>	<b>21 754</b>	<b>124 417</b>	<b>96 610</b>

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital		Share premium	Fair value adjustment available for sale reserve	Share based payment reserve	Total reserves	Retained income	Total equity
	R'000	R'000						
<b>Balance at 1 July 2008</b>	3 919	1 002 622	–	–	–	10 446	638 900	1 655 668
Total comprehensive loss for the 12 months	–	–	–	(219)	–	(89 545)	(231 920)	(321 425)
<i>Transactions with owners recorded directly in equity</i>								
Share premium on rights issue	–	24 266	–	–	–	–	–	24 266
Reversal of share based payment reserve	–	–	–	–	(9 160)	(9 160)	–	(9 160)
Dividends declared and not claimed	–	–	–	–	–	–	257	257
Total changes	–	24 266	–	–	(9 160)	(98 665)	(231 663)	(306 062)
<b>Balance at 1 July 2009</b>	3 919	1 026 888	–	(179)	1 286	(88 438)	407 237	1 349 606
Total comprehensive loss for the six months	–	–	–	43 740	188	43 928	(144 674)	(100 746)
<i>Transactions with owners recorded directly in equity</i>								
Issue of shares through rights issue	12 500	474 673	–	–	–	–	–	487 173
Reversal of share premium due to deconsolidation of SPE	–	(24 266)	–	–	–	–	–	(24 266)
Share based payment	–	–	–	–	9 160	9 160	–	9 160
Total changes	12 500	450 407	–	–	9 160	53 088	(144 674)	371 321
<b>Balance at 31 December 2009</b>	<b>16 419</b>	<b>1 477 295</b>	<b>–</b>	<b>9</b>	<b>10 446</b>	<b>(35 350)</b>	<b>262 563</b>	<b>1 720 927</b>

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – OPERATING SEGMENTS

Business segmental analysis	Processing		Forestry		Discontinued operations		Elimination		Consolidated	
	Dec 2009 R'000	Jun 2009 R'000	Dec 2009 R'000	Jun 2009 R'000	Dec 2009 R'000	Jun 2009 R'000	Dec 2009 R'000	Jun 2009 R'000	Dec 2009 R'000	Jun 2009 R'000
<b>Revenue</b>										
External sales	378 203	933 235	29 130	64 887	19 712	97 168	–	–	427 045	1 095 290
Inter-segment sales	38 284	41 938	178 868	445 227	–	–	(217 152)	(487 165)	–	–
<b>Total revenue</b>	<b>416 487</b>	<b>975 173</b>	<b>207 998</b>	<b>510 114</b>	<b>19 712</b>	<b>97 168</b>	<b>(217 152)</b>	<b>(487 165)</b>	<b>427 045</b>	<b>1 095 290</b>
<b>Result</b>										
Fair value adjustment biological assets	–	–	(80 334)	(244 698)	–	–	–	–	(80 334)	(244 698)
Trading	(16 442)	111 011	39 919	77 393	(4 202)	(4 632)	–	–	19 275	183 772
Segment result	(16 442)	111 011	(40 415)	(167 305)	(4 202)	(4 632)	–	–	(61 059)	(60 926)
Unallocated expenses	–	–	–	–	62	(41 335)	–	–	(10 590)	(66 940)
Profit from operations	–	–	–	–	–	–	–	–	(71 649)	(127 866)
Net finance costs	–	–	–	–	–	(1)	–	–	(122 693)	(184 761)
Income tax expense	–	–	–	–	–	–	–	–	49 668	80 707
<b>Profit for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(144 674)</b>	<b>(231 920)</b>
Segment assets	508 765	527 864	1 793 982	1 876 764	3 174	20 829	–	–	2 305 921	2 425 457
Unallocated corporate assets	–	–	–	–	–	–	–	–	715 491	835 378
<b>Consolidated total assets</b>	<b>508 765</b>	<b>527 864</b>	<b>1 793 982</b>	<b>1 876 764</b>	<b>3 174</b>	<b>20 829</b>	<b>–</b>	<b>–</b>	<b>3 021 412</b>	<b>3 260 835</b>
Segment liabilities	37 351	56 522	20 172	78 487	1 957	9 746	–	–	59 480	144 755
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	157 485	155 334
Non-current and current loans and borrowings	–	–	–	–	–	–	–	–	716 501	1 190 741
Taxation and deferred taxation	–	–	–	–	–	–	–	–	367 019	420 399
<b>Consolidated total liabilities</b>	<b>37 351</b>	<b>56 522</b>	<b>20 172</b>	<b>78 487</b>	<b>1 957</b>	<b>9 746</b>	<b>–</b>	<b>–</b>	<b>1 300 485</b>	<b>1 911 229</b>
Additions to biological assets	–	–	–	–	–	–	–	–	–	–
Capital expenditure	10 938	125 970	–	4 634	–	–	–	–	10 938	130 604
Depreciation and amortisation	(14 627)	(18 814)	(2 037)	(4 336)	–	(2 404)	4 816	6 165	(11 848)	(19 389)
Impairment of tangible assets	–	(11 065)	–	–	–	(32 325)	–	–	–	(43 390)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Statement of compliance

