RUBICON

RUBICON STATUTORY REPORT 2012

This Report contains the Audited Financial Statements, Governance and Statutory Information for the Rubicon Group. A separate report is also available on request – the Rubicon Annual Review – which details the strategic and operating highlights for Rubicon for 2012.

Our Annual Review for 2011 and our Interim Review for 2012 (i.e. the six months ended 31 December 2011) are each available on our website at www.rubicon-nz.com. In addition to our shareholder Reviews, from time to time we make announcements to the New Zealand Exchange. These can be viewed either on the NZX website or on Rubicon's own website, where a complete history of our market releases is maintained.

There are statements included in this Report 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 Rubicon, including – the markets and geographies in which ArborGen and Tenon operate and compete, foreign exchange rate fluctuations, US housing market conditions, US and global credit market conditions, intellectual property protection, regulatory approvals, public and customer acceptance of biotechnology products, the success of ArborGen's research and development activities, weather conditions – and other factors (many of which are beyond the control of Rubicon). Accordingly, actual results and conditions may differ materially from those expressed or implied by such statements.

Rubicon's functional currency is the US dollar, and accordingly, unless otherwise stated all references to dollars in this Report are references to US dollars.

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Consolidated Income Statement

For the year ended 30 June 2012

RUBICON LIMITED Year ended June 11 US$m	RUBICON LIMITED Year ended June 12 US$m		Notes	RUBICON GROUP Year ended June 12 US$m	RUBICON GROUP Year ended June 11 US$m
–	–	Revenue		334	326
–	–	Cost of sales		(254)	(241)
–	–	**Gross earnings**		**80**	**85**
–	–	Earnings from associate	16	–	(1)
–	–	Distribution expense	7	(71)	(72)
(1)	(1)	Administration expense	7	(16)	(15)
–	–	Fair value gain on forest assets	15	–	2
–	–	Restructuring costs	7	(3)	–
(1)	(1)	**Operating earnings before financing expense**	7	**(10)**	**(1)**
(1)	(1)	Financial expense	8	(4)	(4)
(2)	(2)	**Earnings before taxation**		**(14)**	**(5)**
–	–	Income tax benefit	9	2	(1)
(2)	(2)	**Net Earnings**		**(12)**	**(6)**
		Attributable to:			
(2)	(2)	Equity holders of the parent		(8)	(5)
–	–	Minority interest		(4)	(1)
(2)	(2)	**Net Earnings**		**(12)**	**(6)**

Basic/diluted earnings per share information (cents per share):	(2.8)	(1.8)
Weighted average number of shares outstanding (millions of shares)	285	285

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

RUBICON LIMITED Year ended June 11 US$m	Year ended June 12 US$m		RUBICON GROUP Year ended June 12 US$m	Year ended June 11 US$m
(2)	(2)	**Net Earnings**	**(12)**	**(6)**
–	–	Movement in currency translation reserve	(1)	2
–	–	**Other comprehensive income (net of tax)**	**(1)**	**2**
(2)	(2)	**Total comprehensive income**	**(13)**	**(4)**
		Total comprehensive income attributable to:		
(2)	(2)	Rubicon shareholders	(8)	(4)
–	–	Minority shareholders	(5)	–
(2)	(2)	**Total comprehensive income**	**(13)**	**(4)**

Statement of Changes in Equity

For the year ended 30 June 2012

RUBICON LIMITED Year ended June 11 US$m	Year ended June 12 US$m		Notes	RUBICON GROUP Year ended June 12 US$m	Year ended June 11 US$m
(2)	(2)	**Total comprehensive income**		**(13)**	**(4)**
		Movement in Rubicon shareholders' equity:			
–	–	Increase resulting from Tenon share buy back		1	–
		Movement in minority shareholders' equity:			
–	–	Decrease resulting from Tenon share buy back		(1)	–
		Total movement in shareholder equity attributable to:			
(2)	(2)	Rubicon shareholders' equity		(7)	(4)
–	–	Minority shareholders' equity		(6)	–
		Opening equity attributable to:			
154	152	Rubicon shareholders		148	152
–	–	Minority shareholders		56	56
154	152	Opening total Group equity		204	208
		Closing equity attributable to:			
152	150	Rubicon shareholders		141	148
–	–	Minority shareholders	22	50	56
152	150	**Closing Total Group Equity**		**191**	**204**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

RUBICON LIMITED Year ended June 11 US$m	Year ended June 12 US$m		Notes	RUBICON GROUP Year ended June 12 US$m	Year ended June 11 US$m
		Cash was provided from operating activities			
–	–	Receipts from customers		327	328
–	–	Cash provided from operating activities		327	328
(1)	(1)	Payments to suppliers, employees and other		(333)	(324)
–	–	Income tax received/(paid)	13	–	(1)
(1)	(1)	Cash (used in) operating activities		(333)	(325)
(1)	(1)	**Net cash from operating activities**		**(6)**	**3**
–	–	Investment in fixed assets	14	(2)	(2)
–	–	Investment in associate	16	(9)	(4)
(5)	(10)	Movement in advances to subsidiaries		–	–
(5)	(10)	**Net cash from (used in) investing activities**		**(11)**	**(6)**
6	12	Debt drawdowns		19	51
–	–	Debt repayment		(1)	(42)
(1)	(1)	Interest paid		(3)	(5)
		Capital return by way of share buy back			
–	–	To Tenon minority shareholders	21	(1)	–
5	11	**Net cash from (used in) financing activities**		**14**	**4**
(1)	–	**Net movement in cash**		**(3)**	**1**
1	–	Opening cash, liquid deposits and overdrafts		2	1
–	–	**Closing Cash, Liquid Deposits and Overdrafts**		**(1)**	**2**
(2)	(2)	Net earnings		(12)	(6)
		Adjustment for:			
1	1	Financial expense	8	4	4
–	–	Depreciation	7	5	6
–	–	Taxation		(2)	–
–	–	Earnings from associate		–	1
–	–	Forest asset valuation		–	(2)
–	–	Other		2	(1)
(1)	(1)	Cash flow from operations before net working capital movement		(3)	2
–	–	Trade and other receivables		(7)	2
–	–	Inventory		(1)	6
–	–	Trade and other payables		5	(7)
–	–	Net working capital movement		(3)	1
(1)	(1)	**Net cash from operating activities**		**(6)**	**3**

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

Consolidated Balance Sheet

As at 30 June 2012

RUBICON LIMITED				RUBICON GROUP	
June 11 US$m	June 12 US$m		Notes	June 12 US$m	June 11 US$m
		Current assets			
–	–	Cash and liquid deposits		–	2
–	–	Trade and other receivables	10	31	25
–	–	Inventory	11	53	53
–	–	Assets held for sale	12	3	2
–	–	**Total current assets**		**87**	**82**
		Non current assets			
–	–	Fixed assets	14	25	29
–	–	Forest assets	15	3	3
–	–	Investment in associate	16	72	63
–	–	Goodwill	17	85	85
–	–	Deferred taxation asset	13	11	9
161	171	Investment in and advances to subsidiaries	26 & 29	–	–
161	171	**Total non current assets**		**196**	**189**
161	171	**Total assets**		**283**	**271**
		Current liabilities			
–	–	Bank overdraft		(1)	–
(1)	(1)	Trade, other payables and provisions	18	(33)	(27)
(8)	–	Current debt	19	(1)	(9)
(9)	(1)	**Total current liabilities**		**(35)**	**(36)**
		Term liabilities			
–	(20)	Term debt	19	(57)	(31)
–	(20)	**Total term liabilities**		**(57)**	**(31)**
(9)	(21)	**Total liabilities**		**(92)**	**(67)**
152	150	**Net Assets**		**191**	**204**
		Equity			
163	163	Share capital	20	163	163
(11)	(13)	Reserves	21	(22)	(15)
152	150	**Equity attributable to Rubicon shareholders**		**141**	**148**
–	–	Equity attributable to minority shareholders	22	50	56
152	150	**Total Group Equity**		**191**	**204**
		Net Asset Backing		US 50 cps	US 52 cps

Stephen Kasnet
Chairman
24 August 2012

Luke Moriarty
Chief Executive Officer

Mark Taylor
Chief Financial Officer

Each of the above signatories certifies that these financial statements comply with generally accepted accounting standards and present a true and fair view of the financial affairs of the Rubicon Group.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

1 REPORTING PERIOD

The financial statements presented are for the year from 1 July 2011 to 30 June 2012, with the comparative period being the year ended 30 June 2011.

