



## **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)

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### **REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011**

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#### **SALIENT FEATURES**

- ↑ Revenue growth of 5.5%
- ↑ Operating profit increased by 460%
- ↑ Net asset value per share up from 594c to 612c
- ↑ Cash generated by operations up by R85 million
- ↓ Earnings per share down from 30c to 12 c
- ↓ Headline earnings per share down from 40c to 16c

# York Timber Holdings Limited

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## PRELIMINARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

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### OPERATING REVIEW

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York is an integrated timber company with operations in Mpumalanga, South Africa. York mainly processes its own timber, grown on 67 000 hectares of plantations, through its five processing plants.

The key goals for the 2011 financial year were cost and resource optimisation; to maximise cash flow; and to improve the quality of the biological asset. York successfully achieved these goals.

York continued to plant more hectares than harvested and has substantially improved forestry management practices. This has resulted in a sustainable increase in the value of the plantation asset.

Production output has increased by 18% when compared to the prior year. Unit cost reduced by 9% resulting in margin improvement.

#### Results

In the period under review York produced a much improved operating profit (460% increase). Cash generated increased by R85 million. York's restructuring plans are now fully implemented and through cost optimisation and supply chain management margins were improved despite soft product prices.

Highlights for the period under review are:

- York achieved an operating profit of R162 million compared to R35 million a year ago.
- Cash generated from operations of R187 million versus R102 million in the comparative period.
- Revenue has grown by 5.5% as a consequence of York's marketing strategy. York's sales volume increased by 11% while prices remained under pressure.
- Gross profit margin increased from 39% to 44%. Cost of sales was reduced with the lower unit cost of production and improved forestry tending activities.
- A range of selling, general and administration expenditure were reduced throughout the business by 12%.
- Net asset value per share increased from 594 cents to 612 cents.

#### Plantation asset

Shareholders are reminded of the change from the net standing value method to the discounted cashflow method (DCF) of plantation valuation in the year ended 30 June 2010, which resulted in an increase of R183 million in the value of the plantations. The DCF method incorporates forward looking assumptions to determine the underlying plantation value on a normalised basis. The biological asset value has increased by an amount of R14.7 million in the current year, representing the change in the DCF value over this period.

York subscribes to the best forestry operating practice, and manages its biological assets in a sustainable and environmentally responsible manner. All of York's plantations are Forest Stewardship Council (FSC) certified.

#### Prospects

Business sentiment towards the building industry remains weak. Despite this, the Group is well placed to drive production efficiencies and to grow profits and cash flows. There are a number of capital projects in progress which should contribute to future results.

The interest rate swap hedging arrangement has matured and this should positively affect earnings going forward. This statement is not a forecast and has not been reviewed or reported on by York's auditors.

The cost associated with York's debt continues to increase and as a result York is considering restructuring or replacing its current debt package.

#### Board of directors

Dr Azar Jamine was appointed to the Board as an independent non-executive director on 5 October 2010. Mr Paul Botha and Mr Shakeel Meer were reappointed to the Board at the Shareholders meeting on 16 November 2010.

