News Release

TO: **THE BUSINESS EDITOR**

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Information on Tenon Limited can be found at http://www.tenon.co.nz.

STOCK EXCHANGE LISTING: NEW ZEALAND (TEN)

Half-Year Report 2010-2011
(released 23 February 2011)

There are statements in this document that are "forward-looking Statements". As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Tenon, its operations, the markets in which it competes and other factors (some of which are beyond the control of Tenon). As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements. In particular Tenon's operations and results are significantly influenced by the level of activity in the various sectors of the economies in which it competes. Fluctuations in industrial output, commercial and residential construction activity, changes in availability of capital, declining housing turnover and pricing, declining levels of repairs, remodelling and additions to existing homes in North America, relative exchange rates, interest rates in each market, and profitability of customers, can have a substantial impact on Tenon's results of operations and financial condition. Other risks include competitor product development and demand and pricing and customer concentration risk.

All references in this document to $ or "dollars" are references to United States dollars unless otherwise stated.

Six Months' Activities to 31 December 2010

This document is an interim report covering the first six months of operation for Tenon's 2011 fiscal year (i.e. for the six months ending 31 December 2010). It addresses in summary form only the operation and financial highlights for the period.

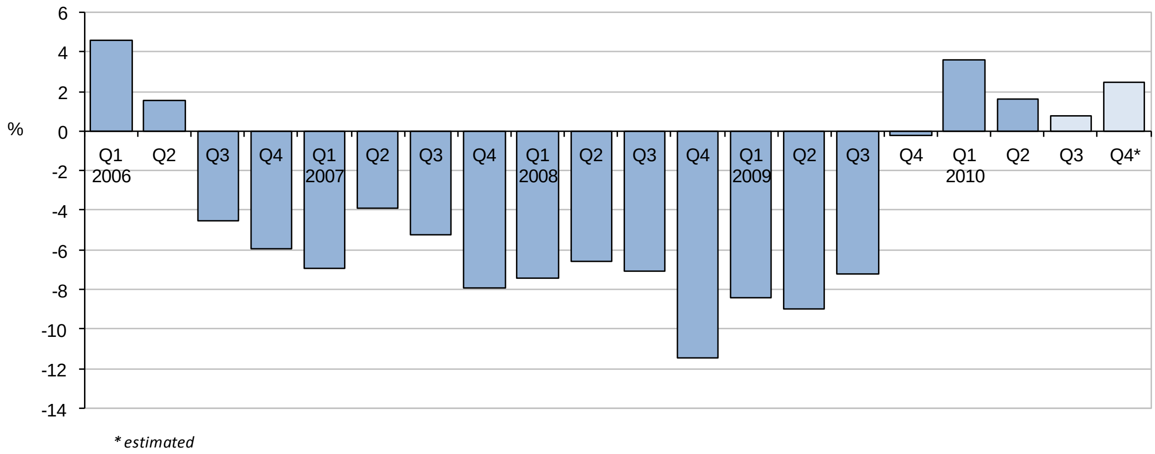
In our 2010 Annual Report to shareholders we described the outlook for the coming six-month period (i.e. the period now under review in this Interim Report), in the following terms:

"In the very immediate term it is likely that we will continue to face challenging macro-economic headwinds – particularly from high US unemployment, the effect of the removal of the US Federal Government's homebuyer tax credit scheme, and the "shadow" housing inventory that exists from the potential for further bank-enforced home mortgage foreclosures. However, it is positive that even in this environment the large US home centre retailers – Lowe's and The Home Depot – are predicting comparable store sales to improve by approximately 2% year-over-year for the current year (after three years of negative store performance), and most forecasters concur with an estimated range of 2%-3% in projected store sales improvement. Much of the improved purchasing activity is likely to be associated with home maintenance and repair expenditure, rather than with expenditure in Tenon's "sweet spot" - i.e. the larger discretionary remodeling activity – which is likely to lag overall total store performance in the short term. So, in summary, the immediate period (i.e. the next six months) is likely to show on-going market volatility and a continuation of the current difficult operating conditions, with industry earnings performance continuing to be dictated by the macro-economic fundamentals in the US."