2 APPROVAL OF ACCOUNTS

These consolidated financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 24 August 2012.

3 BASIS OF PRESENTATION

The financial statements presented are those of Rubicon Limited (the Parent Company) and Rubicon Limited and Subsidiaries (the Group).

Statement of compliance

The financial statements are based on the general principles of historical cost accounting, except that derivative financial instruments, forest assets and assets held for sale are stated at their fair value less costs to sell. These financial statements have been prepared in accordance with the New Zealand equivalent to international reporting standards (NZ IFRS), which ensures compliance with International Financial Reporting Standards. The Group has designated itself as a profit-oriented entity for the purposes of compliance with NZ IFRS.

The accounting policies are consistent with those used in the June 2011 consolidated financial statements. The significant accounting policies are set out below.

Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

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

Chief operating decision-makers

Rubicon's 'chief operating decision-makers' are the Rubicon Group Board and the Chief Executive Officer, who jointly make strategic decisions.

4 SIGNIFICANT ACCOUNTING POLICIES

Change in accounting policy

There have been no changes in accounting policies during the year.

New and amended standards adopted by the Group.

There were no new standards or amendments to standards adopted by the Group in the current year that had a material impact on the Group.

Use of Estimates and Judgement

The preparation of financial statements in conformity with NZ IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The principal areas of judgement in preparing these financial statements are:

4 SIGNIFICANT ACCOUNTING POLICIES continued

Forest assets (note 15)

The carrying values of forest assets are assessed at least annually to ensure they are not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the forest estate, which entails making judgements about the expected future performance and cash flows of the forest and the appropriate discount rate to apply when valuing future cash flows.

Investments and valuation of goodwill (notes 16 and 17)

The carrying value of goodwill and investments are assessed at least annually to ensure they are not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the investment, which entails making judgements about the expected future performance and cash flows of the investment and the appropriate discount rate to apply when valuing future cash flows.

Deferred taxation (note 13)

NZ IFRS allows the recognition of taxation assets when utilisation is considered probable. This requires an estimation of the future earnings of the Group. These calculations are based upon annual financial budgets and average exchange rate assumptions.

Basis of Consolidation

Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent Company. Control exists when the Parent has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Business combinations

For acquisitions before 30 June 2009, the following purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is the fair value for the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are recorded at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

There have been no acquisitions in the current year, but if there had been the Group would have applied the acquisition method of accounting as described above, modified by NZ IFRS 3 (Amendment) ' Business Combinations'. The most significant change to the purchase method of accounting brought about by the adoption of NZ IFRS 3 is that all costs relating to a business combination must be expensed and not capitalised to the cost of the acquisition. In addition subsequent remeasurement of the business combination would be required to be put through the income statement.

Transactions and balances between subsidiaries or between the Parent and subsidiaries are eliminated on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

4 SIGNIFICANT ACCOUNTING POLICIES continued

Associates

Associates are entities in which the Parent Company, either directly or indirectly, has a significant but not controlling interest. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Associates are initially recognised at cost.

Goodwill

All business combinations are accounted for by applying the purchase method. In respect of business acquisitions that have occurred since 1 April 2004 (being the Group's opening NZ IFRS balance sheet), goodwill represents the difference between the cost of the acquisition and the Group's share of the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its carrying value at transition date recorded under previous NZ GAAP.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is assessed at least annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Functional Currency

Foreign operations

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The consolidated financial statements are presented in US$.

The assets and liabilities of all of the Group companies (none of which has a currency of a hyper-inflationary economy) that have a functional currency that differs from the presentation currency, including goodwill and fair value adjustments arising on consolidation, are translated to the presentation currency at foreign exchange rates ruling at balance date. All exchange differences arising from the translation of foreign operations are recognised in the foreign currency translation reserve.

Transactions

Transactions in currencies other than the functional currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency at balance date are translated to the functional currency at the foreign exchange rate ruling at that date, with foreign exchange differences arising on translation being recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value in a currency other than the functional currency are translated using the exchange rate ruling at the date the fair value was determined.

Valuation of Assets

Land, buildings, plant and equipment

Land, buildings, plant and equipment are stated at historical cost less accumulated depreciation and impairment.

Land is not depreciated. Depreciation on other fixed assets is calculated using the straight-line method. Expected useful lives, which are regularly reviewed, are:

Buildings	30 years
Plant and equipment	3 to 13 years.

Inventory

Trading inventory, raw materials and work in progress are valued at the lower of cost or net realisable value and are determined principally on the first-in-first-out basis. Cost includes direct manufacturing costs and manufacturing overheads at normal operating levels, and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Forest assets

Forest assets are valued at their fair value. All the costs necessary to maintain the forest assets are included in the income statement together with the change in fair value for each accounting period. The value is based on discounted forestry cash flow models where the fair value is calculated using cash flows based on sustainable forest management plans. The fair value is measured as the present value of cash flows from one growth cycle on leased forest land, taking into consideration environmental, operational and market restrictions.

Trade and other receivables

Trade receivables are carried at cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Assets held for sale and discontinued operations

Assets held for sale are assets whose carrying value will be recovered principally through sale rather than through continuing use. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of the Group's business that represents a separate major line of business. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each balance date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units, and then to reduce the carrying amount of other assets in the cash-generating unit on a pro rata basis.

The recoverable amount of assets, other than receivables, is the greater of their fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. With the exception of goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Valuation of Liabilities

Trade and other payables

Trade and other payables are stated at cost.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Group's best estimate of the expenditure required to settle the present obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

4 SIGNIFICANT ACCOUNTING POLICIES continued

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

Deferred income tax

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Derivative financial instruments

The Group uses derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in interest rates, foreign currency exchange rates and commodity prices. While these instruments are subject to fluctuations in value, such fluctuations are generally offset by the change in value of the underlying exposures being hedged.

The Group policy specifically prohibits the holding or issuing of derivative financial instruments for trading or speculative purposes. However, derivatives that do not qualify for hedge accounting are classified as financial assets and are initially recognised at fair value at the date the contract is entered into. The subsequent gains or losses arising from changes in the fair value of financial assets are recognised immediately in the income statement.

However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedge

For cash flow hedge transactions in which the Group is hedging the variability of future cash flows related to a variable-rate asset, liability or a forecasted transaction, the effective portion of the changes in the fair value of the derivative instrument are reported in the statement of comprehensive income. The gains and losses on the derivative instrument that are reported in the statement of comprehensive income are reclassified to earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item.

The ineffective portion of all hedges is recognised in current period earnings.

The net interest received or paid on the contracts is reflected as interest income or expense of the related hedged position. Gains and losses resulting from the termination of contracts are recognised over the original period hedged as long as the underlying cash flows are still probable of occurring. If the hedged positions are sold, or the underlying cash flows are no longer probable of occurring, any unrealised gains or losses are recognised in the current period.

