Consolidated Income Statement
for period ended 31 December

	Tenon Group		
	Six Months Dec 2012 US$m	Year Ended June 2012 US$m	Six Months Dec 2011 US$m
Revenue	174	334	162
Cost of Sales	-134	-254	-123
Gross Profit	40	80	39
Distribution Expense	-34	-71	-36
Administration Expense	-7	-14	-8
Restructuring Costs	-	-3	-
Operating Profit / (Loss) before Financing Costs	-1	-8	-5
Financing Costs	-1	-3	-1
Profit / (Loss) before Taxation	-2	-11	-6
Income Tax (Expense) / Benefit	-	2	-
Net Profit / (Loss) after Taxation	-2	-9	-6

Earnings Per Share Information			
Basic and Diluted Net Earnings per Share (cents)	-3.7	-13.9	-8.8
Basic and Diluted Weighted Average Number of Shares Outstanding (millions)	65.7	66.3	66.8

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Comprehensive Income

for period ended 31 December

		Tenon Group		
	Note	Six Months Dec 2012 US$m	Year Ended June 2012 US$m	Six Months Dec 2011 US$m
Net Profit / (Loss) after Taxation for the year		-2	-9	-6
Net movement of Cash Flow Hedges net of Tax	5	-	-	-
Movement in Currency Translation Reserve	5	-	-1	-1
Other Comprehensive Income for the year, net of Tax		-	-1	-1
Total Comprehensive Income for the year		-2	-10	-7

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity

for period ended 31 December

Tenon Group	Note	Shares US$m	Retained Earnings US$m	Cash Flow Hedge Reserves US$m	Revaluation Reserve US$m	Net Currency Translation US$m	Total Group Equity and Reserves US$m
As at 1 July 2011		533	-408	-	1	6	132
Net Profit / (Loss) after Taxation for the period		-	-6	-	-	-	-6
Other Comprehensive Income for the period		-	-	-	-	-1	-1
Total Comprehensive Income Attributable to the Equity holders of the Parent		-	-6	-	-	-1	-7
Share Buyback (1)		-	-	-	-	-	-
As at 31 December 2011	5	533	-414	-	1	5	125
As at 1 July 2011		533	-408	-	1	6	132
Net Profit / (Loss) after Taxation for the year		-	-9	-	-	-	-9
Other Comprehensive Income for the year		-	-	-	-	-1	-1
Total Comprehensive Income Attributable to the Equity holders of the Parent		-	-9	-	-	-1	-10
Share Buyback (1)		-	-	-	-	-	-
As at 30 June 2012	5	533	-417	-	1	5	122
As at 1 July 2012		533	-417	-	1	5	122
Net Profit / (Loss) after Taxation for the period		-	-2	-	-	-	-2
Other Comprehensive Income for the period		-	-	-	-	-	-
Total Comprehensive Income Attributable to the Equity holders of the Parent		-	-2	-	-	-	-2
As at 31 December 2012	5	533	-419	-	1	5	120

(1) On 14 November 2011, Tenon announced that it intended to make an offer to shareholders owning 10,000 or fewer Tenon shares, to buy back their shares, at 65 cents per share brokerage free, up to a maximum of 1,250,000 shares. The offer period closed on 28 December 2011 and 1,159,980 shares valued at NZ$753,987 were purchased and cancelled by Tenon on 30 December 2011.

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Balance Sheet

as at 31 December

	Note	Tenon Group Six Months Dec 2012 US$m	Year Ended June 2012 US$m	Six Months Dec 2011 US$m
ASSETS				
Current Assets:				
Cash and Liquid Deposits		-	-	-
Inventory		59	53	54
Trade and Other Receivables		27	31	23
Assets Held for Sale		-	3	2
Current Tax Asset Receivable		1	-	-
Total Current Assets		87	87	79
Non Current Assets:				
Fixed Assets		25	25	28
Forest Assets		4	3	3
Goodwill		67	67	67
Deferred Taxation Asset		10	11	9
Total Non Current Assets		106	106	107
Total Group Assets		193	193	186
LIABILITIES AND GROUP EQUITY				
Liabilities				
Current Liabilities:				
Bank Overdraft		6	1	1
Trade and Other Payables and Provisions		29	32	25
Current Debt	3	1	1	2
Total Current Liabilities		36	34	28
Non Current Liabilities:				
Non Current Debt	3	37	37	33
Total Non Current Liabilities		37	37	33
Total Group Liabilities		73	71	61
Group Equity				
Capital	4	533	533	533
Reserves	5	-413	-411	-408
Total Group Equity		120	122	125
Total Group Liabilities and Equity		193	193	186
Net Assets per Share (US$)		1.83	1.86	1.90
Net Tangible Assets per Share (US$)		0.65	0.67	0.75
Shares used for Net Assets per Share (millions)	4	65.7	65.7	65.7