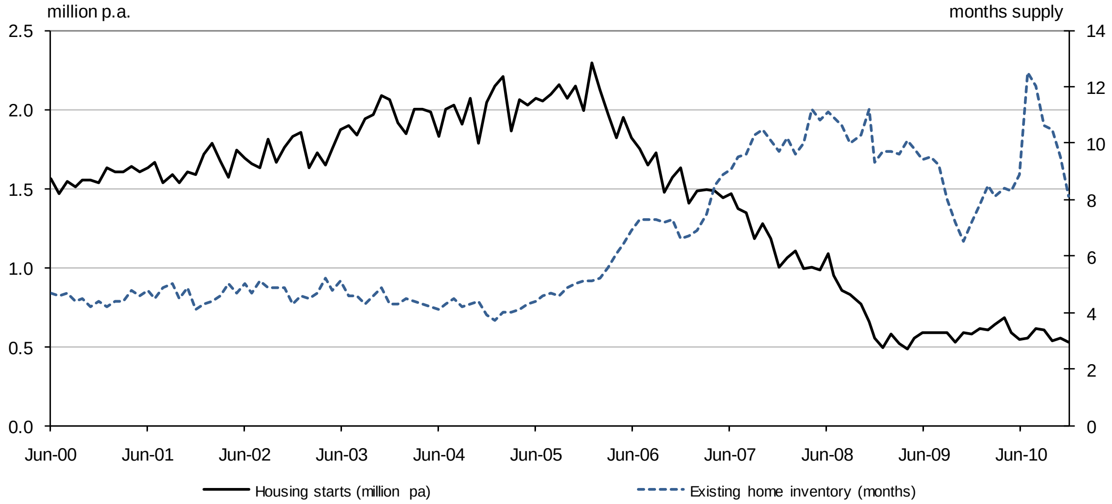
Unfortunately this outlook has proved to be a fair summary of the six months operating conditions we have just experienced. Indeed, the conditions were in fact tougher than forecast, in that the NZ:US exchange rate strengthened considerably across the period - from just over 69 cents at 30 June 2010, to almost 77.5 cents by balance date (i.e. 31 December 2010).

The charts below graphically outline the market conditions in Tenon's sector for the six months under review.

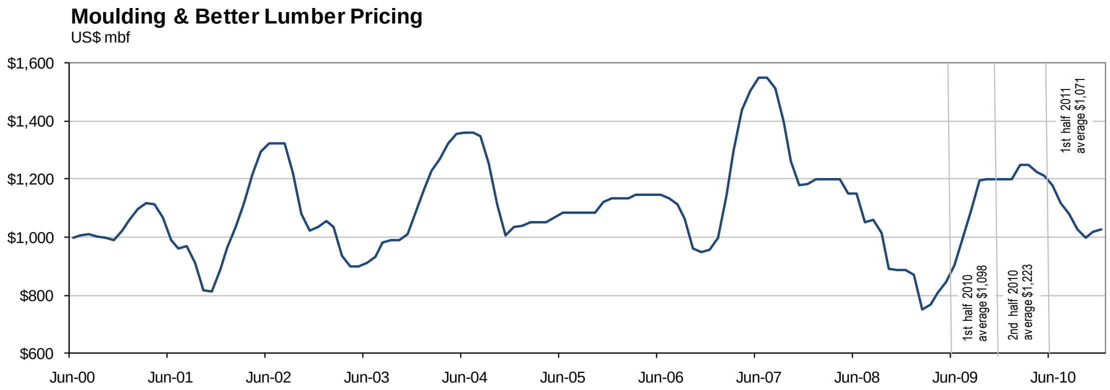
"Big Box" Building Retailers Average (Total) Same Store Sales
% change from previous comparable period



New and Existing Housing



NZD/USD Exchange Rate NZD/USD exchange rates shown are effective rates (i.e.hedged)



In addition to a strengthening of the NZ dollar and a declining moulding & better lumber price for Tenon's Taupo product exported from New Zealand, NZ-domestic log prices continued to rise - a result of very strong China demand for NZ pruned logs, which are of course an important feedstock into our Taupo sawmill and remanufacturing plant. These factors combined, together with a lower level of demand as surplus high-cost inventories (which had resulted from the temporary inventory spike caused by certainty-of-supply concerns following the Chile earthquake in the last quarter of fiscal 2010 – please refer Tenon's 2010 Annual Report for further discussion) were slow to clear through the industry supply chain, caused a significant downturn in the profitability of Tenon's NZ-based operations in the period.

In the US, as noted above, our "sweet spot" is with the larger discretionary remodelling projects (we have been greater than 60:40 weighted to remodelling activity over new housing activity through the trough of the housing market recession), and although the large home centres are now showing positive year-on-year "same store" comparable sales (refer chart on facing page) the combined interior and exterior millwork comparable store sales within these store totals are yet to turn positive. In short, this means we have still been facing a declining market, period-on-period, and we have had to work extremely hard in order to sustain our financial performance through this point of the cycle.

Pleasingly, improved efficiencies, aggressive cost-out initiatives, the introduction of new products, and the acquisition of new customer locations, have seen us lift the financial performance of our North American activities in a down-market. The performance disappointment in the six months under review however, aside, of course, from general market conditions, was that the extent of the toughening in NZ-domestic conditions saw a downturn in the profitability of our Taupo operations that more than offset the positive gains made in our US businesses.