Fair value hedges

Changes in the fair value of derivatives which are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Income Determination

Revenue recognition

Revenue comprises the fair value of the consideration received for the sale of goods and services, net of rebates and discounts and after eliminating sales within the Group. Revenue is shown net of any value added tax, returns, rebates and discounts and after eliminating sales within the Group.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Goods sold

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Products are generally sold with volume discounts and customers have a right to return faulty product. Sales are recorded based on the price negotiated with the customer, net of estimated volume discounts and returns. Historical experience is used to estimate the level of returns likely and volume rebates are calculated on a preset formula.

Investment income

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the Group's right to receive payment is established.

Finance expense

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method and the amount payable in relation to Tenon's supply chain financing programme.

Leasing commitments

The Group leases certain plant, equipment, land and buildings. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement in the periods of expected benefit.

Research and development costs

All research costs are recognised as an expense when incurred. When a project reaches the stage where it is reasonably certain that further expenditure can be recovered through the processes or products produced, development expenditure is recognised as a development asset. The asset is amortised from the commencement of commercial production of the product to which it relates, over the period of expected benefit.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date, and any adjustment to tax payable in respect of previous years.

Employee benefits

Other employee benefits

Long service leave vests to the employee after varying periods of service. The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Share-based payments

A cash settled, share-based compensation plan exists for certain employees. The fair value of any liability under the plan is recorded at each reporting date, with any changes in fair value recognised in the income statement for the period.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Group has two reportable segments, which are the Group's strategic business assets; being Tenon (Appearance and wood products) and ArborGen (Biotechnology), which offer different products and services. The Group's geographical segments are based on both the location of customers and primary location of assets (refer to note 28 segmental information summary).

Goods and services tax

The income statement and statement of cash flows have been prepared exclusive of goods and services taxation.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

4 SIGNIFICANT ACCOUNTING POLICIES continued

New NZ IFRS standards

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2011 but have had no impact on the consolidated financial statements:

- NZ IFRS 7 Financial Instruments Disclosures - transfers of financial assets effective for annual periods beginning on or after 1 July 2011.
- NZ IAS 24 Related Party Disclosures (revised 2009) effective for annual periods beginning on or after 1 January 2011.
- NZ FRS 44 New Zealand additional disclosures and harmonisation amendments effective for annual periods beginning on or after 1 July 2011.

Future NZ IFRS pronouncements

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2012 or later periods. The Group has identified the following standards as relevant and note that adoption will not have a material effect on the Group's accounts, but will require additional disclosure or format changes:

- NZ IAS 1 Presentation of items of other comprehensive income effective for annual periods beginning on or after 1 July 2012.
- NZ IFRS 9 Financial Instruments effective for annual periods beginning on or after 1 January 2015.
- NZ IFRS 10 Consolidated Financial Statements effective for annual periods beginning on or after 1 January 2013.
- NZ IFRS 12 Disclosure of Interests in Other Entities effective for annual periods beginning on or after 1 January 2013.
- NZ IFRS 13 Fair Value Measurement effective for annual periods beginning on or after 1 January 2013.
- NZ IAS 12 (amendment), Income Tax - Deferred Tax: Recovery of Underlying Assets effective for annual periods beginning on or after 1 January 2012.
- NZ IAS 28 Investments in Associates and Joint Ventures (2011) effective for annual periods beginning on or after 1 January 2013.

5 FINANCIAL, COMMERCIAL AND ENVIRONMENTAL RISKS

As the Group's principal assets are investments in Tenon Limited 58.99% (2011: 57.96%) and ArborGen, Inc 31.67% (2011: 33.33%) it is considered appropriate to disclose separately the financial risk management applicable to each of these investments:

This note presents information about the Group's potential exposure to financial, commercial and environmental risks that the Group has identified; the Group's objectives, policies and processes for managing those risks; the estimation of fair values of financial instruments; and the Group's management of capital. Quantitative disclosures of some of the key financial risks are made in note 30.

5.1 ArborGen

ArborGen has exposure to three categories of financial risks – commercial risk, credit risk and liquidity risk - each of which is actively assessed and managed by the ArborGen board and management team.

5.1(a) Commercial risk

ArborGen sells more than 250 million treestocks annually into forestry markets in North America and Australasia. ArborGen's financial results are exposed to any downturn or reduction of sales in these markets, with the greatest exposure being to the North American market. ArborGen manages this risk by ensuring it has a wide spread of customers in this market including specialist forest investment companies (TIMOs), farm / land owners, integrated forestry / pulp & paper companies (both private and public). In addition, ArborGen's strategic drive is to ensure that its treestock offerings represent the highest-value genetics available. By developing product offerings that its competitors

5 FINANCIAL, COMMERCIAL AND ENVIRONMENTAL RISKS continued

do not have, ArborGen believes this element of market risk can be considerably mitigated. To this end ArborGen has recently acquired the assets and intellectual property of CellFor, ArborGen's only former competitor in the varietal loblolly pine market in the US, broadening its product offering as a consequence.

ArborGen also intends to commercialise "next-generation" biotech treestocks in future years, which will provide superior performance to existing products on the market. If successful, these biotech products will also provide ArborGen with a significant degree of market diversification, as some products will be potentially applicable to large market arenas beyond forestry – for example, for use in cellulosic-biofuels.

The development of ArborGen's "next-generation" biotech products involve the use of advanced biotechnology techniques designed to produce very high-value treestocks with superior trait performance – for example ArborGen is currently targeting highly-valued traits such as faster growth rate and shorter rotation, greater stress tolerance, and more economically and environmentally efficient pulping (through altered lignin content). The development of these biotech products involves advanced scientific techniques, and there is no certainty that the targeted products will necessarily be able to be manufactured cost-effectively or deliver the benefits to the customer that ArborGen is targeting. ArborGen actively manages this risk through a wide-range of risk-mitigation measures, such as by (amongst other measures): licensing-in technology that has already had proven success in other fields (e.g. in agricultural crops); ensuring that more than one scientific pathway to the end-goal is operated; and by field-trialling multiple species and genotypes.

The biotechnology techniques employed in the production of its biotech treestocks require ArborGen to receive approval from the regulatory authority in each of the markets in which ArborGen operates before any of these products can be commercialised. Accordingly, ArborGen is exposed to the risk that these products may not achieve regulatory approval or that regulatory approval takes longer than ArborGen expects. ArborGen mitigates this risk by (amongst other measures) adhering strictly to all operable regulatory requirements, and engaging fully and early with regulatory authorities in public submission processes.

In addition, there is the risk that even if ArborGen's products deliver the value-gains targeted, there may still be a lack of customer acceptance of ArborGen's products, due to the biotechnology techniques it employs to produce them. For example, the Forestry Stewardship Council (FSC) does not currently approve the commercial use of genetically modified trees in its certified forests. ArborGen mitigates this particular risk by operating in many jurisdictions across a wide-range of potential customers, thereby limiting the impact of the decision of any one market or customer. In addition, ArborGen engages in public forums designed to educate on both the risks and benefits of genetically modified trees, as well as ArborGen-specific issues. To advance customer adoption of its biotech products ArborGen works in product development partnerships with potential future customers, in order to reduce any customer and public concerns and issues as they arise through the product development process.

5.1(b) Credit risk

ArborGen has annual revenue of more than $28 million from the sale of its traditional treestock products. ArborGen is at risk of customer default on payment for treestocks at the conclusion of a growing season. ArborGen mitigates this risk by (as previously noted) dealing with a wide-range of customers in multiple markets, by securing up-front deposits from customers for the treestocks it grows each year, and by retaining title to product until final customer payments have been made. The nature of ArborGen's activity is that its customers tend to require yearly repeat business, and historically customer payment defaults have not been material to ArborGen's business.

