

**SUMMARY OF  
PRELIMINARY FULL YEAR REPORT ANNOUNCEMENT  
FOR DUAL NZX/ASX LISTED ISSUERS**

**Tenon Limited  
Full Year Ended 30 June 2004**

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on audited accounts.

	Consolidated Operating Statement		
	Current Full Year NZ\$million	Up/(Down) %	Previous Corresponding Full Year NZ\$million
Total operating revenue	556	41.5%	393
Operating Surplus before unusual items and tax	48	4.3%	46
Unusual items for separate disclosure <sup>(1)</sup>	(2)		-
<b>Operating Surplus/(Deficit) before tax</b>	46	0.0%	46
Tax on operating surplus	(11)	(15.4%)	(13)
Operating Surplus/(Deficit) after tax but before minority interests	35	6.1%	33
Minority interests	(3)		-
<b>Operating Surplus/(Deficit) after tax attributable to members of Listed Issuer - Continuing Operations</b>	32	(3.0%)	33
Extraordinary items after tax attributable to Members of the Listed Issuer			
Net Earnings from Discontinuing Operations	(74)	75.7%	(304)
<b>Operating Surplus/(Deficit) and extraordinary items after tax attributable to Members of the Listed Issuer</b>	(42)	84.5%	(271)
<b>Earnings per share - Continuing Operations (NZ cents)</b>	11.5		11.8
<b>Dividend</b>	Nil		Nil
Date Payable	N/A		
Imputation tax credit on latest dividend	N/A		

Short details of any bonus or rights issue or other item(s) of importance not previously released to the market: N/A

(1) Unusual items for June 2004 relate to costs associated with the partial takeover offer by Rubicon Forests Limited.

**PRELIMINARY FULL YEAR REPORT ANNOUNCEMENT**

**Tenon Limited**

(Name of Listed Issuer)

**For Full Year Ended 30 June 2004**

(referred to in this report as the "current half year/full year")

Preliminary full year report on consolidated results (including the results for the previous corresponding full year) in accordance with Listing Rule 10.4.2. This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on audited financial statements.

The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

	Consolidated Statement Financial Performance		
	Current full Year \$NZ million	Up/(Down) %	Previous corresponding full year \$NZ million
<b>1 CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE</b>			
<b>1.1 OPERATING REVENUE</b>			
(a) Trading Revenue	537	41.7%	379
(b) Other Revenue	19	35.7%	14
(c) Total Operating Revenue	556	41.5%	393
<b>1.2 OPERATING SURPLUS BEFORE TAXATION</b>	46		46
(a) Less taxation on operating result	(11)	(15.4%)	(13)
<b>1.3 OPERATING SURPLUS AFTER TAX</b>	35	6.1%	33
(a) Extraordinary Items after Tax [detail in Item 3]			
(b) Unrealised net change in value of investment properties			
<b>1.4 NET SURPLUS FOR THE PERIOD</b>	35	6.1%	33
(a) Net *Surplus (Deficit) attributable to minority interests	(3)		
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	32	(3.0%)	33
<b>NET EARNINGS FROM DISCONTINUED OPERATIONS</b>	(74)	75.7%	(304)
<b>1.5 NET SURPLUS ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER</b>	(42)	84.5%	(271)

Note: Items 1.1 to 1.4(a) above represent Tenon's continuing operations.

	Consolidated Statement of Financial Performance	
	Current full year \$NZ million	Previous corresponding full year \$NZ million
<b>2 DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/EXPENSES FOR FULL YEAR</b>		
<b>2.1 INCLUDED IN CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE</b>		
(a) Interest revenue included in Item 1.1(b)	4	
(b) Unusual items for separate disclosure (gain/loss) (detail - Item 3)	(2)	
(c) Equity earnings (gain/loss) (detail - Item 16)	8	5
(d) Interest expense included in Item 1.2 (include all forms of interest, etc)	2	3
(e) Leasing and renting expenses	8	4
(f) Depreciation	13	13
(h) Amortisation of goodwill	1	

		Group - Current	
		Full Year	
3 DISCONTINUED, UNUSUAL (INCLUDING NON RECURRING), AND EXTRAORDINARY ITEMS OF THE GROUP		Operating Revenue \$NZ million	Operating Surplus \$NZ million
<b>DETAILS AND COMMENTS</b>			
During the year Tenon sold its forest assets for \$725 million. The segment previously disclosed as the Forests & Supply segment has been classified as discontinued operations within the June 2004 financial statements.			
Prior period amounts have been restated for continuing activities.			
<b>TOTAL DISCONTINUED ACTIVITIES</b>		188	(74)
Unusual items for June 2004 relate to costs associated with the partial takeover offer by Rubicon Forests Limited.			
<b>TOTAL MATERIAL NON RECURRING ITEMS</b>			(2)
<b>TOTAL EXTRAORDINARY ITEMS</b>			