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

for period ended 31 December

	Tenon Group		
	Six Months Dec 2012 US$m	Year Ended June 2012 US$m	Six Months Dec 2011 US$m
Cash was Provided:			
From Operating Activities			
Receipts from Customers	178	327	163
Total Provided	178	327	163
Payments to Suppliers, Employees and Other	184	331	166
Total Applied	184	331	166
Net Cash to Operating Activities	-6	-4	-3
From Investing Activities:			
Sale of Assets held for sale	3	-	-
Total Provided	3	-	-
Purchase of Fixed Assets	1	2	1
Total Applied	1	2	1
Net Cash from / (to) Investing Activities	2	-2	-1
From Financing Activities:			
Debt Drawdowns	7	7	3
Total Provided	7	7	3
Debt Settlements	7	1	-
Interest and Refinancing Fees paid	1	2	1
Share Buyback	-	1	1
Total Applied	8	4	2
Net Cash from / (to) Financing Activities	-1	3	1
Net Movement in Cash Held	-5	-3	-3
Add Opening Cash, Liquid Deposits and Overdrafts	-1	2	2
Closing Cash, Liquid Deposits and Overdrafts	-6	-1	-1

The accompanying notes form part of and are to be read in conjunction with these financial statements.

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

for period ended 31 December

	Tenon Group		
	Six Months Dec 2012 US$m	Year Ended June 2012 US$m	Six Months Dec 2011 US$m
Cash was Provided from:			
Net Profit / (Loss) after Taxation	-2	-9	-6
Add Net Financing Expense	1	3	1
Adjustments:			
Depreciation	2	5	3
Taxation	-	-2	-
Other [2]	-2	2	-
Cash Flow to Operations before Net Working Capital Movements	-1	-1	-2
Net Working Capital Movements	-5	-3	-1
Net Cash to Operating Activities [1]	-6	-4	-3
Net Working Capital Movements:			
Trade and Other Receivables	4	-7	1
Inventory	-5	-1	-2
Trade and Other Payables	-4	5	-
	-5	-3	-1

(1) As per Statement of Cash Flows

(2) Restructuring costs paid in period and gain on sale of real estate (June 2012: restructuring costs provided)

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

for period ended 31 December

1 GENERAL INFORMATION

Tenon Limited (the Company) and its Subsidiaries (together the Group) is a processing, marketing and distribution business represented by one division - the Moulding and Millwork segment. The Group focuses on the North American market. The Group has strong direct and indirect supplier relationships for finished mouldings and boards with independent Pro-Dealers and with the two largest home improvement chains in the United States, Lowe's and The Home Depot, and supplies appearance grade lumber to a number of US moulding and millwork manufacturers. As well as providing a channel to market for Tenon's New Zealand products, its wholly owned distribution businesses in the United States also source significant quantities of finished mouldings and millwork products from other suppliers.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 1, 7 Fanshawe Street, Auckland, New Zealand.

The Company is listed on the New Zealand stock exchange. As at 31 December 2012 the Group was 58.99% owned by Rubicon Limited and its subsidiaries (June 2012: 58.99%).

These condensed consolidated interim financial statements have been reviewed by the Group's Auditor but not audited.

These condensed consolidated financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 20 February 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those applied in the audited annual financial statements for the year ended 30 June 2012, as described in those financial statements.

2.1 BASIS OF PRESENTATION

The condensed consolidated interim financial statements presented are those of Tenon Limited and Subsidiaries (the Group) and have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the years ended 30 June 2012 and 30 June 2011, which have been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The presentation currency used in the preparation of these interim financial statements is United States dollars, rounded to the nearest million.