5.1(c) Liquidity risk

ArborGen has a $20.5 million banking facility with a regional bank in the United States which expires on 31 August 2012. The purpose of this facility is to fund ArborGen's working capital and capital expenditure needs in its traditional treestock sales activities. The bank has agreed to extend its financing to ArborGen out to 31 August 2013, under a new facility structure, being a core loan plus a working capital line. ArborGen expects the total bank commitment to increase to $27 million, and believes the documentation for this extension (which is currently being negotiated) will either be finalised prior to 31 August 2012, or the existing facility will be 'rolled' until the documentation is finalised. In addition ArborGen has also established a NZ$6 million NZ-based bank facility, to fund its Australasian commercial tree

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5 FINANCIAL, COMMERCIAL AND ENVIRONMENTAL RISKS continued

operations, which has an expiry date of 4 November 2012. If either of these were not to be renewed then ArborGen would need to obtain similar facilities from other banks, or an equivalent amount of funding would need to be supplied by the three ArborGen partners, or through an ArborGen capital raising event. Neither of these ArborGen bank facilities has recourse to Rubicon Limited.

In order to meet the product development program for its traditional non-biotech products, and also to commercialise its biotech products, ArborGen currently requires funding of approximately $15- $20 million per annum. Absent any further increase in bank funding, this must be met either from the existing partners or from some form of capital raising for ArborGen.

5.2 Tenon

5.2(a) Key financial risks and approach to risk management

Tenon actively operates a risk management programme, designed to minimise potential adverse effects on the Tenon group's financial performance. The Tenon risk management programme identifies and analyses the risks faced by the Tenon group, sets appropriate risk limits and controls, and monitors risks and adherence to those limits. Tenon uses an intra-group web-based risk management system for standardised risk assessment and reporting. Management reports to the Tenon board on the outputs of the annual risk reviews. The Tenon board establishes formal written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity. The Tenon board may waive or modify the application of such policies where particular circumstances make it appropriate to do so.

Tenon's principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases, cash and short-term deposits and derivatives.

Tenon manages its exposure to the key financial risks - market risk (including commodity price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk - in accordance with the policies set down by the Tenon board. Tenon enters into derivative transactions (principally interest rate swaps and forward currency contracts) to manage interest rate and currency risks.

5.2(b) Market risk

Tenon is exposed to changes in market demand, prices, foreign exchange rates and interest rates that affect its earnings or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns. Tenon enters into derivative transactions in order to manage market risks. All such transactions are carried out within the guidelines set by the Tenon board. Tenon does not use derivative financial instruments for trading or speculative purposes.

5.2(b) (i) Price risk (input and output)

Tenon operates in a competitive environment and takes all commercial actions necessary to minimise the risk of increasing input prices including operating procurement programmes to ensure raw materials are sourced on a competitive basis and the fostering of relationships with customers that allow the re-negotiation of selling prices in response to input/source price changes as appropriate.

Product prices, particularly in the US market, can be cyclical and volatile. Prices for Tenon's products are influenced by North American housing inventory levels (new and existing), house price movement, housing construction levels, remodelling and renovation expenditure levels and other factors, such as employment levels and interest rates that effect consumer demand. Prices are also influenced by product availability, which can be a function of interest and foreign exchange variation, seasonal factors or supply availability and competition from a number of countries that supply products into the North American market, particularly New Zealand, North and South America and China. US lumber prices are particularly volatile, while US prices for finished products (such as mouldings) tend to be less volatile and on longer-term supplier programmes. Movements in the above factors may materially affect Tenon's financial performance. Tenon estimates that a movement of $50/mbf (mbf signifies thousand board feet) in the sales price for Moulding & Better 5/4 lumber is estimated to affect operating earnings before financing expense by approximately $0.75 million per annum assuming the Taupo sawmill is operating at full capacity. The average Moulding & Better 5/4 lumber price (per Crows listed prices) in the 2012 fiscal year was approximately $1,219

5 FINANCIAL, COMMERCIAL AND ENVIRONMENTAL RISKS continued

mbf (2011: $1,128 /mbf). Tenon can manage some of this pricing volatility by increasing or decreasing total production and/or internal consumption of the Moulding & Better 5/4 lumber in the Taupo remanufacture plant. Actual monthly sales volumes will vary depending on market and operating circumstances.

Sawlogs are the key raw material for Tenon's New Zealand based solid wood processing operations. A failure to secure wood supply could have a material adverse affect on the New Zealand production. To mitigate this risk, Tenon maintains specialist in-house procurement expertise and has a number of long-term sawlog supply agreements with the purchasers of its former forest estate and varies the grades of log utilised. Tenon also purchases sawlogs under shorter-term supply arrangements and on the spot market. Tenon estimate a movement in the average cost of logs of NZ$1/tonne would affect operating earnings before financing expense by approximately $0.3 million assuming up to 400,000 tonnes of logs are processed at full capacity on an annual basis.

In addition, should existing third party suppliers of sawlogs fail to maintain FSC certification, or an equivalent certification and Tenon is unable to source replacement certified volume, this might result in the loss of some contracts to supply US customers who require that the wood they purchase comes from forests that are managed according to internationally agreed social and environmental principles and criteria. Tenon considers it currently has sufficient FSC certified volume available, but it is actively managing this risk, for example, by offering its customers the option of taking non-FSC products in certain product categories to minimise this risk.

Tenon relies on international shipping being available at competitive prices for the distribution of its products, particularly those manufactured in New Zealand. Shipping contracts are typically 1-2 years in duration, with fixed container rates in US$'s for the contract period, subject only to fluctuations in fuel prices.

In December 2010, Tenon entered a 3-year electricity commodity contract to replace the previous contract that expired in December 2010. The new commodity contract provides an economic hedge against approximately 33% (previously 75%) of electricity costs incurred at the Taupo site when operating at full capacity. The contracts were determined as effective hedges under NZ IAS39 (Financial Instruments: Recognition and Measurement), with the 2012 and 2011 mark-to-market valuation adjustments taken to the hedging reserve in Group equity.

Other than the above electricity commodity contract, during the year Tenon did not use any commodity price swaps, futures or options to manage the market price risk of any commodities.

5.2(b) (ii) Foreign exchange risk

Tenon operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NZ dollar. Tenon's functional currency is the US$. Accordingly, strengthening or weakening in the NZ$ against the US$ has had, and could have in the future, a material impact on Tenon's financial condition or results of operations. Approximately 19% of Tenon's costs and approximately 6% of revenues are incurred in NZ dollars, and approximately 1% of costs and 1% of revenues are incurred in Canadian dollars. In addition, pruned log costs in New Zealand are linked to the US$:NZ$ exchange rate, moving, after some delay, partially in correlation with NZ$ export returns from logs or procured wood products. However, recent weakening in the US$ and relative strengthening in the NZ$, combined with strong pruned log demand out of China to meet China domestic needs, has caused this historic correlation to weaken. The currencies of Tenon's key non-New Zealand manufacturer competitors could also have a material impact on Tenon's financial condition or results of operations. Such movements would be partially offset to the extent Tenon's North American operations can leverage lower purchase prices from lower (in US$'s) cost countries. A 1 cent change in the value of the NZ$ against the US$ is estimated to have an impact on Tenon's operating earnings before financing expense of approximately $0.65 million at full operating capacity, assuming key pricing variables remain constant.

Tenon uses forward contracts to manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency other than the functional currency.