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2009 have been prepared in accordance with the JSE Limited Listing Requirements, the Companies Act No. 61 of 1973, as amended, and the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") and the presentation and disclosure requirements of International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. These interim results do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2009.

The unaudited condensed consolidated interim financial statements, which have been prepared on the going concern basis, were approved by the Board of Directors on 24 March 2010.

Neither the consolidated financial results for the six months ended 31 December 2009 nor this set of unaudited condensed consolidated interim financial statements have been audited by the Group's auditors, and thus no audit report was issued.

### 2. Accounting policies

Except as described below, the accounting policies applied by the Group in these unaudited condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2009.

#### (i) IAS 23 Borrowing Costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009

	31 December 2009 R'000	30 June 2009 R'000	31 December 2008 R'000
<b>5. Share capital</b>			
<b>Authorised</b>			
600 000 000 (100 000 000) ordinary shares of R0,05 each	30 000	5 000	5 000
2 870 529 convertible, non-redeemable cumulative preference shares of R0,05 each	144	144	144
	<b>30 144</b>	<b>5 144</b>	<b>5 144</b>
<b>Reconciliation of number of shares issued:</b>			
Reported as at the beginning of the period	78 370	78 370	78 370
Issue of shares through rights issue offer	250 000	–	–
	<b>328 370</b>	<b>78 370</b>	<b>78 370</b>
Unissued shares cannot be allocated or issued by directors without the authorisation of the shareholders in a general meeting.			
<b>Issued ordinary shares</b>			
Ordinary share capital	16 419	3 919	3 919
Share premium	1 477 295	1 026 888	1 002 622
	<b>1 493 714</b>	<b>1 030 807</b>	<b>1 006 541</b>

York issued 250 million ordinary shares through a rights offer at an issue price of R2 per share. The rights offer was announced on 20 November 2009 in the ratio of 307,72792 rights offer shares for every 100 York shares held at the close of business on 20 November 2009. The rights offer closed at 12h00 on Friday, 11 December 2009.

The cost of the rights issue was deducted from share premium during the interim reporting period.

#### Consolidation of Special Purpose Entities ("SPEs") and subsequent deconsolidation of the SPEs

On 25 November 2009 the Group disposed of its interest in the SPEs and transferred it to Blackstar (Cyprus) Investors Limited. The Group did not consolidate the SPEs into the Group results for the interim period ended 31 December 2009.

#### 6. Share based payments

Cash settled share based payments scheme

The cash settled share option scheme as per the consolidated annual financial statements as at and for the year ended 30 June 2009 was subsequently cancelled. The number of options outstanding as at 30 June 2009 were 399 000, with a weighted average exercise price of R22,70.

During the six month period ended 31 December 2009 the Group issued the following share based payments:

Share appreciation right scheme	Number '000	Weighted exercise price R
Granted on 17 November 2009	8 428	2,49
<b>Outstanding at the end of the period</b>	<b>8 428</b>	<b>2,49</b>
	<b>Exercise date within one year</b>	<b>Exercise date from two to five years</b>
Outstanding appreciation rights	–	8 428 265

#### Information on share appreciation rights granted during the year

The Group offers its key employees an incentive plan in the form of an employee share appreciation right scheme. This incentive is achieved through certain employees being afforded the right to receive a cash payment over the vesting period. This cash payment is based on the appreciation in the value of the shares over the five year period.