On behalf of the Board of Directors

**PIETER VAN ZYL**  
*Chief Executive Officer*

**DUNCAN ERSKINE**  
*Chief Financial Officer*

**Sabie, Mpumalanga**  
*7 September 2011*

# York Timber Holdings Limited

PRELIMINARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2011 Reviewed R'000	2010 Audited R'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Biological assets (note 4)	1 616 363	1 562 936
Investment property	24 940	24 740
Property, plant and equipment	404 665	420 184
Goodwill	565 442	565 442
Intangible assets	3 275	2 691
Other financial assets	1 004	1 345
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2 615 689</b>	<b>2 577 338</b>
<b>CURRENT ASSETS</b>		
Biological assets (note 4)	320 035	358 738
Instalment sale receivables	-	606
Inventories	148 807	138 040
Trade and other receivables	124 595	104 334
Cash and cash equivalents	103 484	84 493
Current tax receivable	3 524	3 503
<b>TOTAL CURRENT ASSETS</b>	<b>700 445</b>	<b>689 714</b>
<b>TOTAL ASSETS</b>	<b>3 316 134</b>	<b>3 267 052</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital (note 5)	16 562	16 562
Share premium	1 505 352	1 505 352
Reserves	(5 826)	(26 236)
Retained income	510 180	471 863
<b>TOTAL EQUITY</b>	<b>2 026 268</b>	<b>1 967 541</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Cash settled share based payments	6 497	2 104
Deferred tax	432 451	409 510
Loans and borrowings	539 657	626 479
Provisions	54 643	55 496
Retirement benefit obligation	21 454	22 463
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1 054 702</b>	<b>1 116 052</b>
<b>CURRENT LIABILITIES</b>		
Loans and borrowings	74 568	55 491
Current tax payable	369	369
Provisions	285	285
Trade and other payables	159 942	127 314
<b>TOTAL CURRENT LIABILITIES</b>	<b>235 164</b>	<b>183 459</b>
<b>TOTAL LIABILITIES</b>	<b>1 289 866</b>	<b>1 299 511</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 316 134</b>	<b>3 267 052</b>

# York Timber Holdings Limited

PRELIMINARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011 Reviewed R'000	2010 Audited R'000
Revenue	959 143	909 361
Cost of sales	(538 231)	(559 244)
<b>Gross profit</b>	<b>420 912</b>	<b>350 117</b>
Other operating income	5 802	19 962
Selling, general and administration expenses	(264 817)	(300 815)
<b>Operating profit before separately disclosed items</b>	<b>161 897</b>	<b>69 264</b>
Insurance proceeds	-	8 519
Impairment of operating assets	-	(42 598)
<b>Operating profit</b>	<b>161 897</b>	<b>35 185</b>
Restructuring costs	-	(333)
Loss on non-current assets held for sale	(13 362)	-
Fair value adjustments	14 924	200 269
<b>Profit before finance costs</b>	<b>163 459</b>	<b>235 121</b>
Investment income	2 217	2 810
Finance costs excl. hedge interest expense	(78 866)	(107 978)
Hedge interest expense paid	(21 504)	(16 791)
Hedge interest expense (ineffective portion)	(11 992)	(23 015)
Hedge interest expense (due to early settlement)	-	(29 577)
<b>Profit before taxation</b>	<b>53 314</b>	<b>60 570</b>
Taxation	(14 997)	4 056
<b>Profit for the period</b>	<b>38 317</b>	<b>64 626</b>
<b>Other comprehensive income/(loss):</b>		
Available-for-sale financial assets adjustments	(341)	716
Effects of cash flow hedges	28 756	52 499
Taxation related to components of other comprehensive income	(8 005)	10 273
<b>Other comprehensive income for the period, net of taxation (subtotal)</b>	<b>20 410</b>	<b>63 488</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>58 727</b>	<b>128 114</b>
Basic and diluted earnings per share (cents) (note 8)	12	30
Basic and diluted headline earnings per share (cents) (note 9)	16	40