5 FINANCIAL, COMMERCIAL AND ENVIRONMENTAL RISKS continued

Tenon's policy is to manage currency exchange rate exposure to limit the impact that any adverse changes in foreign exchange rates might have on Tenon's financial position, profitability or cash flow. Non-monetary assets are recorded in their functional currency, as determined by the dominant currency of cash flows, sales prices, sales markets, expenses and debt structure. The currency denomination and quantum of debt outstanding are managed so that economic risk exposure to currency movements on the aggregate of balance sheet and revenue items is offset within policy-defined limits. Where the proportion of the underlying debt in any currency does not equate to the required proportion of total debt, derivative financial instruments may be entered into to manage the exposure within formal board policies as discussed above.

5.2(b) (iii) Interest rate risk

Tenon's debt facility comprises a mixture of long-term debt and short-term LIBOR loans. Interest on both types of debt is based on LIBOR rates and can be for a term of one, two, three or six months, and borrowings issued at these short term variable rates expose Tenon to market interest rate risk. Interest is also paid on a supply chain financing programme sponsored by the Bank of America based on LIBOR rates. Tenon's policy is to manage its interest position depending upon underlying interest rate exposures and economic conditions. Tenon manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Borrowings issued at fixed rates expose Tenon to fair value interest rate risk. Tenon raises long-term borrowings at floating rates and when appropriate swaps them into fixed rates that are lower than those available if it borrowed at fixed rates directly. Under the interest rate swaps, Tenon agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts (refer to note 30 (a) (iii) - exposure to interest rate risk).

5.2(c) Credit risk

Credit risk is the risk of financial loss to Tenon if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivables from customers and financial derivatives it has entered into.

5.2(c) (i) Trade and other receivables

Tenon's exposure to credit risk is influenced by the individual characteristics of each customer or counterparty. Credit arrangements are entered into in accordance with limits set forth by the Tenon group as to credit rating and dollar limits. It is Tenon's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. In the US, Tenon has entered into credit insurance arrangements for approximately 37% of trade receivables (excluding national retail accounts), thereby reducing the credit risk exposure. The total amount of policy cover is approximately $6 million and is subject to certain blanket deductibles per Tenon entity and specific cover limits and deductibles for individual customers. Tenon maintains a provision for doubtful debts based upon an estimate of losses expected in respect of trade and other receivables (refer to note 30 (b) (i) exposure to credit risk, for analysis of accounts receivable and note 5.2 (e) commercial risk, for customer concentration risk). Tenon's largest customer is Lowe's, the second largest retail home store operator in the US. Whilst there is a degree of customer concentration with Lowe's its credit rating has remained strong throughout the current US housing down-cycle and global credit crisis. Tenon has minimised the commercial credit risk with Lowe's by entering into the supply chain financing programme (refer note 5.2 (d) liquidity risk) in respect of most of its receivables exposure with this customer. In addition, Tenon is actively growing pro-dealer business to provide greater diversity of revenue and earnings streams.

5.2(c) (ii) Financial derivatives

Tenon is exposed to counterparty risk in respect of potential default of a counterparty to a financial instrument, with the maximum exposure equal to the carrying amount of those instruments. Financial instruments are able to be spread amongst a number of financial institutions to minimise the risk of default of counterparties. Authorised counterparties for financial instruments (apart from electricity price hedge arrangements) are restricted to those financial institutions that form part of Tenon's syndicated debt facility.

5 FINANCIAL, COMMERCIAL AND ENVIRONMENTAL RISKS continued

5.2(d) Liquidity risk

Tenon's treasury policy aims to maintain flexibility in funding by keeping committed credit lines available.

Tenon has a 5-year syndicated bank debt facility, lead by JP Morgan Chase (as agent) in the US. The facility, which comprises an amortising term facility and a revolver facility, does not expire until June 2016.

On 24 June 2011, a new long-term debt financing facility was established, replacing Tenon's previous syndicated facility, which was due to expire in June 2012. The new facility is for five years and is a syndicated facility structured on a group basis with JP Morgan Chase Bank, N.A. ("JP Morgan Chase") as agent. The facility is a $57.6 million secured facility, comprising a $50 million revolver facility and a $7.6 million amortising term loan (refer to note 19 term and current debt).

The new 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 Tenon'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 term and current debt).

Tenon's banking facility requires a minimum "availability" 'borrowing base' of $7.5 million. At 30 June 2012, the amount of availability was $16.1 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 Tenon's access to and use of its funds including demanding repayment of the amount borrowed, thereby requiring Tenon to source alternative funding. The terms of the facility also include certain negative covenants in relation to acquisitions and dividends, each of which are limited to $5 million per calendar year (without bank approval) and each subject to a minimum availability of $12.5 million existing immediately after the acquisition or the payment of the dividend. In addition, the facility has an annual excess cash flow recapture provision of up to $1 million to be applied against the balance of the term loan owing at the end of the relevant fiscal year commencing June 2012. Tenon is also limited to the amount of third party borrowing, which cannot exceed $5 million. With the exception of the provision relating to excess cash flow recapture, the new facility is not otherwise subject to earnings or fixed charge based financial covenants.

The Tenon syndicated bank facility does not have any recourse to Rubicon Limited.

Tenon was in compliance with the financial covenants included in the previous facility throughout the 2012 fiscal year.

Tenon also has a supply chain financing programme (announced on 16 June 2008) sponsored by the Bank of America, which allows Tenon the opportunity to receive payment from the Bank of America for a large portion of its receivables in advance of normal customer credit payment terms.

5.2(e) Commercial risk

The geographical nature of Tenon's operations and history give Tenon exposure to market demand risks.

Over 90% of Tenon's earnings are sourced from the North American market. Material changes in market conditions have had, and will have, a material consequential effect on Tenon's business. Tenon has been materially adversely impacted by the prolonged economic downturn in this key market that has prevailed over the last 4-5 years.

Negative factors affecting the housing sector in North America have been tight credit market conditions, falling house prices, higher levels of housing inventory and reduced mortgage availability, are having a material negative effect on the total consumption of building products and therefore Tenon's level of revenue, earnings and cash flow.

Tenon experiences strong competition in its global market. Radiata pine mouldings from Chile and other New Zealand suppliers and pine mouldings from the US and Brazil compete with Tenon's New Zealand manufactured radiata pine mouldings in the North American market.

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5 FINANCIAL, COMMERCIAL AND ENVIRONMENTAL RISKS continued

Radiata pine lumber from Chile and other New Zealand suppliers and other lumber species from Canada and the US compete with Tenon's appearance grade lumber products. Increasing product supply from China also competes with Tenon's products manufactured in North America. Tenon purchases products from third parties to supplement products manufactured by itself, particularly where it is more cost effective to do so.

Some of Tenon's manufactured products are subject to competition from products, which perform the same or similar functions. These include alternative wood types and non-wood products such as plastic composites. Changes in consumer preference in favour of these alternative products, comparative pricing levels of the competing products and technological advances of these products could all materially affect Tenon's financial performance. Tenon continues to explore new channels where there is opportunity for new products and as such changes in the market occur will look to satisfy customer demand for new products. In addition, Tenon is materially dependent on certain major customers for a significant portion of its revenues. The loss of one or more of these customers, or a material loss of some of this business to a competitor, or a material reduction in the margin earned on product sales to these customers, would have a material affect on Tenon's financial performance. Tenon's strategy is to continue to improve its product and service offerings to these customers to ensure Tenon remains the most competitive and innovative supply partner in specific categories. Revenues of approximately $153 million are derived from a single external customer, these revenues are attributable to the North and South American geographic segment.

5.2(f) Environmental risk

Tenon considers that its activities currently comply in all material respects with applicable environmental laws and regulations. Failure to comply with these laws and regulations may result in orders being issued that could cause certain of Tenon's activities to cease or be curtailed or may require installation of additional equipment at substantial cost. Violators may be required to compensate those suffering loss or damage by reason of violations and may be fined if convicted of an offence under such legislation.