These appreciation rights were allocated on 17 November 2009 and notice of allocation sent to beneficiaries. The transaction constitutes a call option with a term of six years from the grant date in the hands of the employees.

Employee share options are call options granted by entities to their employees. During the first portion of its life the option cannot be exercised and is forfeited should the employee leave the employment of the entity. This period of the option's life is referred to as the vesting period. After the vesting date, a lock in period follows, at which time the option is exercised. The employees have the option to exercise their rights in tranches of 33,3% at the end of year 3, year 4 and year 5 respectively. The option expires at the end of year 6.

The payoff that a beneficiary of the share appreciation right scheme will receive, at the end of the lock in period, is the difference between the spot price on the exercise date and the 30 day volume weighted average price on grant date. The structure of this scheme is valued using the Black Scholes methodology.

The scheme is treated as a cash settled scheme. Cash settled schemes are valued at the reporting date in terms of IFRS 2 *Share Based Payment*.

Fair value was determined by the Black Scholes model. The following inputs were used:

- The volume weighted average share price of R2,49 per share while the closing share price at 31 December 2009 was R2,90 per share.
- Expected volatility was calculated using the equally weighted standard approach, by making use of the available historical share price data, for a period equal to the term to maturity of the scheme. Smoothing of the share price volatility was done at the end of July 2007 and December 2009, in order to exclude the effects of the rights issues made by the company on the volatility.
- Option life is six years with a maturity/expiry date of 17 November 2015. Grant date is 17 November 2009. Dates for vesting portions are 17 November 2012 (33,33%), 17 November 2013 (33,33%) and 17 November 2014 (33,33%).
- No dividends will be paid in the foreseeable future. Therefore a dividend yield of 0% was applied in the calculation.
- The risk free interest rate sourced from the Bond Exchange of South Africa. The bootstrapped zero coupon perfect fit swap curve as at 31 December 2009 was used. The risk free interest rates applied range from 7,96% (minimum value) to 8,66% (maximum value).
- It was assumed that no forfeiture of the granted share appreciation rights will occur.

	31 December 2009 R'000	30 June 2009 R'000	31 December 2008 R'000
<b>Liability arising from share based payments</b>			
Carrying amount of cash settled liability	419	50	–

Any changes in the cash settled liability are recognised as part of employee costs.

#### 7. Operating segments (Refer to table – Operating segments)

The Group is organised into two major operating divisions, as described below, which are the Group's strategic business units. For each of the strategic business units, the CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Processing: manufactures and sells a range of structural and industrial sawn timber products and plywood.
- Forestry: owns plantations on which it grows pine and eucalyptus trees that are felled on a rotational basis and then sold.

#### 8. Commitments

	31 December 2009 R'000	30 June 2009 R'000	31 December 2008 R'000
<b>Capital expenditure authorised by Directors</b>			
Contracted for	400	136	–
Not yet contracted for	8 555	3 164	–

#### 9. Contingencies

There are no material contingencies as at 31 December 2009.

#### 10. Comparative figures

The unaudited condensed consolidated interim financial statements reporting period is for the six months ended 31 December 2009. The comparative 30 June 2009 figures are presented as published in the annual financial statements and have not been restated. However, the comparative figures for the six months ended 31 December 2008 have been restated for the disclosure purposes of discontinued operations as discussed in note 4.

During the 2009 reporting period the policy towards the classification of accounts as cost of sales was reviewed and certain accounts were reclassified out of revenue, other operating income, selling general and administration expenses to cost of sales.

The effect of the reclassification is as follows:

	31 December 2009 R'000	30 June 2009 R'000	31 December 2008 R'000
<b>Profit or loss</b>			
Cost of sales	–	–	92 706
Selling, general and administration expenses	–	–	(92 706)

#### 11. Events after the reporting period

There have been no significant events subsequent to the interim reporting period ended 31 December 2009 up until the date of this report that requires adjustment or disclosure.

