

**PRELIMINARY FULL YEAR REPORT ANNOUNCEMENT**

**Tenon Limited**

(Name of Listed Issuer)

**For Full Year Ended 30 June 2005**

(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	397	38.8%	286
(b) Other Revenue	22	15.8%	19
(c) Total Operating Revenue	419	37.4%	305
<b>1.2 OPERATING SURPLUS BEFORE TAXATION</b>	31	(13.9%)	36
(a) Less taxation on operating result	(9)	(18.2%)	(11)
<b>1.3 OPERATING SURPLUS AFTER TAX</b>	22	(12.0%)	25
(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>	22	(12.0%)	25
(a) Net *Surplus (Deficit) attributable to minority interests	(4)		(3)
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	18	(18.2%)	22
<b>NET EARNINGS FROM DISCONTINUED OPERATIONS</b>	11	117.2%	(64)
<b>1.5 NET SURPLUS ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER</b>	29	169.0%	(42)

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)	8	4
(b) Unusual items for separate disclosure (gain/loss) (detail - Item 3)		2
(c) Equity earnings (gain/loss) (detail - Item 16)	6	8
(d) Interest expense included in Item 1.2 (include all forms of interest, etc)	2	1
(e) Leasing and renting expenses	7	4
(f) Depreciation	7	6
(h) Amortisation of goodwill	1	1

		Group - Current	
		Full Year	
3	DISCONTINUED, UNUSUAL (INCLUDING NON RECURRING), AND EXTRAORDINARY ITEMS OF THE GROUP	Operating Revenue	Operating Surplus
		\$NZ million	\$NZ million
<b>DETAILS AND COMMENTS</b>			
Prior period amounts have been restated for continuing activities.			
On 28 April 2005, Tenon sold its Structural Consumer Solutions business for \$171 million including working capital movements.			
<b>TOTAL DISCONTINUED ACTIVITIES</b>		235	11
<b>TOTAL MATERIAL NON RECURRING ITEMS</b>			
<b>TOTAL EXTRAORDINARY ITEMS</b>			

		Statement of Movements	
		In Equity	
4	STATEMENT OF MOVEMENTS IN EQUITY	Current full year	Previous corresponding full year
		\$NZ million	\$NZ million
4.1	<b>NET (DEFICIT) ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER</b>	29	(42)
	(a) Net Surplus (Deficit) attributable to minority interest	4	2
4.2	<b>OTHER RECOGNISED REVENUE AND EXPENSES</b>		
	(b) Current Translation Differences	(5)	(3)
4.3	<b>TOTAL RECOGNISED REVENUES AND EXPENSES</b>	28	(43)
4.4	<b>OTHER MOVEMENTS</b>		
	(b) Distributions to Owners	(321)	(350)
	(c) Other - (Disposal)/Purchase Minority Interest	(19)	6
4.5	<b>EQUITY AT BEGINNING OF FULL YEAR</b>	498	885
4.6	<b>EQUITY AT END OF FULL YEAR</b>	186	498

		Earnings Per Security	
		Current full year	Previous corresponding full year
5	EARNINGS PER SECURITY	Per Share	
		\$NZ cents	\$NZ cents
Calculation of basic and fully diluted, EPS in accordance with IAS33: Earnings Per Share			
(a)	Basic EPS - Continuing Operations <sup>(1)</sup>	25.7	31.4
	Basic EPS - Discontinued Operations <sup>(1)</sup>	15.7	(91.4)
(b)	Diluted EPS (if materially different from (a))	n/a	n/a

(1) Comparative per share data has been restated for the three out of every four share cancellation following the capital distribution on 16 February 2005.