Environmental due diligence is part of the investigative process for any acquisition of a business by Tenon. Tenon has historically been a party to a number of disposals of businesses and assets, which included potential associated environmental exposures. An entity that created an environmental liability may continue to retain liability for the environmental exposure, notwithstanding any change of ownership. In addition, the New Zealand operations include historical environmental risks, which are being monitored by Tenon. The costs of environmental compliance and remedial work are generally included in the normal cost of conducting business.

Tenon has no reason to believe that these costs vary significantly from similar costs incurred by other companies engaged in similar businesses. Assuming that the environmental laws and regulations are applied uniformly, Tenon considers that its environmental compliance and remedial costs are not likely to have a material adverse effect on its relative competitive position or its financial position or results of operations. The precise cost of any future compliance and remedial work will depend on, among other things, the nature and extent of the current and future environmental laws and regulations, the timing and nature of any required remedial work, the extent of any contamination, the technology available to meet the required standards, the determination of any liability in proportion to that of other parties and the extent to which any costs are recoverable from third parties.

5.2(g) 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 Department (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 $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 Tenon'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

5 FINANCIAL, COMMERCIAL AND ENVIRONMENTAL RISKS continued

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 Tenon, 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, which heard the appeal in November 2011. In March 2012, the Court of Appeal granted the IRD's application to strike out the claim, and in May 2012 the Supreme Court granted leave for Tenon to appeal that decision to the Supreme Court. A hearing in the Supreme Court is expected in calendar 2012. Due to the uncertainty surrounding the claim no amount has been included in the financial statements as a contingent asset.

5.2(h) Fletcher Challenge separation risk

Following the separation of the Fletcher Challenge Group, which was completed in March 2001, Tenon Limited remains as the continuing business of Fletcher Challenge Limited, the former ultimate parent company of the Fletcher Challenge Group. As some of the Fletcher Challenge Limited assets and liabilities were difficult to isolate or to transfer, prior to separation, the new owners of the former Fletcher Challenge divisions entered into an agreement with Tenon Limited (the Amended and Restated Deed Relating to Assets and Liabilities- "Deed") under which the economic benefits and risks of these assets and liabilities were assumed by the division to which they were properly attributed. Following separation, any claims made on Tenon Limited that are properly attributed to one or more of the other three divisions requires Tenon to exercise its rights under the Deed to require payment from the relevant division or its successor or purchaser. Tenon is exposed to the risk that, in these circumstances, the relevant division (or its new owners) will not, or cannot, make the required payment. In the more than ten years since separation only one claim has been made on Tenon that has required Tenon to exercise its rights under the Deed. Under the terms of the Deed, Tenon attributed this claim to the relevant division and its purchaser, and it was settled by the purchaser with no material impact to Tenon.

5.2(i) Capital management

The Tenon board's objectives when managing capital are to maximise the return for the Tenon group shareholders and safeguard Tenon's ability to continue as a going concern. In order to maintain or adjust the capital structure Tenon may pay dividends, return capital, issue new shares or sell assets to reduce debt, subject to the terms of Tenon's syndicated debt facility.

5.2(j) Fair value estimation

Financial instruments are recorded in the balance sheet at an estimated fair value. In the June 2012 year, foreign exchange contracts, interest rate swaps and the electricity contract for difference are treated as effective hedges under NZ IAS 39 (refer note 4 significant accounting policies, valuation of liabilities). In the June 2011 year, the interest rate swap was ineffective and valued at fair value through the income statement, the foreign exchange contracts and the electricity contract for difference were treated as effective hedges under NZ IAS 39 (refer note 4 significant accounting policies, valuation of liabilities). The fair value of financial instruments traded in active markets is based on quoted market prices at balance date. The quoted market price used for financial assets held by Tenon is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Externally sourced valuations are used to value interest rate swaps and foreign exchange contracts held at balance date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying amount of cash and liquid deposits and bank overdrafts is equivalent to the fair value. Long term financial liabilities and other receivables are held at fair value. It is not practicable to estimate fair values of unlisted investments in subsidiaries and associates as there are no quoted market prices for those or similar investments. The carrying value of forest assets is equivalent to their fair value. Assets held for sale are valued at net book value. Tenon has no unlisted investments in companies other than wholly owned subsidiaries.

5.2(k) Tenon share price

At 30 June 2012 the Tenon share price (as listed on the NZX) was NZ$0.65.

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5 FINANCIAL, COMMERCIAL AND ENVIRONMENTAL RISKS continued

5.3 Rubicon Limited

In addition to the Financial Risks applicable to its two principal investments (outlined above) Rubicon is exposed to financial risk with respect to its cash, short-term deposits and bank term loans. At balance date Rubicon Limited had borrowings of $20 million and cash of nil.

Liquidity risk management requires the maintenance of available cash combined with the availability of funding through an adequate amount of committed credit facilities sufficient to meet the Company's needs as they develop. Rubicon prepares forecasts of its cash requirements and ensures it has facilities in place to meet its day-to-day operating and investment needs.

On 23 May 2012 Rubicon agreed with the ANZ National Bank Limited (ANZ) to extend the expiry date of the facility to 1 July 2014. Under the terms of the amended ANZ bank facility, the ANZ will have the right to bring forward the expiry date to no earlier than 15 January 2014, if it determines that an IPO of ArborGen is unlikely to be completed by 1 July 2014, but if it were to do so the ANZ would be required to give Rubicon 90 days prior notice. This revision became effective from 11 July 2012.

On 5 June 2012, Rubicon announced a fully underwritten pro-rata entitlement offer to existing Rubicon shareholders. The capital raise closed on 5 July 2012, with the full targeted $15.4 million (after fees) being raised, which was used to repay debt (refer to note 32 subsequent events).

Rubicon was in compliance with the covenants included in the facility throughout the 2012 fiscal year.

Rubicon's capital includes share capital, reserves, retained earnings and minority interest and Rubicon manages capital in such a manner as to maintain stakeholder confidence whilst also maximising the return for shareholders and sustaining resources for the future development of the business. In order to maintain or adjust the capital structure Rubicon may, subject to the terms of the ANZ debt facility, pay dividends or return capital, or issue new shares or sell assets to reduce debt.

6 REPORTING CURRENCY

Rubicon reports in United States dollar (US$), consequently all financial numbers are in US$ unless otherwise stated.

7 OPERATING EXPENSES INCLUDE

RUBICON LIMITED			RUBICON GROUP	
Year ended June 2011 US$m	Year ended June 2012 US$m		Year ended June 2012 US$m	Year ended June 2011 US$m
		Depreciation – plant, equipment and buildings:		
–	–	Cost of sales expenses	(4)	(5)
–	–	Distribution expense	(1)	(1)
–	–	Total depreciation	(5)	(6)
–	–	Net foreign exchange (loss)/gain	–	2
(1)	(1)	Employee related expenses	(56)	(56)
–	–	Increase/(decrease) in fair value of forest assets (refer note 15)	–	2
		Restructuring expense[(1)]		
–	–	Employee costs	(2)	–
–	–	Asset relocation costs	(1)	–

(1) Restructuring costs in the year to June 2012 related to the Tenon's manufacturing activities in Canada and Taupo and the closure of the US support office in Annapolis.

7 OPERATING EXPENSES INCLUDE continued

Operating expenses also include:

- Directors fees payable to non-executive Directors of Rubicon for the current period of $0.3 million (paid in NZ$0.4 million), 2011 $0.2 million (paid in NZ$0.3 million).
- Audit services payable to KPMG (Rubicon) for the current period of $0.1 million (2011: $0.1 million) and PricewaterhouseCoopers (Tenon) for the current period of $0.6 million (2011: $0.5 million).
- Taxation services, payable to KPMG (Rubicon) for the current period of $0.1 million (2011: $0.1 million).
- Other fees payable to the auditors, were to KPMG (Rubicon) for the current period less than $0.1 million (2011: less than $0.1 million) and PricewaterhouseCoopers (Tenon) for the current period $0.1 million (2011: $0.1 million).