#### 12. Basic earnings and diluted earnings per share

The calculation of basic earnings per share at 31 December 2009 is based on the (loss)/profit attributable to ordinary shareholders of R(144 674) million (June 2009: R(231 920); December 2008: R(21 495) and a weighted average number of ordinary shares of 106 903 million (June 2009: 78 370; December 2008: 78 370).

The calculation of diluted earnings per share at 31 December 2009 is based on the (loss)/profit attributable to ordinary shareholders, after the effect on basic earnings for the convertible preference shares of R(142 030) million (June 2009: R(231 920); December 2008: R(21 495) and a weighted average number of ordinary shares after the effect of the convertible preference shares of 109 774 million (June 2009: 78 370; December 2008: 81 250). In the year ended 30 June 2009 there were no instruments that had a dilutive effect.

	31 December 2009 R'000	30 June 2009 R'000	31 December 2008 R'000
<b>Reconciliation of basic earnings to diluted earnings</b>			
(Loss)/profit for the period	(144 674)	(231 920)	21 495
(Loss)/profit attributable to ordinary shareholders	(144 674)	(231 920)	21 495
Preference dividends	2 644	–	–
<b>(Loss)/profit attributable to ordinary shareholders (diluted)</b>	<b>(142 030)</b>	<b>(231 920)</b>	<b>21 495</b>
<b>Reconciliation of weighted average number of ordinary shares</b>			
Issued ordinary shares	78 370	78 370	78 370
Effect of shares issued in December 2009	28 533	–	–
Weighted average ordinary shares for the year	106 903	78 370	78 370
Effect of convertible preference shares	2 871	–	2 880
<b>Weighted average ordinary shares for the year (diluted)</b>	<b>109 774</b>	<b>78 370</b>	<b>81 250</b>
Basic earnings per share (cents)	(135)	(296)	27
Diluted earnings per share (cents)	(129)	(296)	26

#### 13. Headline earnings

The calculation of headline earnings per share at 31 December 2009 is based on the (loss)/profit attributable to ordinary shareholders, adjusted by items not qualified being part of headline earnings of R(150,419) million (June 2009: R(199,352); December 2008: R(21,326) and weighted average number of ordinary shares of 106,903 million (June 2009: 78,370; December 2008: 78,370).

#### Reconciliation of basic earnings to headline earnings 31 December 2009

	Gross	Tax	Total
Basic earnings attributable to ordinary shareholders	(194 342)	49 668	(144 674)
Profit on sale of assets and liabilities	(7 979)	2 234	(5 745)
<b>Headline earnings for the six months</b>	<b>(202 321)</b>	<b>51 902</b>	<b>(150 419)</b>
<b>Headline earnings per share (cents)</b>			<b>(141)</b>

#### COMMENTARY

##### Company Description

York which is headquartered in Sabie, Mpumalanga, is a vertically integrated forestry and sawmilling company, growing pine and eucalyptus on 61 000 hectares, and converting logs to sawn timber through four sawmills and a plywood plant to serve a range of building, construction, infrastructure, furniture and packaging markets.

##### Background

York entered this six month period with significant challenges, mostly as a consequence of softening demand for its products and lower prices. The key challenges were:

- Recapitalising the balance sheet;
- Finalising and signing the revised debt terms;
- The closure of three operating units;
- Reducing fixed and overhead cost in a comprehensive right-sizing exercise;
- Optimising the use of own raw material sources; and
- Refocusing the Group on its supply chain management.

The rights issue concluded in December 2009 was over-subscribed by 166%, which is an endorsement of York's strategic direction announced during the period as part of the Group's restructuring plans.

R450 million of the rights issue was utilised to pay off debt. This provides York with a much sounder base from which to proactively position the Group to exploit future growth in the regional timber market.

The goal of reducing fixed and overhead costs of in excess of R72 million on an annualised basis has been achieved with R37 million being saved in the six months to December 2009. This was achieved through a comprehensive right-sizing exercise that involved the complete top down re-employment of all salaried staff.

Management remains committed to the continued improvement of operating efficiencies and product mix in order for the Group to remain cost competitive in tough economic conditions. The Group continues to optimise its raw material base and its integration with comprehensive supply chain management. This process is producing good results with improved performance during the latter portion of the period under review, thereby entrenching the Group's position as the largest softwood supplier in Southern Africa.