6 MATERIAL ACQUISITIONS OF SUBSIDIARIES (See Note (VII) attached):	
(a) Name of subsidiary or group of subsidiaries	Tarawera Forest Limited
(b) Percentage of ownership acquired	Increase from 82% to 100%
(c) Contribution to consolidated net *Surplus (Deficit) (Item 1.4) <sup>(1)</sup>	\$4 million
(d) Date from which such contribution has been calculated	30 June 2004
(a) Name of subsidiary or group of subsidiaries	Kok's Woods, Inc
(b) Percentage of ownership acquired	Purchase 100%
(c) Contribution to consolidated net *Surplus (Deficit) (Item 1.4) <sup>(1)</sup>	\$0.3 million
(d) Date from which such contribution has been calculated	14 April 2005

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

**8 REPORTS FOR INDUSTRY AND GEOGRAPHICAL SEGMENTS**

**SEGMENTS**

**Industry**

Tenon is a processing, marketing and distribution Group, represented by one division - the Appearance Consumer Solutions segment. This segment has a distinct market and product focus.

**Geographical**

Refer Attached

	<b>Consolidated Statement of Financial Position</b>		
	At end of current full Year \$NZ million	As shown in last Annual Report \$NZ million	If half yearly as shown in last full yearly report \$NZ million
(Note (VIII) attached has particular relevance for the preparation)			
<b>9 CURRENT ASSETS:</b>			
(a) Cash	51	141	
(b) Trade receivables	51	42	
(d) Inventories	60	52	
(e) Other assets, current - Discontinued Operations	7	204	
<b>TOTAL CURRENT ASSETS</b>	<b>169</b>	<b>439</b>	
<b>9.1 NON-CURRENT ASSETS</b>			
(b) Investments	29	34	
(d) Property, plant and equipment	43	44	
(e) Goodwill	12	12	
(f) Deferred Taxation Assets	8	22	
(h) Other assets, non current - Discontinued Operations		72	
<b>9.2 TOTAL NON-CURRENT ASSETS</b>	<b>92</b>	<b>184</b>	
<b>9.3 TOTAL ASSETS</b>	<b>261</b>	<b>623</b>	
<b>9.4 CURRENT LIABILITIES</b>			
(a) Trade Creditors	47	36	
(e) Provisions, current - Taxation	4	1	
(f) Other liabilities, current - Discontinued Operations	12	54	
<b>TOTAL CURRENT LIABILITIES</b>	<b>63</b>	<b>91</b>	
<b>9.5 NON-CURRENT LIABILITIES</b>			
(b) Secured loans	12	34	
(f) Other liabilities, non-current - Discontinued Operations			
<b>9.6 TOTAL NON-CURRENT LIABILITIES</b>	<b>12</b>	<b>34</b>	
<b>9.7 TOTAL LIABILITIES</b>	<b>75</b>	<b>125</b>	
<b>9.8 NET ASSETS</b>	<b>186</b>	<b>498</b>	
<b>9.9 SHAREHOLDERS' EQUITY</b>			
<b>9.10 SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER</b>	<b>173</b>	<b>470</b>	
(a) Minority equity interests in subsidiaries	13	28	
<b>9.11 TOTAL SHAREHOLDERS' EQUITY</b>	<b>186</b>	<b>498</b>	
(a) Returns on Assets (%) (EBIT divided by Total Assets) - Continuing Operations	12.99%	10.66%	
(b) Return on Equity (%) (Net Income divided by Shareholders' Equity)	15.59%	-8.43%	
(c) Debt to Equity Ratio (%) (Total Liabilities divided by Shareholders' Equity)	40.32%	25.10%	

		<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</b>	<b>CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>		
(a)	Receipts from customers	393	306
(b)	Interest received	8	4
(c)	Dividends received	8	7
(d)	Payments to suppliers and employees	(381)	(303)
(e)	Interest paid	(2)	(1)
(f)	Income taxes paid	(8)	(10)
	<b>NET OPERATING FLOWS</b>	<b>18</b>	<b>3</b>