		Statement of Movements In Equity	
		Current full year \$NZ million	Previous corresponding full year \$NZ million
4 STATEMENT OF MOVEMENTS IN EQUITY			
4.1 NET (DEFICIT) ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER		(42)	(271)
(a) Net Surplus (Deficit) attributable to minority interest		2	(8)
4.2 OTHER RECOGNISED REVENUE AND EXPENSES			
(b) Current Translation Differences		(3)	(9)
4.3 TOTAL RECOGNISED REVENUES AND EXPENSES		(43)	(288)
4.4 OTHER MOVEMENTS			
(b) Distributions to Owners (June 2004 includes \$349 million capital return)		(350)	(2)
(c) Other - Purchase of The Empire Company Minority Interest		6	
4.5 EQUITY AT BEGINNING OF FULL YEAR		885	1,175
4.6 EQUITY AT END OF FULL YEAR		498	885

		Earnings Per Security	
		Current full year \$NZ million	Previous corresponding full year \$NZ million
5 EARNINGS PER SECURITY			
Calculation of basic and fully diluted, EPS in accordance with IAS33: Earnings Per Share			
(a) Basic EPS - Continuing Operations <sup>(1)</sup>		11.5	11.8
Basic EPS - Discontinued Operations <sup>(1)</sup>		(26.5)	(109.0)
(b) Diluted EPS (if materially different from (a))		n/a	n/a

(1) Comparative per share data has been restated for the one for two share cancellation following the capital distribution in March 2004.

6 MATERIAL ACQUISITIONS OF SUBSIDIARIES (See Note (VII) attached):		
(a) Name of subsidiary or group of subsidiaries		The Empire Company
(b) Percentage of ownership acquired		Increase from 33% to 67%
(c) Contribution to consolidated net *Surplus (Deficit) (Item 1.4) <sup>(1)</sup>		\$9 million
(d) Date from which such contribution has been calculated		1 November 2003
(1) excludes equity earnings of \$1 million up to 31 October 2003.		

**7 MATERIAL DISPOSALS OF SUBSIDIARIES** (See Note (VII) attached)

**8 REPORTS FOR INDUSTRY AND GEOGRAPHICAL SEGMENTS**

**SEGMENTS**

**Industry**

Refer Attached

**Geographical**

Refer Attached

**Consolidated Statement of Financial Position**

(Note (VIII) attached has particular relevance for the preparation

	At end of current full Year \$NZ million	As shown in last Annual Report \$NZ million	If half yearly as shown in last half yearly report \$NZ million
<b>9 CURRENT ASSETS:</b>			
(a) Cash	141		
(b) Trade receivables	82	30	
(d) Inventories	83	46	
(e) Other assets, current - Discontinued Operations	133	91	
<b>TOTAL CURRENT ASSETS</b>	<b>439</b>	<b>167</b>	
<b>9.1 NON-CURRENT ASSETS</b>			
(b) Investments	34	33	
(d) Property, plant and equipment	116	114	
(e) Goodwill	12	2	
(f) Deferred Taxation Assets	22	15	
(h) Other assets, non current - Discontinued Operations		790	
<b>9.2 TOTAL NON-CURRENT ASSETS</b>	<b>184</b>	<b>954</b>	
<b>9.3 TOTAL ASSETS</b>	<b>623</b>	<b>1,121</b>	
<b>9.4 CURRENT LIABILITIES</b>			
(a) Trade Creditors	73	51	
(e) Provisions, current - Taxation	1		
(f) Other liabilities, current - Discontinued Operations	17	42	
<b>TOTAL CURRENT LIABILITIES</b>	<b>91</b>	<b>93</b>	
<b>9.5 NON-CURRENT LIABILITIES</b>			
(b) Secured loans	34	29	
(f) Other liabilities, non-current - Discontinued Operations		114	
<b>9.6 TOTAL NON-CURRENT LIABILITIES</b>	<b>34</b>	<b>143</b>	
<b>9.7 TOTAL LIABILITIES</b>	<b>125</b>	<b>236</b>	
<b>9.8 NET ASSETS</b>	<b>498</b>	<b>885</b>	
<b>9.9 SHAREHOLDERS' EQUITY</b>			
<b>9.10 SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER</b>	<b>470</b>	<b>864</b>	
(a) Minority equity interests in subsidiaries	28	21	
<b>9.11 TOTAL SHAREHOLDERS' EQUITY</b>	<b>498</b>	<b>885</b>	
(a) Returns on Assets (%) (EBIT divided by Total Assets) - Continuing Operations	7.70%	4.37%	
(b) Return on Equity (%) (Net Income divided by Shareholders' Equity)	-8.43%	-30.62%	
(c) Debt to Equity Ratio (%) (Total Liabilities divided by Shareholders' Equity)	25.10%	26.67%	