##### Market Conditions

York has not escaped the consequences of the severe downturn in the worldwide economy. In particular, the South African building sector has seen a slow-down over the past 18 months and a decline in the demand for sawn timber. There has been a decline in timber utilisation in plated roof trusses, mainly due to the decrease in domestic housing construction. As the building industry is York's primary market, the Group has experienced a decline in demand for its products.

Downward price pressure was also experienced due to excess capacity in the sawmilling industry, a situation that was exacerbated by the temporary oversupply of lumber due to the salvage operations subsequent to the fires in 2007 and 2008. This oversupply situation has reduced, but remains a key consideration within the industry for the next six to twelve months.

The South African sawmilling industry has seen the closure of several sawmills over the past year and during the latter half of 2009 York embarked on a restructuring process to align its processing capacity with the current market demand. The Group closed three of its technologically outdated and less efficient sawmills. These operations are disclosed separately as discontinued operations in the financial results for the period under review.

##### York's Plantation Asset

Damage from fire during the 2009 fire season was very low when compared to recent history. This was partly as a result of reasonable weather conditions, coupled with stringent fire prevention measures implemented by York and the industry.

Prices for sawlogs remained static for the period under review. The demand and price paid for pulp reduced, which accounts for a portion of value reduction in the plantation asset.

Sustainability of the plantation asset is being ensured through continued accelerated re-planting of the fire damaged areas of the recent past. During the period under review, in excess of double the number of hectares were re-planted when compared to those hectares harvested. This situation will continue for a further 18 months by when all areas affected will be re-planted.

Despite this, as the plantation valuation only records volume from the fourth year of growth, there is a mathematical reduction in the net standing volume, even though the re-planting exceeded the harvesting by hectare. All being equal this will reverse in years to come as the newly planted areas grow and mature.

##### Company Outlook

The Group remains largely self-sufficient in terms of logs supplied by its own timber plantations and owns four modern, well-managed sawmills and a plywood plant. On recovery of the economy, York will gain the benefits from its restructuring and become even more competitive in the market.

One of management's key objectives remains to increase the Group's profitability. This objective will be fulfilled through optimising its processing facilities, utilisation of own raw materials, improving operational productivity and exploitation of its leading position in the softwood market. The Group also plans to increase its ownership of forestry resources, should these opportunities present themselves.

The current net asset value per share of 524 cents and tangible net asset value per share of 337 cents is in excess of the current traded share price.

##### Financial Review

During the period under review the following material items have affected the results:

- The key salient feature of operating results is despite a significant drop in top line revenue, continuing operations results before insurance proceeds are only marginally down on the six months ended December 2008. This results largely from the effectiveness of the cost reduction and right sizing exercise.
- The downward adjustment to the fair value of biological assets of R80,3 million. A reduction in volumes contributed R52,7 million, with the balance of R27,6 million relating to a decrease in log prices in the Mpumalanga region. The price of pulp logs for both pine and eucalyptus has reduced over the period, while the price of saw logs remained unchanged. A reduction in volume was expected as the plantation continues to normalise.
- The rights issue resulted in an increase in share capital and share premium. The transaction costs directly attributable to the issuing of the new shares to the amount of R12,8 million were recognised directly in equity (deducted from share premium).
- The Group raised debt in July 2007 for the acquisition of Global Forest Products, and concurrently entered into an interest rate swap transaction to hedge itself against the risk of interest rate increases. During the period under review, R450 million of the proceeds of the rights issue was utilised to settle a portion of the debt. The interest rate hedge derivative has been adjusted to reflect the R450 million debt repayment, and York settled the out of pocket portion of R16,3 million during December 2009. This was paid out of cash resources.
- As a consequence of the partial settlement of the debt and interest rate hedge derivative, a portion of the hedging reserve was released from equity to profit and loss. Furthermore, the ineffective portion of the movement in the fair value of the interest rate hedge derivative was recorded in profit and loss. This is in line with the hedge accounting principles in IFRS, and explains the decrease in the balance of the hedging reserve. The total amount recognised as an expense in profit and loss relating to the interest rate hedge derivative amounted to R44,7 million.
- Other operating income includes a profit on disposal of controlling interest in SPEs of R7,6 million. On 25 November 2009 the Group disposed of its interest in the SPEs through Blackstar (Cyprus) Investors Limited acquiring the ordinary shares in the SPEs. No monies were received from the disposal of the interest. In effect, the Group disposed of its controlling interest in the SPEs from an accounting perspective.
- The tax credit consists mainly of deferred tax on the biological asset.