# York Timber Holdings Limited

PRELIMINARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Hedging reserve R'000	Fair value adjustment assets- available-for- sale reserve R'000	Share based payment reserve R'000	Retained income R'000	TOTAL EQUITY R'000
<b>BALANCE AT 1 JULY 2009 (Audited)</b>	3 919	1 026 888	(89 545)	(179)	1 286	407 237	1 349 606
Profit for the year	-	-	-	-	-	64 626	64 626
<b>Other comprehensive income</b>							
Change in fair value of cash flow hedge, net of tax	-	-	62 872	-	-	-	62 872
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	616	-	-	616
<i>Total other comprehensive income</i>	-	-	62 872	616	-	-	63 488
<b>Total comprehensive income for the year</b>	-	-	<b>62 872</b>	<b>616</b>	-	<b>64 626</b>	<b>128 114</b>
<b>Transactions with owners recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Issue of shares through rights issue	12 500	487 500	-	-	-	-	500 000
Share issue costs written off against share premium	-	(12 844)	-	-	-	-	(12 844)
Increase in share based payment reserve	-	-	-	-	9 160	-	9 160
Reversal of share premium due to disposal of treasury shares	-	(24 266)	-	-	-	-	(24 266)
Conversion of preference shares in to ordinary shares	143	28 074	-	-	(10 446)	-	17 771
<b>Total transactions with owners</b>	<b>12 643</b>	<b>478 464</b>	<b>62 872</b>	<b>616</b>	<b>(1 286)</b>	<b>64 626</b>	<b>489 821</b>
<b>BALANCE AT 30 JUNE 2010 (Audited)</b>	<b>16 562</b>	<b>1 505 352</b>	<b>(26 673)</b>	<b>437</b>	<b>-</b>	<b>471 863</b>	<b>1 967 541</b>
Profit for the year	-	-	-	-	-	38 317	38 317
<b>Other comprehensive income</b>							
Change in fair value of cash flow hedge, net of tax	-	-	20 704	-	-	-	20 704
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	(294)	-	-	(294)
<i>Total other comprehensive income</i>	-	-	20 704	(294)	-	-	20 410
<b>Total comprehensive income for the year and total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>20 704</b>	<b>(294)</b>	<b>-</b>	<b>38 317</b>	<b>58 727</b>
<b>BALANCE AT 30 JUNE 2011 (Reviewed)</b>	<b>16 562</b>	<b>1 505 352</b>	<b>(5 969)</b>	<b>143</b>	<b>-</b>	<b>510 180</b>	<b>2 026 268</b>

# York Timber Holdings Limited

PRELIMINARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2011 Reviewed R'000	2010 Audited R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	1 166 643	1 050 337
Cash paid to suppliers and employees	(979 404)	(948 469)
<b>Cash generated from operations</b>	<b>187 239</b>	<b>101 868</b>
Investment income	2 217	2 111
Finance costs	(91 750)	(129 665)
Tax (paid)/received	(82)	1 594
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>97 624</b>	<b>(24 092)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(18 887)	(17 095)
Proceeds from disposal of property, plant and equipment	601	933
Purchase of intangible assets	(1 352)	(457)
Withdrawal from self-insurance fund	-	3 282
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(19 638)</b>	<b>(13 337)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds on share issue	-	12 643
Increase in share premium	-	491 308
Share issue cost deducted from share premium	-	(12 844)
Loans and borrowings paid	(59 601)	(494 855)
Instalment sale receivables receipts	606	1 248
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(58 995)</b>	<b>(2 500)</b>
<b>TOTAL CASH MOVEMENT FOR THE YEAR</b>	<b>18 991</b>	<b>(39 929)</b>
Cash at the beginning of the year	84 493	124 422
<b>CASH AT THE END OF THE YEAR</b>	<b>103 484</b>	<b>84 493</b>

# York Timber Holdings Limited

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## PRELIMINARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

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### NOTES TO THE PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. BASIS OF PREPARATION

These preliminary condensed consolidated annual financial statements have been prepared in accordance with the Listings Requirements of the JSE Limited and the Companies Act of South Africa, 2008 (as amended) and the Companies Regulations, 2011. The Group has applied the recognition and measurement requirements of the International Financial Reporting Standards (IFRS) and the AC 500 standards as issued by the Accounting Practices Board (APB) and the presentation and disclosure requirements of International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

These preliminary results do not include all the information required for full annual financial statements. The full annual financial statements as at and for the year ended 30 June 2011 will be available on the Company's website [www.york.co.za](http://www.york.co.za) prior to 30 September 2011.

The condensed Group financial statements have been reviewed by the Company's auditor, KPMG Inc. In their review report dated 7 September 2011, which is available for inspection at the Company's registered office, KPMG Inc. state that their review was conducted in accordance with International Standard on Review Engagements (ISRE) 2410, Review Financial Statements of Interim Financial Information Performed by the Independent Auditor of the Entity; which applies to a review of Group preliminary financial information, and have expressed an unmodified conclusion on the preliminary condensed Group financial statements.

