Tenon
CONDENSED FINANCIAL STATEMENTS
(Extracted from Audited Financial Statements)

Consolidated Income Statement
for year ended 30 June

	Tenon Group 2014 US$m	2013 US$m
Revenue	396	364
Cost of Sales	-304	-281
Gross Profit	92	83
Distribution Expense	-71	-69
Administration Expense	-14	-13
Operating Profit / (Loss) before Financing Costs	7	1
Financing Costs	-4	-4
Profit / (Loss) before Taxation	3	-3
Income Tax (Expense) / Benefit	-1	-
Net Profit / (Loss) after Taxation	2	-3
Earnings Per Share Information		
Basic and Diluted Net Earnings per Share (cents)	2.4	-4.8
Basic and Diluted Weighted Average Number of Shares Outstanding (millions)	65.6	65.7

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Consolidated Statement of Comprehensive Income

for year ended 30 June

	Tenon Group	
	2014	2013
	US$m	US$m
Net Profit / (Loss) after Taxation for the year	2	-3
Items that may be recycled to the Consolidated Income Statement :		
Net movement of Cash Flow Hedges net of Tax	1	-1
Movement in Currency Translation Reserve	1	-
Other Comprehensive Income for the period, net of Tax	2	-1
Total Comprehensive Income for the year	4	-4

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Consolidated Statement of Changes in Equity

for year ended 30 June

Tenon Group	Shares US$m	Retained Earnings US$m	Cash Flow Hedge Reserve [2] US$m	Revaluation Reserve US$m	Net Currency Translation US$m	Total Group Equity and Reserves US$m
As at 1 July 2012	533	-417	-	1	5	122
Net Profit / (Loss) after Taxation for the year	-	-3	-	-	-	-3
Other Comprehensive Income / (Loss) for the year	-	-	-1	-	-	-1
Total Comprehensive Income Attributable to the Equity holders of the Parent	-	-3	-1	-	-	-4
As at 30 June 2013	533	-420	-1	1	5	118
As at 1 July 2013	533	-420	-1	1	5	118
Net Profit / (Loss) after Taxation for the year	-	2	-	-	-	2
Other Comprehensive Income / (Loss) for the year	-	-	1	-	1	2
Total Comprehensive Income Attributable to the Equity holders of the Parent	-	2	1	-	1	4
Share Buyback [1]	-	-	-	-	-	-
As at 30 June 2014	533	-418	-	1	6	122

(1) On 3 December 2013, Tenon announced a small shareholder plan, compulsory acquisition of minimum shareholdings and a limited share buyback. The share buyback is for up to 450,000 shares to be acquired at the discretion of the Board in the 12 months ending December 2014. As at 30 June 2014, 271,557 shares had been acquired at a total cost of $0.3 million. The shares were cancelled upon acquisition by Tenon Limited. The share plan and compulsory acquisition were completed in early 2014.

(2) The Cash Flow Hedging Reserve records the net movement of cash flow hedging instruments and comprising of foreign exchange contracts and interest rate swaps. In June 2013 it also included the electricity hedge contract at the Group's Taupo operation.

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Consolidated Balance Sheet
as at 30 June

	Tenon Group	
	2014	2013
	US$m	US$m
ASSETS		
Current Assets:		
Inventory	67	72
Trade and Other Receivables	35	34
Total Current Assets	102	106
Non Current Assets:		
Fixed Assets	21	23
Forest Assets	3	4
Goodwill	67	67
Deferred Taxation Asset	12	11
Total Non Current Assets	103	105
Total Group Assets	205	211
LIABILITIES AND GROUP EQUITY		
Liabilities		
Current Liabilities:		
Bank Overdraft	1	2
Trade and Other Payables and Provisions	33	43
Derivative Financial Instruments	-	1
Current Debt	1	1
Total Current Liabilities	35	47
Non Current Liabilities:		
Non Current Debt	48	46
Total Non Current Liabilities	48	46
Total Group Liabilities	83	93
Group Equity		
Capital	533	533
Reserves	-411	-415
Total Group Equity	122	118
Total Group Liabilities and Equity	205	211
Net Assets per Share (US$)	1.87	1.80
Net Tangible Assets per Share (US$)	0.66	0.61
Shares used for Net Assets per Share (millions)	65.4	65.7

Tenon
CONDENSED FINANCIAL STATEMENTS
(Extracted from Audited Financial Statements)

Consolidated Statement of Cash Flows

for year ended 30 June

	Tenon Group	
	2014	2013
	US$m	US$m
Cash was Provided:		
From Operating Activities		
Receipts from Customers	398	360
Total Provided	398	360
Payments to Suppliers, Employees and Other	391	368
Income Tax Payment	1	-
Total Applied	392	368
Net Cash from / (to) Operating Activities	6	-8
To Investing Activities:		
Sale of Assets held for sale	-	3
Total Provided	-	3
Purchase of Fixed Assets	2	2
Total Applied	2	2
Net Cash from / (to) Investing Activities	-2	1
From Financing Activities		
Debt Drawdowns	55	15
Total Provided	55	15
Debt Settlements	53	6
Interest and Refinancing Fees paid	5	3
Share Buyback	-	-
Total Applied	58	9
Net Cash from / (to) Financing Activities	-3	6
Net Movement in Cash Held	1	-1
Add Opening Cash, Liquid Deposits and Overdrafts	-2	-1
Closing Cash, Liquid Deposits and Overdrafts	-1	-2

Tenon
CONDENSED FINANCIAL STATEMENTS
(Extracted from Audited Financial Statements)