Had it not been for the worsening macro-environment for our Taupo-exported product, Tenon's overall results would have been up on the two immediately preceding six months periods (adjusting for the impact of the Chile earthquake) – a reflection of the positive progress we have made in our North American distribution activities despite the extremely tough operating conditions.

In financial summary:

- At $162 million, **revenue** for the period was up slightly on that recorded in the previous comparable period (Dec'09, $159 million).

  The Company grew sales in an environment of negative year-on-year millwork retail comparable store sales and declining housing starts, reflecting a combination of market share acquisition and effective management of pricing in line with a rising product-cost market.

  Pleasingly, new products introduced over the past 48 months contributed to around 10% of Company revenues for the six-month period under review.

- **Operating earnings** (i.e. EBITDA, or earnings before interest, tax, depreciation and amortisations) of $4 million were recorded (Dec '09, $5 million).

  Gross profit for the first half was $43 million versus $45 million in the comparative period. Gross margins decreased slightly, due to higher cost of goods sold arising from the lagging inventory effect of the Chilean earthquake, higher log prices in New Zealand, and a higher average NZ:US exchange rate (0.7124 for the current period compared with 0.6792 cents for the Dec'09 six months).

  The earnings result was aided by our foreign exchange hedging strategy, which saw us lock in our FX requirements at well below the average spot exchange rate prevailing over the six months. This strategy generated more than $600,000 in earnings in the six-month period under review.

- **Working capital** was $54 million at December 2010, up only $2 million on June 2010. This small movement is within normal operating parameters, particularly given that inventory levels were impacted by the tail-end demand and pricing effects of the Chile earthquake.

- Our **interest bearing debt net of cash** was $30 million at balance date (Dec'09, $34 million) – well down from the circa $90 million net debt (including deferred liabilities) we carried on our balance sheet at the cycle peak.

  This figure includes a negative cash impact from the restructuring of Kok's Woodgoods. The Kok's restructuring was announced in our 2010 fiscal year and fully provided for in our June 2010 earnings result, however the cash impact of some of those accrued costs was not actually incurred in cash until the first quarter of the current six-month period, and hence they have impacted the current period's cash flow.

  Although our current secured debt facility does not expire until June 2012, as the calendar year progresses we will be considering how best to secure and structure our debt funding needs as we move forward to grow the Company and expand our reach. We were in compliance with our Bank ratios and covenants for the six months period, and intend to remain in compliance for the balance of the facility's life.

Given the dreadful macro-operating environment, our financial result in the period was solid, and one which certainly stands up well to scrutiny against our peers. It is also a result that is exactly in line with the outlook statements we made at the Company's Annual Shareholder Meeting in November last year where we said that operating conditions would *"see the current six-month period to December [2010] to be the toughest in this cycle."*

However, what the summary financial results outlined above do not show are the number of initiatives we have in place to combat the difficult operating conditions we have been faced with – i.e. the long list of incremental improvement projects designed to ensure our performance improves in a down-market environment.

By way of example, we continue to advance our market leading data analytics capabilities in the areas of customer performance and supply chain management. We are moving well beyond the traditional industry analytics management capabilities to best-in-class value creation through analytics. This critical investment in resourcing and infrastructure that we are now undertaking will unquestionably translate into better product category performance for our customers and for Tenon in the future. We are making this and other similar investments at the bottom of the cycle to better position the Company for profitable growth as the cycle upswing emerges.

Over the past 12 months we have also been putting considerable effort into leveraging the best practices of each of our business activity groups across the whole of Tenon. In doing so, we have been able to elevate group-wide competencies, increase market penetration and product adoption, improve our customers' retail performance, and capture the full potential of our end-to-end value chain. Some specific examples include:

- The transfer of our 'category-management' and 'vendor managed inventory (VMI)' expertise, that currently drives the success of our full-service distribution retail home centre activities, to our Fletcher Wood Solutions' outdoor program (i.e. ArmourWood™ primed and treated boards) and to Ornamental Mouldings' decorative millwork programs.

  In only our second year of category management and VMI, the success of the managed outdoor program has generated several new profitable product category extensions for us, including our new Royal PVC boards program, and the same approach has also repositioned our Ornamental Mouldings direct retail home centre programs for continued improvement and market success in the future.

- The introduction of the full range of Ornamental Mouldings' products and accessories to our Tenon pro-dealer-focused sales and distribution centres.

- The launch of our LIFESPAN™ treated outdoor boards (i.e. for the professional contractor) to Tenon's pro-dealer focused sales and distribution centres.