There have been no material changes in judgements or estimates of 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 previous period, except as detailed below. The significant accounting policies are available for inspection at the Group's registered office.

An amendment to IAS 12 *Deferred tax* introduced an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The Group previously determined the deferred taxation arising from investment property to be recovered through use and not through sale. The amendment was applied prospectively as the financial impact thereof was immaterial.

Full details of changes in accounting policies, none of which had a material effect on the results or financial position, will be disclosed in the Group's annual report for the year ended 30 June 2011.

# York Timber Holdings Limited

## PRELIMINARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

### 2. ADDITIONAL DISCLOSURE ITEMS

	2011 Reviewed R'000	2010 Audited R'000
Authorised capital commitments:		
– Contracted, but not provided	2 651	2 900
– Not contracted	5 459	5 894
Depreciation of property, plant & equipment	32 305	25 931
Amortisation of intangible assets	768	750
Impairment/(reversal of impairment) of property, plant & equipment	90	(3 184)
Impairment of trade receivables	99	872
Provision for restructuring costs	-	333

- The Group did not have any litigation settlements during the reporting period.
- The Group participates in a pooled banking facility granted by First Rand Bank Limited. As such, the Group has provided an unlimited suretyship in favour of First Rand Bank Limited in respect of its obligations to the bank. The Group did not have any other contingent liabilities at year end.
- The Group did not have any covenant defaults or breaches of its loan agreements at the reporting date.
- No events occurred between the reporting date and the release of these results which require adjustment of or disclosure in these results.

### 3. OPERATING SEGMENTS

The Group has two reportable segments which are the Group's strategic divisions. The Group operates in one geographic segment, namely countries within the Southern Africa Development Community (SADC).

The segment analysis is as follows:

	Timber products		Forestry		Total	
	2011 Reviewed R'000	2010 Audited R'000	2011 Reviewed R'000	2010 Audited R'000	2011 Reviewed R'000	2010 Audited R'000
Revenue: external sales	897 556	872 741	60 897	34 747	958 453	907 488
Revenue: inter-segment sales	-	55 683	429 894	375 104	429 894	430 787
<b>Total revenue</b>	<b>897 556</b>	<b>928 424</b>	<b>490 791</b>	<b>409 851</b>	<b>1 388 347</b>	<b>1 338 275</b>
Depreciation & amortisation	(27 818)	(22 307)	(5 255)	(4 374)	(33 073)	(26 681)
Reportable segment profit*	30 086	1 550	165 103	103 255	195 189	104 805
Capital expenditure	10 236	10 364	7 440	5 360	17 676	15 724

\* being earnings before interest, taxation, depreciation & amortisation (EBITDA)

	2011 Reviewed R'000	2010 Audited R'000
<b>Reconciliation of reportable segment profit</b>		
Total EBITDA for reportable segments	195 189	104 805
Depreciation, amortisation and impairments	(33 163)	(66 093)
Unallocated amounts: corporate office	(129)	(3 527)
<b>Operating profit</b>	<b>161 897</b>	<b>35 185</b>

# York Timber Holdings Limited

## PRELIMINARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

### 4. BIOLOGICAL ASSETS

	2011 Reviewed R'000	2010 Audited R'000
<b>Reconciliation of biological assets</b>		
Opening balance	1 921 674	1 738 371
<i>Fair value adjustment:</i>		
- Increase due to growth and enumerations	312 530	326 846
- Decrease due to harvesting	(358 167)	(308 633)
- Adjustment to standing timber values to reflect fair value less cost to sell at year end	60 361	165 090
<b>Closing balance</b>	<b>1 936 398</b>	<b>1 921 674</b>
Classified as non-current assets	1 616 363	1 562 936
Classified as current assets *	320 035	358 738

\* Being the biological assets to be harvested and sold in the 12 months after year end.