##### Working Capital

Net working capital decreased year-on-year when compared to 31 December 2008. Trade and other receivables decreased as a result of the decrease in sales. The decrease in the inventory balance is in line with the Group's strategy to decrease the levels of lumber stock. Furthermore, inventory values decreased as the log salvage operations necessitated by the 2007 and 2008 forest fires were completed and inventory levels are back to normal. Trade and other payables decreased year-on-year. During the previous financial year, York purchased burnt logs from external parties on extended credit terms, resulting in a higher trade creditors balance. Working capital management remains one of the Group's key focus areas.

##### Corporate Governance

The Group subscribes to and complied substantially with the recommendations of the Code of Corporate Governance Practices and Conduct as contained in the second King Report on Corporate Governance.

##### Changes to the Board of Directors ("Board")

In line with the Company's stated intention to restructure and reposition the Group, the composition of the Board is being assessed ("Board restructuring"). The objective of the Board restructuring is to align it more closely with the restructuring of the Company in the past year, improve overall Board efficiency and implement a plan to be fully Board compliant with the recommendations of the King III Code. As part of this restructuring, G Mokoena (Executive director), P Omdaal (Non-executive director), T Modise (Non-executive director) and D Claunch (Non-executive director) have resigned with effect from 24 March 2010. The Company appreciates and values their respective contributions over the past year in which the Company faced challenging operating conditions and worked closely with the Board to achieve its financial and operations restructuring. During the interim period ended 31 December 2009 G Motau accepted a position with the Group's auditors, KPMG Incorporated, and, consequently, resigned in October 2009; S Murray and A Bonamour also resigned in the same month.

The resignations reduced the number of directors from twelve to five. The remaining Directors will meet in due course to consider further appointments, as required. This restructuring is to be completed under the guidance of the Board Chairman, J Myers, as requested by a majority of the shareholders of York.

##### Transformation

The Group is committed to a process of transformation and the economic empowerment of its stakeholders. Management has extended its initiatives in skills development, employment equity and corporate social investment during the period under review.

##### Dividends

No ordinary dividend was declared taking into consideration the debt facilities extended by York's bankers and other growth plans during the period under review.

##### Goodwill

The goodwill, which arose as a result of the acquisition of Global Forest Products, remains intact. Future economic benefit is expected to flow to the Group as York's sustainable forestry management and skilled harvesting and silviculture plans will see a significant increase in the value of the plantations. As a result, the value of the asset to which the goodwill relates still supports the current balance.

On behalf of the Board of Directors

**Piet van Zyl**  
Chief Executive Officer

**Duncan Erskine**  
Chief Financial Officer

Sabie  
24 March 2010

**Executive Directors:**  
Piet van Zyl (CEO), Duncan Erskine (CFO)  
Gay Mokoena (Director Corporate Services)

**Non-Executive Directors:**  
Jim Myers (Chairman, USA), Paul Botha  
Dick Claunch, Shakeel Meer  
Thiphelhe Modise, Pieter Omdaal

**Company Information:**  
www.york.co.za

**Company Secretary:**  
Fusion Corporate Secretarial Services (Pty) Limited  
Claessica Park Unit B  
56 Regency Road, Route 21 Corporate Park, Irene, 0062  
PO Box 68528, Highveld, 0169

**Sponsor:**  
Barnard Jacobs Mellet Corporate Finance (Pty) Limited  
Tel 011 750 0000  
24 Fricker Road, Illovo, 2196

**Registered Office:**  
York Corporate Offices, 3 Main Road, Sabie, 1260  
Tel 013 764 9200 Fax 013 764 3245  
PO Box 1191, Sabie, 1260

**Transfer Secretaries:**  
Computershare Investor Services (Pty) Limited  
70 Marshall Street, Johannesburg, 2001  
PO Box 61051, Marshalltown, 2107

www.york.co.za

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