		<b>Consolidated Statement of cashflows for full year</b>	
		Current full year \$NZ million	Corresponding full year \$NZ million
(See Note (IX) attached )			
<b>10 CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>			
(a)	Receipts from customers	546	386
(b)	Interest received	4	
(c)	Dividends received	7	9
(d)	Payments to suppliers and employees	(525)	(358)
(e)	Interest paid	(2)	(3)
(f)	Income taxes paid	(10)	(5)
<b>NET OPERATING FLOWS</b>		<b>20</b>	<b>29</b>

(See Note (IX) attached )			
<b>11 CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>			
(a)	Cash proceeds from sale of property, plant and equipment		1
(d)	Cash paid for purchases of property, plant and equipment	(12)	(6)
(f)	Cash paid for purchases of equity investments	(18)	(12)
<b>NET INVESTING CASH FLOWS</b>		<b>(30)</b>	<b>(17)</b>

(See Note (IX) attached )			
<b>12 CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>			
(b)	Borrowings	94	38
(c)	Repayment of borrowings	(188)	(3)
(d)	Distributions (Capital Return Paid to Shareholders)	(349)	
(e)	Other cash flows relating to operating activities - Discontinued Operations	549	(20)
<b>NET FINANCING CASH FLOWS</b>		<b>106</b>	<b>15</b>

(See Note (IX) attached )			
<b>13 NET INCREASE (DECREASE IN CASH HELD)</b>			
(a)	Cash at beginning of full year	47	22
(b)	Exchange rate adjustments to Item 13(a) above	(2)	(2)
(c)	<b>CASH AT END OF FULL YEAR</b>	<b>141</b>	<b>47</b>

<b>14 NON-CASH FINANCING AND INVESTING ACTIVITIES</b>			
Provide details of financing and investing transactions which have had a material effect on group assets and liabilities but did not involve cash flows:			
NIL			

<b>15 RECONCILIATION OF CASH</b>			
For the purposes of the above Statement of cash flows, cash includes:		Current full Year \$NZ million	Previous Corresponding full year \$NZ million
.....			
.....			
Cash at the end of the full year as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:			
Deposits at call		141	47
<b>Total = Cash at End of Full Year (Item 13(c) above)</b>		<b>141</b>	<b>47</b>

## 16 EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES

Information attributable to the reporting group's share of investments in associates and other material interests is to be disclosed by way of separate note below (refer FRS-38 Accounting for Investments in Associates).

### 16.1 GROUP SHARE OF RESULTS OF ASSOCIATES

- (a) **OPERATING SURPLUS BEFORE TAX**  
 (b) Less tax  
 (c) **OPERATING SURPLUS AFTER TAX**  
 (i) Extraordinary items  
 (d) **NET SURPLUS AND EXTRAORDINARY ITEMS AFTER TAX**<sup>(1)</sup>  
 (1) Current year includes dividend of \$7 million (2003: \$9 million).

Equity Earnings	
Current full year \$NZ million	Previous corresponding full year \$NZ million
16	15
(1)	(1)
15	14
15	14

### 16.2 MATERIAL INTERESTS IN CORPORATIONS NOT BEING SUBSIDIARIES

- (a) The group has a material (from group's viewpoint) interest in the following corporations:

Name	Percentage of ordinary shares held at end of Full Year		Contribution to net surplus (Item 1.5)	
	Current Full Year	Previous Corresponding Full Year	Current Full Year \$NZ million	Previous Corresponding Full Year \$NZ million
<b>Equity Accounted Associates</b>			<i>Equity Accounted in current year</i>	
American Wood Moulding LLC	50.0%	50.0%	14	13
AWM Mexico	50.0%	50.0%		
Zenia House A/S	20.0%	-		
The Empire Company <sup>(1)</sup>	-	33.0%	1	1
<b>Other Material Interests</b>			<i>Not Equity Accounted in current year</i>	

(1) On 31 October 2003 Tenon increased its stake in The Empire Company from 33% to 67%. From this date the financial results of The Empire Company were no longer Equity accounted.