8 FINANCIAL EXPENSE

RUBICON LIMITED			RUBICON GROUP	
Year ended June 2011 US$m	Year ended June 2012 US$m		Year ended June 2012 US$m	Year ended June 2011 US$m
(1)	(1)	Interest expense	(3)	(2)
–	–	Interest paid on supply chain financing (1)	(1)	(1)
–	–	Amortisation of refinancing fees (1)	–	(1)
(1)	(1)	**Financial expense**	**(4)**	**(4)**

(1) Relate solely to the Tenon group.

9 INCOME TAX EXPENSE

RUBICON LIMITED			RUBICON GROUP	
Year ended June 2011 US$m	Year ended June 2012 US$m		Year ended June 2012 US$m	Year ended June 2011 US$m
		Earnings before taxation		
(2)	(2)	Domestic	(6)	(2)
–	–	Foreign	(8)	(3)
(2)	(2)	Earnings before taxation	(14)	(5)
1	1	Taxation at 28% (2011: 30%)	4	1
		Adjusted for:		
–	–	Permanent differences	(1)	–
(1)	(1)	Net taxation losses not recognised by Rubicon Group	(1)	(1)
–	–	Tax losses written off (refer to note 13)	–	(1)
–	–	**Taxation (expense)/benefit**	**2**	**(1)**
		Current taxation		
–	–	New Zealand	–	(1)
–	–	United States	2	–
–	–	**Taxation (expense)/benefit**	**2**	**(1)**

		Rubicon shareholder imputation credit account		
–	–	Imputation credits at the beginning of the period	3	3
–	–	Imputation credits available to Rubicon shareholders at balance date	3	3

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

10 TRADE AND OTHER RECEIVABLES

RUBICON LIMITED			RUBICON GROUP	
June 2011 US$m	**June 2012 US$m**		**June 2012 US$m**	**June 2011 US$m**
–	–	Trade debtors	26	19
–	–	Prepayments	3	3
–	–	Other receivables	2	3
–	–	**Trade and other receivables**	**31**	**25**

11 INVENTORY

RUBICON LIMITED			RUBICON GROUP	
June 2011 US$m	**June 2012 US$m**		**June 2012 US$m**	**June 2011 US$m**
–	–	Raw materials and work in progress	6	4
–	–	Finished goods	47	49
–	–	**Inventory**	**53**	**53**

12 ASSETS HELD FOR SALE

RUBICON LIMITED			RUBICON GROUP	
June 2011 US$m	**June 2012 US$m**		**June 2012 US$m**	**June 2011 US$m**
–	–	Opening balance	2	1
–	–	Currency translation and revision to costs to sell	–	1
–	–	Transfer from fixed assets (1)	3	–
–	–	Transfer to fixed assets (2)	(2)	–
–	–	**Assets held for sale**	**3**	**2**

(1) During the year, it was determined that Tenon's manufacturing operations in Canada would be relocated and integrated into the existing Tenon facilities in the USA. The manufacturing facility premises owned in Canada is therefore surplus to requirements and has been classified as available for sale. This asset has been transferred from fixed assets to assets held for sale, at the lower of net book value or the estimated fair value less costs to sell.

(2) Tenon owns approximately 12.5 hectares of bare land adjacent to the Taupo manufacturing site, which had been classed as available for sale in previous years. In the current economic market it is unlikely that the asset will be realised in the next 12 months and the land has been reclassified as a fixed asset in the 2012 year. The asset was transferred back to fixed assets at the lower of the original cost or the current fair value ($1.5 million).

13 TAXATION

Current taxation (liability)

RUBICON LIMITED June 2011 US$m	RUBICON LIMITED June 2012 US$m		RUBICON GROUP June 2012 US$m	RUBICON GROUP June 2011 US$m
–	–	Opening provision for current taxation	–	–
–	–	Current taxation (expense)/benefit in the income statement (refer note 9)	2	(1)
–	–	Deferred taxation movement in period	(2)	–
–	–	Net taxation payments/(refunds) (1)	–	1
–	–	**Current taxation (liability)**	**–**	**–**

Deferred taxation asset

RUBICON LIMITED June 2011 US$m	RUBICON LIMITED June 2012 US$m		RUBICON GROUP June 2012 US$m	RUBICON GROUP June 2011 US$m
		The gross movement on the deferred taxation asset is as follows:		
–	–	Opening provision for deferred taxation	9	8
–	–	Effect of currency translation	–	1
–	–	Deferred taxation movement in period (excluding tax losses written off)	2	1
–	–	Tax losses written off (1)	–	(1)
–	–	**Deferred taxation asset**	**11**	**9**
		Deferred taxation asset		
–	–	Deferred taxation on assets	10	9
–	–	Deferred taxation on liabilities	1	–
–	–	**Deferred taxation asset**	**11**	**9**

Deferred taxation asset

RUBICON GROUP

	Depreciation US$m	Forestry Rights US$m	Provisions US$m	Tax losses (2) US$m	Current assets US$m	Total US$m
30 June 2011						
Opening provision for deferred taxation	(1)	–	1	8	–	8
Effect of currency translation	–	–	–	1	–	1
Tax losses written off (1)	–	–	–	(1)	–	(1)
Movement in deferred taxation	(1)	(1)	(1)	5	(1)	1
Deferred taxation asset as at 30 June 2011	**(2)**	**(1)**	**–**	**13**	**(1)**	**9**
30 June 2012						
Opening provision for deferred taxation	(2)	(1)	–	13	(1)	9
Movement in deferred taxation	(1)	–	1	1	1	2
Deferred taxation asset as at 30 June 2012	**(3)**	**(1)**	**1**	**14**	**–**	**11**

(1) In June 2011, previously recognised US tax losses, that expired during the year or were due to expire in 2012/2013, were expensed.

(2) Tenon's recognised tax losses include $6.6 million of NZ tax losses (June 2011: $6.7 million), that do not expire, subject to shareholder continuity provisions, and $7.7 million (June 2011: $5.9 million) of US tax losses which have an expiry date as detailed below.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

13 TAXATION continued

Current taxation (liability) continued

Tenon recognised US tax losses	Expiry Dates		
	Total	2014	2021 and beyond
	US$m	US$m	US$m
Gross loss	22.0	1.7	20.3
Tax effected value	7.7	0.6	7.1

NZ IFRS only allows the recognition of taxation assets when utilisation is considered probable, which is subject to the future earnings of the Group and shareholder continuity. The Group had taxation losses in excess of the amount that can be recognised, at 30 June 2012 of $73 million (NZ: $49 million, US: $24 million) (2011: $67 million (NZ: $48million, US: $19 million)).