- The consolidation of our full-service sales and distribution operations to our own brand of Creative Stair Parts, positioning Creative as one of the largest stair part brands in North America by revenue.

These represent only a few of the examples that fall within just one of the many work-streams we have underway. We will report to shareholders on progress we have made with some of our other work-streams in our full Annual Report later in the year.

Outlook

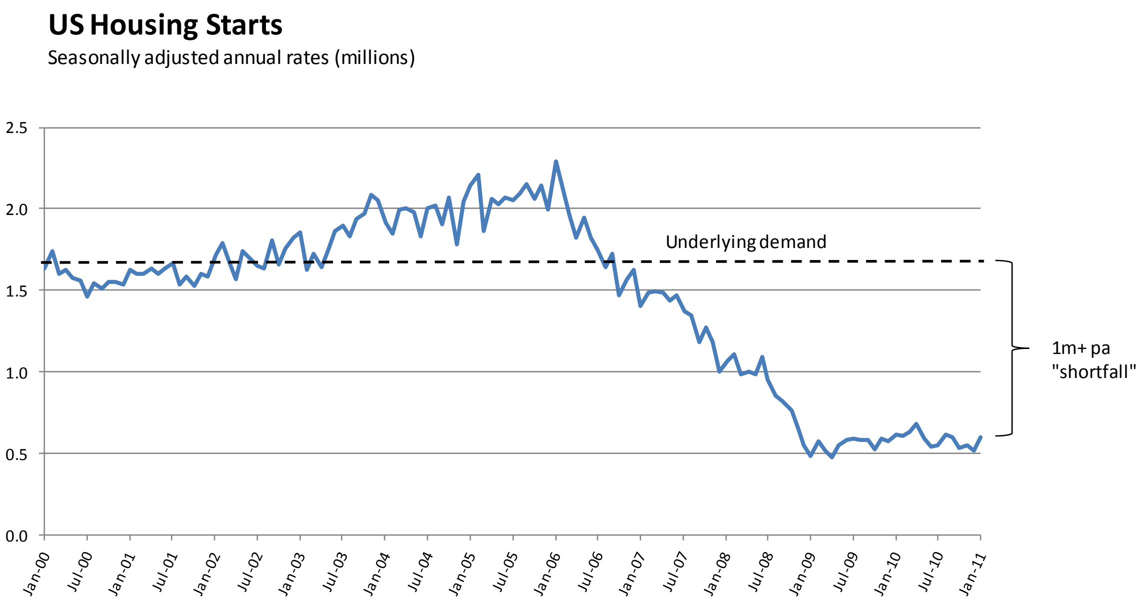
In the immediate term (i.e. the next six months) it is likely that we will continue to be buffeted by short-term macro-operating conditions over which we have limited control (e.g. the NZ:US exchange rate and recent severe winter storms in the US), which will mean that the many incremental customer and product initiatives we now have in place will be important factors in driving our performance over this period.

However, the longer-term macro-outlook for Tenon remains very positive.

As we commented at our ASM, the longer-term prospects for the US housing sector are underpinned by some key positive fundamentals, including: -

- US housing affordability at 40-year highs;
- US new home inventories at 40-year lows;
- US mortgage rates at near 40-year lows;
- Robust population growth in line with long-term trends;
- Housing starts per head of population at 60-year lows;
- An aging US housing stock, with two-thirds of the total being at least 25 years old; and
- US housing activity at well below underlying long-term demand.