2.2 STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and New Zealand Equivalent to International Accounting Standard (IAS) 34, Interim Financial Reporting. The interim financial statements also comply with IAS 34.

The condensed consolidated interim financial statements do not include all of the information required to be disclosed for full annual financial statements. The Group has designated itself as a profit-oriented entity for the purposes of compliance with NZ IFRS.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group adopted NZ IAS 1, Amendments Presentation of Items of Other Comprehensive Income, on 1 July 2012. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This did not affect the measurement of any items recognised in the balance sheet or income statement in the current period.

The Group has not early adopted any of the new standards, amendments and interpretations to existing standards disclosed in note 2.4 (a) of the June 2012 audited financial statements and there have been no new standards, amendments or interpretations to existing standards issued since June 2012 that are applicable to the Group.

Notes to the Condensed Consolidated Interim Financial Statements continued

3 CURRENT AND NON CURRENT DEBT

(1) Tenon has a bank credit facility provided by a consortium of banks led by JPMorgan Chase Bank, N.A. (the Agent). The facility, which is structured as a global facility supporting the operations of the Tenon group as a whole, was entered into on 24 June 2011 and does not expire until June 2016. The facility is an "asset-based" lending facility, whereby the underlying assets and working capital of Tenon secure the obligations to the bank syndicate. The amount available for drawdown at any one time is determined by the value of the assets under a Borrowing Base covenant, based on the current value of the Group's inventory and receivables, reported to the Agent on a monthly basis, subject to certain prescribed exclusions, reserves and deductions. The Borrowing Base calculations are subject to periodic examination by the Agent during the remaining life of the credit facility (refer to note 19 (2) of the notes to the June 2012 Financial Statements).

The Group's banking facility requires a minimum "availability" Borrowing Base of $7.5 million. The Group was at all times in compliance with this minimum availability requirement. At 31 January 2013, the amount of availability was $13.6 million. Should availability fall below $7.5 million at any time, this would result in a default under the terms of the banking facility giving the banks the right to impose certain restrictions on the Group's access to and use of its funds including demanding repayment of the amount borrowed, thereby requiring the Group to source alternative funding. The terms of the facility also include certain negative covenants in relation to acquisitions and dividends, each of which is limited to $5 million per calendar year (without bank approval), and each of which is subject to a minimum availability of $12.5 million existing immediately after the acquisition or the payment of the dividend. With the exception of a provision relating to excess cash flow recapture, the facility is not otherwise subject to earnings or fixed charge based financial covenants.

Refer also to note 4.2 (c) of the notes to the June 2012 Financial Statements.

(2) The proceeds from the sale of the manufacturing facility in Canada were used to repay $2.1 million of the Term Loan in September 2012

(3) 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. The assumption in the notes to the financial statements has been made that, commencing in September 2014, the maximum $1 million repayment will be made under the excess cash flow provision of the facility.

		$m	
	Term	Revolver	Total
June 2012	7.08	50.00	57.08
June 2013 [a]	4.51	50.00	54.51
June 2014 [b]	4.08	50.00	54.08
June 2015 [c]	2.65	50.00	52.65
June 2016	-	-	-

(a) Scheduled Term Loan amortisation of $52,000 per month until August, partial loan repayment of $2.1 million in September and then loan amortisation of $36,000 per month from September 2012 to June 2013

(b) Scheduled Term Loan amortisation of $36,000 per month

(c) Scheduled Term Loan amortisation of $36,000 per month and $1 million excess cash flow payment on 30 September.

(3) All non-current debt is denominated in United States Dollars.

(4) The current debt of $1 million reflects term loan amortisation of $0.4 million (United States dollar denominated debt) and other loan principal payments of $0.5 million (New Zealand dollar denominated debt).