<b>Key assumptions used:</b>	2011	2010
Risk free rate (R157 bond)	7.5%	8.0%
Cost of equity	13.0%	13.0%
Pre-tax cost of debt	10.0%	10.0%
Target debt: equity ratio	30:70	30:70
After-tax weighted average cost of capital	11.3%	11.3%

The other key assumptions 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 prices will increase marginally over the short term and at 6% \* (2010: 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. The costs exclude the costs necessary to get the asset to the market. A long term inflation rate of 5.5% \* (2010: 6%) was used.  
(\* The Group 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.)

### 5. SHARE CAPITAL

	2011 Reviewed '000	2010 Audited '000
<b>Reconciliation of the number of shares issued</b>		
Opening balance	331 241	78 370
Issue of shares through rights offer	-	250 000
Conversion of preference shares into ordinary shares	-	2 871
<b>Closing balance</b>	<b>331 241</b>	<b>331 241</b>

### 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 from the prior period. No businesses were acquired or disposed during the year. The compensation paid to the Group's key management will be disclosed in the Group's annual report for the year ended 30 June 2011.

# York Timber Holdings Limited

## PRELIMINARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

### 7. COMPARATIVE FIGURES

The Group previously disclosed other financial liabilities, finance lease obligations and instalment sale liabilities separately on the face of the statement of financial position. During the current reporting period these categories were consolidated and presented as loans and borrowings. The effects of the reclassification of line items are as follows:

As presented at 30 June 2010	Non-current liabilities R'000	Current liabilities R'000
Other financial liabilities	612 317	51 698
Finance lease obligation	13 245	2 278
Instalment sale liability	917	1 515
<b>Total disclosed as loans and borrowings</b>	<b>626 479</b>	<b>55 491</b>

### 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	2011 Reviewed R'000	2010 Audited R'000
<b>Basis earnings attributable to ordinary shareholders</b>	<b>38 317</b>	<b>64 626</b>
<b>Reconciliation of weighted average number of ordinary shares</b>	<b>'000</b>	<b>'000</b>
Issued number of shares	331 241	78 370
Effect of shares issued in December 2009	-	138 356
Effect of conversion of preference shares	-	55
<b>Weighted average number of ordinary shares</b>	<b>331 241</b>	<b>216 781</b>
<b>Earnings per share (cents)</b>	<b>12</b>	<b>30</b>

There were no instruments that had a dilutive effect.

### 9. HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share is based on:

	2011 Reviewed R'000	2010 Audited R'000
<b>Reconciliation of basic earnings to headline earnings</b>		
Basic earnings attributable to ordinary shareholders	38 317	64 626
Profit on sale of assets and liabilities (net of tax)	(217)	(7 872)
Loss on non-current assets held for sale	13 362	-
Fair value adjustment on investment property (net of tax)	(172)	(12 216)
Impairment of plant, equipment and vehicles (net of tax)	65	(2 292)
Impairment of goodwill	-	44 910
<b>Headline earnings for the year</b>	<b>51 355</b>	<b>87 156</b>
<b>Weighted average number of ordinary shares ('000)</b>	<b>331 241</b>	<b>216 781</b>
<b>Headline earnings per share (cents)</b>	<b>16</b>	<b>40</b>

### COMPANY INFORMATION

• **Executive directors:** Piet van Zyl (CEO) and Duncan Erskine (CFO) • **Non-executive directors:** Jim Myers\* (Chairman, USA), Paul Botha, Dr Azar Jammine\*, Shakeel Meer, Gavin Tipper\* (\* independent) • **Registered office:** York Corporate Office, 3 Main Street, Sabie, 1260 • **Postal address:** PO Box 1191, Sabie, 1260 • **Company secretary:** Fusion Corporate Secretarial Services (Pty) Ltd • **Transfer secretaries:** Computershare Investor Services (Pty) Ltd • **Sponsor:** One Capital (Pty) Ltd • **Auditors:** KPMG Incorporated  
[www.york.co.za](http://www.york.co.za)