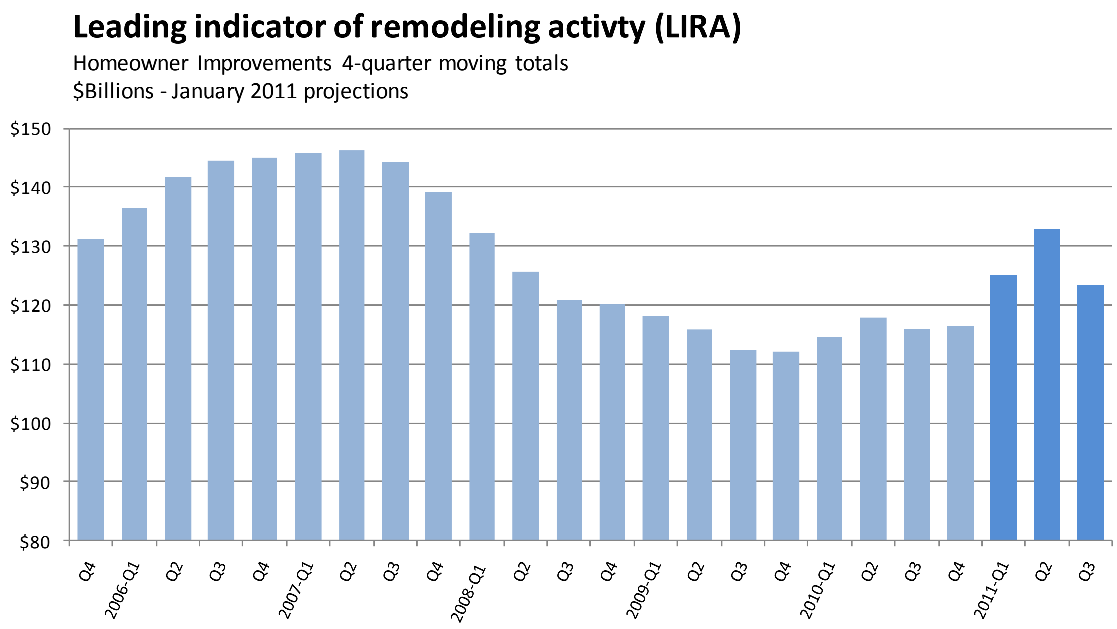
This latter point is shown in this next chart, where you can see that the historic average new housing starts figure of 1.5 million houses compares with an underlying demand level of circa 1.7 million houses, and with the current depressed level of housing starts of just under 600,000 houses – so the US is currently running at more than 1 million homes pa below the underlying, long-run, required level of new house construction.



To this point, the National Association of Home Builders, Freddie Mac and Fannie Mae (the two largest mortgage buyers in the US) are now projecting new housing starts to increase more than 30% from the December 2010 level, to (on average) around 700,000 starts per annum in 2011, led by a gain in the construction of single-family houses. These projections are supported by the 596,000 housing starts recorded in January 2011, which is up 15% on the 520,000 figure reported in the previous month.

In terms of remodelling activity, Harvard's Joint Center for Housing Studies, who released their Leading Indicator of Remodelling Activity (LIRA) forecast just last month, is forecasting healthy gains in remodelling activity this calendar year – and longer term (i.e. over the next 5 years) they are estimating homeowner improvement spend to increase by 3.5 percent per year in real terms (i.e. adjusted for inflation). Two-thirds of this projected annual growth reflects an increase in per household spending, and the remaining one-third comes from a 4.5 million increase in the number of homeowners expected over this period. The remodelling industry may also benefit from spending on the rehabilitation of foreclosed properties, a backlog of deferred recessionary-period spending, and lower housing mobility where homeowners with no equity in their homes could focus more on upgrading homes they cannot trade-up.

The chart below outlines the new near-term LIRA forecast, compared with the historical actual. The prediction is for very strong gains this year, with the dip shown for the Q3 projection being a reflection of the projected impact that distressed properties continuing to come on to the market and on-going weak house prices will have on improvement expenditure.



These latter two factors are the current constraints on the US housing recovery, and their impact is inter-related. Until house prices stop falling and reach a floor, distressed homes will continue to come up for sale, which will have the effect of depressing home prices further, and in–turn, bring more foreclosed houses on to the market. Fortunately, there now appears to be an indication of a growing demand for existing homes that may go some way to addressing the foreclosed properties as they enter the market. In this respect, the pending home sales index (a forward looking indicator of home sales) increased for the fifth time in the past six months to its highest level since the expiration of the home buyer tax credit in April last year.

A general pick-up in the health of the US economy will also further help break this loop, and in this respect there are already some encouraging signs:

- Real GDP rose 3.2 percent annualised in the fourth quarter of 2010, up from 2.6 percent annualised in the third quarter. More importantly, while the recovery was initially driven by private inventory investment and a rebound in manufacturing, the latest acceleration in GDP reflects an upturn in real consumer spending which increased 4.4 percent (annualised) in the last quarter of 2010 – double the growth rate in the summer months.
- The consumer confidence index (an indicator of current and future consumer spending intentions), as measured by the US Conference Board, climbed to a three-year high this month (i.e. February) to 70.4, significantly higher than the February 2009 low of 25.3, and a reflection of US consumer belief that the US economy and personal incomes will grow this year.
- Real disposable personal income increased in each of the last three months, and at its current level of $10.3 trillion is almost 3 percent higher than the low reached in October 2009.

The interaction of a recovering economy and stabilising home prices will begin to drive a sustained upturn in the US housing sector – both in new home construction and remodelling activity. At the moment we have seen “fits and starts” but not yet a sustained recovery – and our financial results have reflected this “false start” dynamic.

However, on the basis of current positive market signals we do expect to see the beginning of this recovery occurring later in calendar 2011, with home centre same-store comparable sales for Tenon’s basket of products and services projected to turn positive during this year – after nearly five years of negative store comparable sales (year–on-year) – and with new housing starts forecast to increase noticeably off a low base.