Reconciliation of Consolidated Net Earnings to Consolidated Net Cash from Operating Activities

for year ended 30 June

	Tenon Group	
	2014	2013
	US$m	US$m
Cash was Provided from:		
Net Profit / (Loss) after Taxation	2	-3
Add Financing Costs	4	4
Adjustments:		
Depreciation	4	4
Taxation	-	-
Fair value of Forest Assets harvested and expensed	1	-
Other [2]	-	-2
Cash Flow from / (to) Operations before Net Working Capital Movements	11	3
Net Working Capital Movements	-5	-11
Net Cash to Operating Activities [1]	6	-8
Net Working Capital Movements:		
Trade and Other Receivables	2	-4
Inventory	5	-19
Trade and Other Payables	-12	12
	-5	-11

(1) As per Statement of Cash Flows

(2) June 2013 : Restructuring costs paid and gain on sale of assets

1 Debt

On 5 September 2013 Tenon announced that it had signed a new long-term $70 million syndicated debt financing facility, replacing the previous $54 million facility. The new facility comprises a $59 million revolver line and a $11 million amortising term loan. The facility is for a period of 5 years, expiring in September 2018. The new facility is led by PNC Bank National Association, and the Syndicate also includes two lenders from the previous facility, the Bank of New Zealand and Comerica. The new facility is a typical US lending facility, where the underlying assets and working capital of the Group secure the obligations to the Syndicate. The facility contained a short term minimum EBITDA (1) covenant for the period to 31 December 2013, at which time it was replaced by a standard quarterly fixed charge covenant (FCCR) (2) of 1.1 times commencing in March 2014.

The revolver facility is currently subject to a $7.5 million "block" reserve deducted from the eligible collateral. The block is permanently released (resulting in availability increasing by up to $7.5 million, depending on the amount of total eligible collateral available), when Tenon has met four successive quarters of 1.50x FCCR (1) coverage and $15 million surplus availability (measured before deducting the block), and subject to the existing Term Loan balance being paid down to $7.5 million or less at the date of the release of the block.

The revolver facility is classified as non-current, reflecting the Syndicate's commitment to the Group for the life of the facility. Under the facility the Group can exercise its unconditional right to draw down or repay borrowings from time to time up to the amount of the facility, subject to the Group remaining in compliance with certain facility covenants (refer paragraph above).

The previous facility provided by a consortium of banks led by JPMorgan Chase Bank, N.A. was repaid when the new facility was drawn down.

As at 30 June 2014, the Company was in compliance with the FCCR (2) covenant and accordingly the amount of debt drawn under the revolver facility is shown as non-current. Tenon has been compliant with all covenants throughout the year and believes it will continue to be so in the future.

The total size of Tenon's syndicated bank credit facility reduces as a result of the scheduled amortisation of the Term Loan and the payment of an annual excess cash flow recapture provision (of up to $1 million per annum). The assumption made in the table below is that, commencing in September 2015, the maximum $1 million repayment each year will be made under the excess cash flow provision of the facility.

		$USm	
	Term	Revolver	Total
Sept 2013	11.00	59.00	70.00
June 2014 (a)	10.17	59.00	69.17
June 2015 (b)	9.07	59.00	68.07
June 2016 (b)	6.97	59.00	65.97
June 2017 (b)	4.87	59.00	63.87
June 2018 (b)	2.77	59.00	61.77
Sept 2018	-	-	-

(a) Scheduled Term Loan amortisation of $91,667 per month

(b) Scheduled Term Loan amortisation of $91,667 per month and $1 million excess cash flow payment on 30 September.

(1) EBITDA is a Non-GAAP financial measure, refer to note 3.

(2) The FCCR covenant is defined as [(EBITDA - capital expenditure- cash tax paid) / (interest + amortising term loan payments + distributions paid)].

2 Segmental Information Summary

Tenon derives its revenue from and operates within one material operating segment, being the Moulding and Millwork segment. Tenon provides a wide range of Moulding and Millwork products to an extensive number of customers in this one segment. The Board and the Executive Management team assess Tenon's performance, and review the allocation of resources, from reports presented as a single business operating within this one segment. Consequently no segmental information by business class is disclosed.

Geographic segmental reporting for the periods ended June 2014 and June 2013 split between North America and Australasia is shown below.

2014	North America US$m	Australasia US$m	Total US$m
Operating Revenue (1)	346	50	**396**
Non Current Assets (2)	77	14	**91**
Capital Expenditure	2	-	**2**

2013	North America US$m	Australasia US$m	Total US$m
Operating Revenue (1)	317	47	**364**
Non Current Assets (2)	78	16	**94**
Capital Expenditure	2	-	**2**

(1) Operating revenue excludes transfers between geographical segments. Such transfers are accounted for at competitive market rates charged to unaffiliated customers for similar goods. Transfers are eliminated on consolidation.

(2) Excludes Deferred Tax and Financial Instruments.

3 NON-GAAP MEASURES

Tenon uses EBITDA when discussing financial performance. EBITDA is Earnings before Interest, Tax, and Depreciation and Amortisation. This is a non-GAAP financial measure and is not recognised within IFRS. As it is not uniformly defined or utilised this measure may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with IFRS. Management believes that EBITDA provides useful information, as it is used internally to evaluate performance, and it is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by differences in asset age and depreciation policies.

The following table reconciles Net Profit / (Loss) after Taxation to EBITDA:

	Tenon Group	
	2014 US$m	2013 (1) US$m
Net Profit / (Loss) after Taxation (1)	2	-3
Plus Income Tax expense	1	-
Plus Financing Costs	4	4
Operating Profit / (Loss) before Financing Costs	7	1
Plus depreciation and amortisation	4	4
EBITDA	**11**	**5**

(1) June 2013 includes pre-tax business re-engineering and restructuring costs of $1 million.