(See Note (IX) attached )			
<b>11</b>	<b>CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>		
(c)	Loans repaid by other entities	9	
(d)	Cash paid for purchases of property, plant and equipment	(5)	(7)
(f)	Cash paid for purchases of equity investments	(1)	(1)
(h)	Other cash flows relating to operating activities - Purchase of Subsidiary	(5)	(17)
	<b>NET INVESTING CASH FLOWS</b>	<b>(2)</b>	<b>(25)</b>

(See Note (IX) attached )			
<b>12</b>	<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		
(b)	Borrowings	127	94
(c)	Repayment of borrowings	(147)	(188)
(d)	Distributions (Capital Return Paid to Shareholders)	(321)	(349)
(e)	Other cash flows relating to operating activities - Discontinued Operations	235	561
	<b>NET FINANCING CASH FLOWS</b>	<b>(106)</b>	<b>118</b>

(See Note (IX) attached )			
<b>13</b>	<b>NET INCREASE (DECREASE IN CASH HELD)</b>		
(a)	Cash at beginning of full year	141	47
(b)	Exchange rate adjustments to Item 13(a) above		(2)
(c)	<b>CASH AT END OF FULL YEAR</b>	<b>51</b>	<b>141</b>

<b>14</b>	<b>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</b>	<b>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	51	141
	<b>Total = Cash at End of Full Year (Item 13(c) above)</b>	<b>51</b>	<b>141</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 full year includes dividend of \$8 million (2004: \$7 million).

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

### 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%	15	14
AWM Mexico	50.0%	50.0%	(1)	
Zenia House A/S	20.0%	20.0%		
The Empire Company <sup>(1)</sup>				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

Carrying value of investments in associates beginning of full year

Share of changes in associates' post acquisition surpluses/and reserves:

- Retained surplus

- Reserves

Net goodwill amortisation and impairment adjustments in the period

Less Dividends received in the period

	Current full Year \$NZ million	Previous Corresponding full year \$NZ million
Carrying value of investments in associates beginning of full year	25	22
Share of changes in associates' post acquisition surpluses/and reserves:		
- Retained surplus	14	15
- Reserves	(2)	(5)
Net goodwill amortisation and impairment adjustments in the period		
Less Dividends received in the period	(8)	(7)

**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	185,901,831	185,901,831	
Cancellation of shares upon Capital Return <sup>(1)</sup>	(139,434,062)	(139,434,062)	
Share Amalgamation <sup>(2)</sup>	(46,467,769)	(46,467,769)	
Total at end of year			
<b>ORDINARY SHARES:</b>			
Number of Shares at the beginning of the year	92,950,230	92,950,230	
Cancellation of shares upon Capital Return <sup>(1)</sup>	(69,720,362)	(69,720,362)	
Share Amalgamation <sup>(2)</sup>	46,467,769	46,467,769	
Total at end of year	69,697,637	69,697,637	

**CONVERTIBLE NOTES**

(1) On 16 February 2005, Tenon returned \$321 million return of capital to shareholders under a share cancellation and return of capital programme authorised by shareholders and approved by the High Court. Three out of every four Ordinary Shares, and three out of every four Preference Shares in Tenon Limited were cancelled, and NZ\$1.5333 per cancelled share paid to Tenon shareholders.

(2) On 16 February 2005, the distinction between the Company's Ordinary and Preference shares was removed. Effective from the 16 February 2005 the Company has only one class of share on issue.

**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

*Refer June 2004 Annual Report*

- (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:	31	36
Taxation at 33 cents per dollar	10	12
Adjusted for:		
Permanent Differences	(1)	(3)
Recognition of Net Losses	(2)	
Taxation Under/(Over) Provided in the Prior Year	1	1
Rates other than 33 cents	1	1
Taxation Expense	9	11

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

(a) To be held at

TBA

(b) 4 November 2005

Time 2:00pm

(c) Approximate date of availability of Annual Report

September 2005

This full year report was approved by resolution of Directors on 11 August 2005

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P M Gillard

Director, Corporate & Legal Services.