We would like to take this opportunity to thank all our shareholders for the continued support of the Company. We will report to you later in the calendar year on the Company’s progress towards its key goals for 2011.

Luke Moriarty	Tom B Highley
Chairman of Directors	Chief Executive Officer

23 February 2011

Consolidated Income Statement

for period ended 31 December 2010

	Tenon Group		
	Six Months Dec 2010 US$m	Year Ended June 2010 US$m	Six Months Dec 2009 US$m
Revenue	162	329	159
Cost of Sales	-119	-236	-114
Gross Profit	43	93	45
Distribution Expense	-35	-72	-35
Administration Expense	-7	-15	-8
Restructuring Expense	-	-2	-
Operating Profit before Financing Costs	1	4	2
Financing Expense	-1	-3	-2
Profit/(Loss) before Taxation	-	1	-
Income Tax Benefit	-	1	-
Net Profit/(Loss) after Taxation	-	2	-
Earnings before interest, taxation, depreciation and amortisation (EBITDA), including restructuring expense	4	10	5
Depreciation	-3	-6	-3
Operating Profit before Financing Costs	1	4	2
Earnings Per Share Information			
Basic and Diluted Net Earnings per Share (cents)	-0.6	2.9	0.5
Basic and Diluted Weighted Average Number of Shares Outstanding (millions)	66.9	66.9	66.9

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

Consolidated Statement of Comprehensive Income

for period ended 31 December 2010

		Tenon Group		
		Six Months	Year Ended	Six Months
	Note	Dec 2010	June 2010	Dec 2009
		US$m	US$m	US$m
Net Profit/(Loss) after Taxation for the period		-	2	-
Gains/ (Losses) on Cash Flow Hedges net of Tax	5	-	1	1
Movement in Currency Translation Reserve	5	1	-	1
Other Comprehensive Income for the period, net of tax		1	1	2
Total Comprehensive Income for the period		1	3	2

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

Consolidated Statement of Changes in Equity

for period ended 31 December 2010

	Note	Tenon Group Six Months Dec 2010 US$m	Tenon Group Year Ended June 2010 US$m	Tenon Group Six Months Dec 2009 US$m
Net Profit/(Loss) after Taxation for the period		-	2	-
		-	2	-
Gains/ (Losses) on Cash Flow Hedges net of Tax	5	-	1	1
Movement in Currency Translation Reserve	5	1	-	1
Total Comprehensive Income for the period		1	3	2
Movements in Equity in the period		1	3	2
Total Group Equity at the beginning of the year comprising				
Parent Shareholders' Interest		132	129	129
Total Group Equity at the end of the period, comprising				
Parent Shareholders' Interest		133	132	131

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

Consolidated Balance Sheet
as at 31 December 2010

		Tenon Group		
	Note	Six Months Dec 2010 US$m	Year Ended June 2010 US$m	Six Months Dec 2009 US$m
ASSETS				
Current Assets:				
Cash and Liquid Deposits		4	1	2
Inventory		57	57	49
Trade and Other Receivables		22	25	25
Assets Held for Sale		1	1	-
Total Current Assets		84	84	76
Non Current Assets:				
Fixed Assets		32	33	36
Assets Held for Sale		-	-	1
Goodwill		67	67	67
Deferred Taxation Asset		9	8	10
Total Non Current Assets:		108	108	114
Total Group Assets		192	192	190
LIABILITIES AND GROUP EQUITY				
Liabilities				
Current Liabilities:				
Bank Overdraft		-	1	-
Trade and Other Payables		25	30	23
Current Debt	3	8	6	6
Total Current Liabilities		33	37	29
Non Current Liabilities:				
Non Current Debt	3	26	23	30
Total Non Current Liabilities:		26	23	30
Total Group Liabilities		59	60	59
Group Equity				
Capital	4	533	533	533
Reserves	5	-400	-401	-402
Total Group Equity		133	132	131
Total Group Liabilities and Equity		192	192	190
Net Assets per Share (US$)		1.99	1.97	1.96
Net Tangible Assets per Share (US$)		0.85	0.85	0.81
Shares used for Net Assets per Share (millions)	4	66.9	66.9	66.9