Notes to the Condensed Consolidated Interim Financial Statements continued

4 CAPITAL

	Tenon Group		
	Six Months Dec 2012 US$	Year Ended June 2012 US$	Six Months Dec 2011 US$
Capital			
Reported Capital:			
Reported Capital at the beginning of the period	532,947,659	533,573,563	533,573,563
Share Buyback (1)	-	-625,904	-615,904
Reported Capital	532,947,659	532,947,659	532,957,659

	Tenon Group		
	Six Months Dec 2012	Year Ended June 2012	Six Months Dec 2011
Tenon Ordinary Shares - fully paid (2)			
Number of Shares at the beginning of the period	65,690,681	66,850,661	66,850,661
Share Buyback (1)	-	-1,159,980	-1,159,980
	65,690,681	65,690,681	65,690,681

(1) On 14 November 2011, Tenon announced that it intended to make an offer to shareholders owning 10,000 or fewer Tenon shares, to buy back their shares, at 65 cents per share brokerage free, up to a maximum of 1,250,000 shares. The offer period closed on 28 December 2011 and 1,159,980 shares valued at NZ$753,987 were purchased and cancelled by Tenon on 30 December 2011.

(2) Includes 182,548 (June 2012: 182,548, December 2011: 182,548) fully paid Tenon Limited Ordinary Shares held by the Tenon Employee Share Purchase Scheme, accounted for as treasury stock.

Notes to the Condensed Consolidated Interim Financial Statements continued

5 RESERVES

	Tenon Group		
	Six Months Dec 2012 US$m	Year Ended June 2012 US$m	Six Months Dec 2011 US$m
Retained Earnings:			
Opening Balance	-417	-408	-408
Net Profit after Taxation	-2	-9	-6
	-419	-417	-414
Cash Flow Hedging Reserves [1] :			
Opening Balance	-	-	-
Fair Value Gains / (Losses) for the period	-	-	-
Hedge losses transferred to Earnings in the period.	-	-	-
	-	-	-
Revaluation Reserves :			
Opening Balance	1	1	1
	1	1	1
Net Currency Translation:			
Opening Balance	5	6	6
Net variations on Translations of Foreign Currency Financial Statements	-	-1	-1
	5	5	5
Total Reserves	-413	-411	-408

(1) The Hedging reserve records the net movement of cash flow hedging instruments, comprising foreign exchange contracts, an electricity hedge contract at the Group's Taupo operation and interest rate swaps.

Notes to the Condensed Consolidated Interim Financial Statements continued

6 SEGMENTAL INFORMATION SUMMARY

Tenon derives its revenue from and operates within one material operating segment, being the Moulding and Millwork 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 December 2012, June 2012 and December 2011 split between North America and New Zealand & Australia is shown below. Tenon announced that it had commenced trading in Australia in February 2012, offering a variety of products in the Moulding and Millwork segment to reseller chains and independent stores.

December 2012 - 6 months	North America US$m	New Zealand & Australia US$m	Total US$m
Operating Revenue (1)	150	24	**174**
Non Current Assets (2)	79	17	**96**
Capital Expenditure	1	-	**1**

June 2012 - year ended	North America US$m	New Zealand & Australia US$m	Total US$m
Operating Revenue (1)	294	40	**334**
Non Current Assets (2)	78	17	**95**
Capital Expenditure	1	1	**2**

December 2011 - 6 months	North America US$m	New Zealand US$m	Total US$m
Operating Revenue (1)	143	19	**162**
Non Current Assets (2)	83	15	**98**
Capital Expenditure	1	-	**1**

(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 Taxation Asset

Notes to the Condensed Consolidated Interim Financial Statements continued

7 NON-GAAP MEASURES

Tenon uses EBITDA when discussing financial performance. 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 Operating Profit / (Loss) before Financing Costs to EBITDA:

		Tenon Group	
	Six Months Dec 2012 US$m	Year Ended June 2012 US$m	Six Months Dec 2011 US$m
Operating Profit / (Loss) before Financing Costs	-1	-8 [1]	-5 [2]
Add back depreciation and amortisation	2	5	3
EBITDA	**1**	**-3**	**-2**

(1) Includes business re-engineering and restructuring costs of $5 million
(2) Includes business re-engineering costs of $2 million

8 CONTINGENT ASSETS

Central North Island Forest Partnership (CNIFP) legal proceedings

On 28 November 2012, Tenon announced that the Supreme Court had dismissed its appeal from the decision of the Court of Appeal to strike out the legal proceedings in relation to the Central North Island Forest Partnership (CNIFP) Goods and Services Taxation dispute. The decision had no negative impact on Tenon's existing tax position (including available tax losses) and the matter is now closed.

9 CONTINGENT LIABILITIES

The Group has no material contingent liabilities (June 2012: nil, December 2011: nil).