- (b) Investments in Associates

	Current full Year \$NZ million	Previous Corresponding full year \$NZ million
Carrying value of investments in associates beginning of full year	22	21
Share of changes in associates' post acquisition surpluses/and reserves:		
- Retained surplus	15	15
- Reserves	(5)	(5)
Net goodwill amortisation and impairment adjustments in the period		
Less Dividends received in the period	(7)	(9)

**17 ISSUED AND QUOTED SECURITIES AT END OF CURRENT FULL YEAR**

Category of Securities	Number Issued	Number Quoted	Paid-Up Value (If not fully paid)
<b>PREFERENCE SHARES:</b>			
Number of Shares at the beginning of the year	371,809,026	371,809,026	
Cancellation of shares upon Capital Return <sup>(1)</sup>	(185,907,195)	(185,907,195)	
Total at end of year	185,901,831	185,901,831	
<b>ORDINARY SHARES:</b>			
Number of Shares at the beginning of the year	185,913,422	185,913,422	
Cancellation of shares upon Capital Return <sup>(1)</sup>	(92,963,192)	(92,963,192)	
Total at end of year	92,950,230	92,950,230	

**CONVERTIBLE NOTES**

(1) On 31 March 2004 Tenon distributed a \$349 million return of capital to shareholders under a share cancellation and return of capital programme authorised by shareholders and approved by the High Court, one of every two Ordinary Shares, and one out of every two Preference Shares in Tenon Limited were cancelled, and NZ\$1.25 per cancelled Share paid to Tenon shareholders.

**18 COMMENTS BY DIRECTORS**

If no report in any section, state NIL. If insufficient space below, provide details in the form of notes to be attached to this report.

- (a) Material factors affecting the revenues and expenses of the group for the current full year

*Refer press release*

- (b) Significant trends or events since end of current full year

*Refer press release*

- (c) Changes in accounting policies since last Annual Report to be disclosed

NIL

- (d) Critical Accounting Policies - Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer's financial condition and results, as they require management to make judgments and estimates about matters that they are inherently uncertain

NIL

- (e) Management's discussion and analysis of financial condition, result and/or operations (optional) - this section should contain forward looking statements that should outline where these involve risk and uncertainty

*Refer press release*

- (f) Other comments

*Refer press release*

**19 DIVIDEND**

- (a) Dividend Yield as at balance date (%) (Annual dividend per share divided by price per share)

N/A

- (b) Tax Adjusted Dividend Yield as at balance date (%) (Annual net dividend per share divided by price per share)

N/A

ADDITIONAL INFORMATION	ADDITIONAL INFORMATION	
	Current Full Year \$NZ million	Previous Corresponding Full Year \$NZ million
<b>Income Taxation</b>		
Earnings before Taxation:	46	46
Taxation at 33 cents per dollar	15	15
Adjusted for:		
Permanent Differences	(6)	1
Taxation Under/(Over) Provided in the Prior Year	1	(3)
Rates other than 33 cents	1	
Taxation Expense	11	13

**20 ANNUAL MEETING (if full year report)**

- (a) To be held at  
Eden Park Auckland - ASB Stand
- (b) 28 October 2004
- (c) Approximate date of availability of Annual Report

Time 10.00am  
September 2004



P M Gillard  
Director, Corporate & Legal Services.

20-Aug-04

## Segmental Information Summary

Tenon is a New Zealand-based processing, marketing and distribution Group, represented by two divisions - the Structural Consumer Solutions segment and the Appearance Consumer Solutions segment. Each segment has a distinct market and product focus:

- (i) The Structural Consumer Solutions segment supplies structural lumber, plywood and treated outdoor products to the residential and light commercial building sectors in New Zealand and Australia, and treated posts and poles to the rural, viticulture and infrastructure sectors in New Zealand. In addition, the Structural Consumer Solutions segment supplies manufacturing grade lumber to the industrial sector in New Zealand and Asia and appearance grade lumber to Asian furniture manufacturers. The Structural Consumer Solutions segment operates four processing sites: the Kawerau Sawmill and Remanufacturing Plant; the Rainbow Mountain Sawmill; the Mount Maunganui Plywood Mill; and Ramsey Roundwood. All of these sites are located in or around the central North Island of New Zealand.
- (ii) The Appearance Consumer Solutions segment takes clear wood from pruned logs through to high value moulding and millwork uses in the United States. Radiata pine is a competitive substitute in many applications for diminishing United States supplies of Ponderosa pine. The Appearance Consumer Solutions segment has strong supplier relationships for finished mouldings and boards with the two largest home improvement chains in the United States: The Home Depot, through American Wood Moulding, in which the Group holds a 50% interest; and Lowe's, through a 67% shareholding in The Empire Company. The Home Depot, Lowe's and other major United States retailers are demanding environmentally certified wood products from their suppliers and the Appearance Consumer Solutions segment's access to an environmentally certified (by the Forest Stewardship Council) resource, together with its integrated supply chain, confers a significant competitive advantage. The Appearance Consumer Solutions segment also supplies appearance grade lumber to a number of US moulding and millwork manufacturers. The Appearance Consumer Solutions segment operates two plants in New Zealand, the Taupo Sawmill and the Taupo Mouldings Plant, and has a sales office in the United States. As well as providing a channel to market for Tenon's New Zealand products, Empire and American Wood Moulding also source significant quantities of finished mouldings from other suppliers. These two distribution companies operate from over one million square feet of warehouse space at eight locations throughout the United States.

Support includes shared service overheads not specific to the Structural Consumer Solutions or Appearance Consumer Solutions segments. Prior to the sale of the forest assets, shared service overheads not specific to the Structural Consumer Solutions or Appearance Consumer Solutions segments were included in the Forests and Supply segment and included in discontinued operations.

## Segmental Information Summary

June 2004	Structural Appearance		Support <sup>(1)</sup>	Other <sup>(2)</sup>	Tenon
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Sales Revenue	251	286			537
Other Revenue		17		2	19
<b>Operating Revenue</b>	251	303		2	556
<b>Earnings before Interest, Taxation, Depreciation, Amortisation and Unusual Items</b>					
Amortisation and Unusual Items	21	37	(5)	11	64
Depreciation and Amortisation	(7)	(6)	(1)		(14)
<b>Operating Earnings before Unusual Items</b>	14	31	(6)	11	50
Unusual Items			(2)		(2)
<b>Operating Earnings</b>	14	31	(8)	11	48
<b>Total Assets</b>	143	177	170	133	623
<b>Investments in Associates included in Total Assets - Equity</b>		25			25
- Loan		9			9
<b>Capital Expenditure</b>	6	6			12

	Europe	North America	Australia	New Zealand	Asia	Total
<b>Total Operating Revenue by Destination</b>		269	35	205	47	556
<b>Total Operating Earnings</b>		33		15		48
<b>Total Assets</b>	1	113		509		623

(1) Prior to the sale of the forest assets, shared service overheads not specific to the Structural Consumer Solutions or Appearance Consumer Solutions segments were included in the Forests and Supply segment and included in discontinued operations. Included within the operating expenses from continuing operations are overheads of \$6 million for June 2004 (being support costs post the forest assets sale). Support costs on an annualised basis are estimated at \$15 million.

(2) Relates to foreign exchange gains on net foreign denominated debt instruments (\$9 million) and interest income on cash (\$2 million) not attributed to a specific business segment and discontinued assets (\$133 million).

## Segmental Information Summary

	Structural Appearance		Support <sup>(1)</sup>	Other <sup>(2)</sup>	Tenon
	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
<b>June 2003</b>					
Sales Revenue	234	153			387
Other Revenue		14			14
Inter-segmental Operating Revenue	(8)				(8)
<b>Operating Revenue</b>	<b>226</b>	<b>167</b>			<b>393</b>
<b>Earnings before Interest, Taxation, Depreciation, and Unusual Items</b>	20	23		19	62
Depreciation	(8)	(5)			(13)
<b>Operating Earnings before Unusual Items</b>	12	18		19	49
Unusual Items					
<b>Operating Earnings</b>	12	18		19	49
<b>Total Assets</b>	128	109		884	1,121
<b>Investments in Associates included in Total Assets - Equity</b>		22			22
- Loan		11			11
<b>Capital Expenditure</b>	3	3			6

	North America		New Zealand	Asia	Total
		Australia			
<b>Total Operating Revenue by Destination</b>	143	37	195	18	393
<b>Total Operating Earnings</b>	11		38		49
<b>Total Assets</b>	55		1,066		1,121

(1) Prior to the sale of the forest assets, shared service overheads not specific to the Structural Consumer Solutions or Appearance Consumer Solutions segments were included in the Forests and Supply segment and included in discontinued operations.

(2) Relates to foreign exchange gains on net foreign denominated debt instruments not attributed to a specific business segment and discontinued assets.