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

Consolidated Statement of Cash Flows

for period ended 31 December 2010

	Tenon Group		
	Six Months Dec 2010 US$m	Year Ended June 2010 US$m	Six Months Dec 2009 US$m
Cash was Provided:			
From Operating Activities			
Receipts from Customers	167	331	162
Total Provided	167	331	162
Payments to Suppliers, Employees and Other	165	321	157
Income Tax Payment / (Refund)	1	-2	1
Total Applied	166	319	158
Net Cash from Operating Activities [1]	1	12	4
To Investing Activities:			
Purchase of Fixed Assets	1	3	1
Net Cash to Investing Activities	-1	-3	-1
From Financing Activities			
Debt Drawdowns	10	-	-
Total Provided	10	-	-
Debt Settlements	5	12	5
Interest Paid	1	3	2
Total Applied	6	15	7
Net Cash from / (to) Financing Activities	4	-15	-7
Net Movement in Cash Held	4	-6	-4
Add Opening Cash, Liquid Deposits and Overdrafts	-	6	6
Closing Cash, Liquid Deposits and Overdrafts	4	-	2

(1) Includes $3 million reduction in net cash from the supply chain financing programme (June 2010: increase of $1 million, December 2009: increase of $1 million).

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

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

for period ended 31 December 2010

	Tenon Group		
	Six Months Dec 2010 US$m	Year Ended June 2010 US$m	Six Months Dec 2009 US$m
Cash was Provided from:			
Net Profit after Taxation	-	2	-
Add Net Financing Expense	1	3	2
Adjustments:			
Depreciation	3	6	3
Taxation	-1	1	-1
Impairment of Fixed Assets	-	1	-
Cash Flow from Operations before Net Working Capital Movements	3	13	4
Net Working Capital Movements (2)	-2	-1	-
Net Cash from Operating Activities (1) (2)	1	12	4
Net Working Capital Movements:			
Trade and Other Receivables (2)	5	2	3
Inventory	-	-7	1
Trade and Other Payables	-7	4	-4
	-2	-1	-

(1) As per Statement of Cash Flows.

(2) Includes $3 million reduction in net cash from the supply chain financing programme (June 2010: increase of $1 million, December 2009: increase of $1 million).

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

Notes to the Condensed Consolidated Interim Financial Statements

for period ended 31 December 2010

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 within the independent Pro-Dealer segment and with the two largest home improvement chains in the United States: Lowe's and The Home Depot. The Group also 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, Empire and Ornamental Mouldings, 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 7 Fanshawe Street, Auckland, New Zealand.

The Company is listed on the New Zealand stock exchange. As at 31 December 2010 the Group was 57.96% owned by Rubicon Limited and its subsidiaries (June 2010: 57.96%).

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 23 February 2011.

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 2010, 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 2010 and 30 June 2009, which have been prepared in accordance with NZ IFRS and 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 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 has not early adopted any of the new standards, amendments and interpretations to existing standards disclosed in note 2.4 of the June 2010 audited financial statements and there have been no new standards, amendments or interpretations to existing standards issued since June 2010 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 JP Morgan 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, does not expire until June 2012. The facility is secured against the Group's fixed assets (land, buildings, plant and equipment) together with collateral security over the inventory and receivables of the Parent Company and its subsidiaries. The facility is subject to certain financial covenants calculated each quarter, and a Borrowing Base covenant calculated monthly which is subject to periodic examination by the Agent during the remaining life of the credit facility (refer to note 4.2 (c) of the notes to the June 2010 Financial Statements).

The revolver facility is classified as non-current, reflecting the lenders' commitment to the Company for the life of the facility, expiring June 2012. Under the facility the Company 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 Company remaining in compliance with certain facility covenants (refer to note 4.2 (c) of the notes to the June 2010 Financial Statements). The Company was in compliance with all of the covenants and accordingly the amount of debt drawn under the revolver facility as at 31 December 2010 is aged non-current, consistent with the previous year.

(2) The total size of Tenon's syndicated bank credit facility reduces as a result of the scheduled amortisation of the Term Loan as follows:

		$m	
	Term	Revolver	Total
June 2011 [(a)]	8.75	35.00	43.75
June 2012 [(b)]	-	-	-

(a) Scheduled Term Loan amortisation of $1.250 million per quarter

(b) Scheduled Term Loan amortisation of $2.1875 million per quarter

(3) All Non-Current and Current Debt is denominated in United States Dollars.

(4) The Current Debt of $8 million reflects next year's amortisation of the Term Loan under the credit facility, one year's principal payments on finance leases and one year's amortisation of the mortgage debt outstanding on the Ornamental properties.

Notes to the Condensed Consolidated Interim Financial Statements continued

4 CAPITAL

	Tenon Group Six Months Dec 2010 US$m	Tenon Group Year Ended June 2010 US$m	Tenon Group Six Months Dec 2009 US$m
Capital			
Reported Capital:			
Reported Capital at the beginning of the period	533	533	533
Reported Capital	533	533	533

	Tenon Group Dec 2010	Tenon Group June 2010	Tenon Group Dec 2009
Tenon Ordinary Shares - fully paid (1)			
Number of Shares at the beginning of the period	66,850,661	66,850,661	66,850,661
	66,850,661	66,850,661	66,850,661

(1) Includes 182,548 (June 2010: 182,548, December 2009: 182,548) fully paid Tenon Limited Ordinary Shares held by the Tenon Employee Share Purchase Scheme, accounted for as treasury stock.

5 RESERVES

	Tenon Group Six Months Dec 2010 US$m	Tenon Group Year Ended June 2010 US$m	Tenon Group Six Months Dec 2009 US$m
Retained Earnings:			
Opening Balance	-406	-408	-408
Net Profit after Taxation	-	2	-
	-406	-406	-408
Cashflow Hedging Reserves (1) **:**			
Opening Balance	-	-1	-1
Fair Value Gains/(Losses) for the period	-	1	1
	-	-	-
Revaluation Reserves (2)**:**			
Opening Balance	1	1	1
	1	1	1
Net Currency Translation:			
Opening Balance	4	4	4
Net variations on Translations of Foreign Currency Financial Statements	1	-	1
	5	4	5
Total Reserves	-400	-401	-402

(1) The Hedging reserve records the effective portion of the gain or loss on a cashflow hedging instrument that is determined to be an effective hedge. As at 31 December 2010 the balance comprises the effective portion of the fair value gain on foreign exchange contracts, the fair value loss on an electricity hedge contract at the Group's Taupo operation and the fair value loss on an interest rate swap. The 30 June 2010 balance comprised the effective portion of the fair value gain on foreign exchange contracts, the fair value loss on an electricity hedge contract at the Group's Taupo operation and the fair value loss on an interest rate swap. The 31 December 2009 balance comprised the effective portion of the fair value gain on foreign exchange contracts, the fair value loss on an electricity hedge contract at the Group's Taupo operation and the fair value loss on interest rate swaps.

(2) The Revaluation reserve arose in November 2006 when the Group announced that it had exited its 50% investment in AWM and acquired 100% of Ornamental Mouldings. As the Group had previously held an indirect 25% shareholding in OMI through its investment in AWM, the acquisition of Ornamental Mouldings was treated as a two-step acquisition for accounting purposes and accordingly, under NZ IFRS 3 Business Combinations, Tenon's share of the reserves of Ornamental Mouldings when it was an associate was recognised as a revaluation reserve on consolidation.

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 Chief Executive Officer 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 2010, June 2010 and December 2009 split between North America and New Zealand is shown below.

December 2010 - 6 months	North America US$m	New Zealand US$m	Total US$m
Operating Revenue [1]	142	20	**162**
Non Current Assets [2]	84	15	**99**
Capital Expenditure	1	-	**1**

June 2010 - year ended	North America US$m	New Zealand US$m	Total US$m
Operating Revenue [1]	296	33	**329**
Non Current Assets [2]	84	16	**100**
Capital Expenditure	2	1	**3**

December 2009 - 6 months	North America US$m	New Zealand US$m	Total US$m
Operating Revenue [1]	142	17	**159**
Non Current Assets [2]	87	17	**104**
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 Contingent Assets

Central North Island Forest Partnership (CNIFP) legal proceedings

A subsidiary of Tenon Limited (CNI Forest Nominees Limited) is party to legal proceedings in the New Zealand High Court commenced by the Receivers of CNIFP (on 7 February 2008) against the Commissioner for Inland Revenue (the IRD) in order to determine whether it is the IRD or the secured lenders to the CNIFP (which include Tenon's subsidiary CNI Forest Nominees Limited, which is the trustee for advances of more than US$200 million to the CNIFP by another subsidiary of Tenon Limited in 1996 which have not yet been repaid by CNIFP (these advances have been fully provided for in the Group's financial statements in past accounting periods)) that have first priority to Goods and Services Tax (GST) paid to the Receivers by the purchaser of the CNIFP forest estate in 2003 and which was paid to the IRD at the time of the sale. In the event the Court holds that the secured creditors were entitled to the GST receipt ahead of the IRD, then, as a second ranking security holder, CNI Forest Nominees Limited would be entitled to receive in the order of NZ$90 million from the GST receipt in partial repayment of the CNIFP loan. However, the issues are very complex, and the proceedings are being strongly resisted by the IRD. As a result, the outcome for the Group, including the amount and timing of any recovery, is uncertain. An application by the IRD to the High Court to strike out the legal proceedings was dismissed in 2010 and the IRD appealed that decision to the Court of Appeal. A hearing on the appeal is expected during 2011.

8 Contingent Liabilities

The Group has no material contingent liabilities (June 2010: nil, December 2009 : nil).