14 FIXED ASSETS

RUBICON LIMITED June 2011 US$m	RUBICON LIMITED June 2012 US$m		RUBICON GROUP June 2012 US$m	RUBICON GROUP June 2011 US$m
		Cost		
–	–	Land	6	6
–	–	Buildings	14	16
–	–	Plant and equipment	42	42
–	–	Total cost	62	64
		Accumulated depreciation		
–	–	Buildings	(4)	(4)
–	–	Plant and equipment	(33)	(31)
–	–	Total accumulated depreciation	(37)	(35)
		Net book value		
–	–	Land	6	6
–	–	Buildings	10	12
–	–	Plant and equipment	9	11
–	–	**Fixed assets net book value**	**25**	**29**

		Domicile of fixed assets		
–	–	New Zealand	14	13
–	–	United States	11	16
–	–	**Fixed assets net book value**	**25**	**29**

14 FIXED ASSETS continued

Fixed assets net book value	RUBICON GROUP Land US$m	Buildings US$m	Plant and equipment US$m	Total US$m
30 June 2011				
Opening net book value	5	13	15	33
Additions	1	–	1	2
Depreciation charge	–	(1)	(5)	(6)
as at 30 June 2011	**6**	**12**	**11**	**29**
30 June 2012				
Opening net book value	6	12	11	29
Additions	–	–	2	2
Transfer from / to asset held for sale (Refer to note 12)	–	(1)	–	(1)
Depreciation charge	–	(1)	(4)	(5)
as at 30 June 2012	**6**	**10**	**9**	**25**

15 FOREST ASSETS

RUBICON LIMITED June 2011 US$m	June 2012 US$m		RUBICON GROUP June 2012 US$m	June 2011 US$m
–	–	Opening balance	3	–
–	–	Reclassification of assets (previously other receivables)	–	1
–	–	Gain attributable to fair value gain	–	2
–	–	**Forest assets**	**3**	**3**

Tenon has an interest in a forest asset growing on leased forest land (354.1 hectares) and the forestry rights to several forest assets growing on other forest land (76.1 hectares). The lease on the forest land expires in 2075 and the forestry rights expire between 2022 and 2046. The forest assets comprise a combination of clearwood (pruned) and framing (unpruned) stands in 4 separate locations. The forest assets form part of the security supporting Tenon's global credit facility. The forests were residual assets remaining after the sale of the majority of Tenon's forest assets in 2004 and had been classified as a discontinued asset under IFRS 5 and valued at the lower of historic cost or fair value less costs to sell. In 2011, the decision was made to hold the current crop through to harvest, and the assets have been valued under IAS 41 "Biological Assets" and presented in the accounts as forest assets.

Valuation

The carrying value of Tenon's forest assets in these financial statements is their fair value of $3.4 million. This is derived from a current, independent forest valuation, as at 30 June 2012. The independent valuation assumes a post-tax cash flow assumption, an historical 12 quarter average pricing series to March 2012, and a transaction derived discount rate of 7% (real after-tax). Although Tenon is entitled to replant the land once harvesting is complete, the valuation only assumed a single rotation. The first stand is projected to be harvested in 2014. As Tenon does not own the forest land, carbon tax credits were not assumed.

As noted above, Tenon intends to hold the forest crop through to harvest. As Tenon currently has sufficient carried forward New Zealand tax losses to offset the forecast assessable net income earned upon harvest, it is unlikely that tax will need to be paid on the positive net cash

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

15 FOREST ASSETS continued

flows generated from the forest assets. On current discount rate and cash flow assumptions, Tenon expects that the discounted net cash flows from the forest assets will exceed its carrying value and the independent valuation.

Sensitivities

The fair value estimate is sensitive to changes in the log price at mill or wharf gate log price and to changes in the discount rate. A 10% change in log prices is estimated to change the fair value of the forest asset as at 30 June 2012 by $0.3 million (2011: $0.3 million). A 1% change in the discount rate is estimated to change the fair value of the forest asset as at 30 June 2012 by $0.2 million (2012: $0.3 million).

Risk

As Tenon operates a sawmill in Taupo in New Zealand that processes logs (total purchases of logs processed by the sawmill in the June 2012 year was $41 million (2011: $40 million)), there is a partial natural hedge where decreases/increases in the forest valuation, due to log price changes, are partially offset with increases or decreases in the cost of raw materials used by the Taupo sawmill.

16 INVESTMENTS IN ASSOCIATE

	RUBICON GROUP	
	June 2012 US$m	June 2011 US$m
Carrying value of associate		
Balance at the beginning of the period	63	60
Capital contributions during period	9	4
Earnings of associate	–	(1)
Balance at the end of the period	**72**	**63**

Earnings relating to associate		
Revenue	28	26
Operating earnings from commercial tree operations	8	8
Operating expense and research costs expensed	(7)	(7)
IPO costs expensed	–	(4)
Earnings from associate	**1**	**(3)**
Group's share of earnings relating to associate	**–**	**(1)**

Associate balance sheet		
Current assets	25	21
Term assets		
Fixed assets	42	25
Intellectual property	207	180
Total assets	274	226
Current liabilities	(8)	(15)
Bank debt	(24)	(18)
Term liabilities	(14)	(4)
Total liabilities	(46)	(37)
Net assets	228	189
Interests held by third parties	(156)	(126)
Investment in associate	**72**	**63**

17 GOODWILL

All goodwill relates to Rubicon's subsidiary Tenon.

The recoverable amount of the goodwill is determined based on value-in-use calculations. These calculations use discounted cash flow projections over a five year period and assume a gradual recovery from the currently depressed market conditions, such that by year 5 of the projections (i.e. the terminal year) Tenon's operating earnings before financing expense, depreciation and amortisations (i.e. EBITDA) is projected to be $30 million (2011: $32 million). For the purposes of the value-in-use calculations, the weak operating environment seen since 2008 is not forecast to materially improve until 2014. Longer term annual sales growth rates of between 5% and 7% are assumed for years 2014 to 2017, consistent with assuming long term growth in the new homes and remodelling markets gradually moving up from the bottom of the economic cycle. Gross margin percentages are assumed to be similar to the current year's percentage for the next 5 years. A pre-taxation discount rate of 7.0% real, pre-tax (2011: 8.3%), which reflects Tenon's weighted average cost of capital was applied. Based on these assumptions and the application of realistic sensitivity analysis to the assumptions, the goodwill is fully recoverable and there is no impairment to the goodwill balance.

18 TRADE, OTHER PAYABLES AND PROVISIONS

RUBICON LIMITED			RUBICON GROUP	
June 2011 US$m	**June 2012 US$m**		**June 2012 US$m**	**June 2011 US$m**
(1)	(1)	Trade creditors	(20)	(15)
–	–	Accrued employee benefits	(4)	(4)
–	–	Other payables	(3)	(3)
–	–	Accruals	(4)	(5)
–	–	Restructuring Provision (1)	(2)	–
(1)	(1)	**Trade, other payables and provisions**	**(33)**	**(27)**

(1) Relates to Tenon restructuring provision for the closure of manufacturing operations in Canada.

19 TERM AND CURRENT DEBT

RUBICON LIMITED			RUBICON GROUP	
June 2011 US$m	**June 2012 US$m**	**Summary of repayment terms**	**June 2012 US$m**	**June 2011 US$m**
		Due for repayment:		
(8)	–	Less than one year	(1)	(9)
–	(20)	Between one and two years	(22)	(2)
–	–	Between two and three years	(2)	(2)
–	–	Between three and four years	(33)	(2)
–	–	Between four and five years	–	(25)
(8)	(20)	**Total term and current debt**	**(58)**	**(40)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

19 TERM AND CURRENT DEBT continued

RUBICON LIMITED			RUBICON GROUP	
June 2011 %	June 2012 %	Summary of interest rates by repayment period	June 2012 %	June 2011 %
		Due for repayment:		
4.51%	–	Less than one year	4.80%	4.97%
–	4.36%	Between one and two years	4.40%	5.03%
–	–	Between two and three years	4.81%	5.03%
–	–	Between three and four years	4.98%	5.03%
–	–	Between four and five years	–	4.82%
4.51%	–	**Current debt – weighted average interest rate**	**4.80%**	**4.97%**
–	4.36%	**Term debt – weighted average interest rate**	**4.74%**	**4.85%**

The weighted average interest rates reflect the effective interest rate, inclusive of fee amortisations, any applicable interest rate swaps and facility fees on drawndown debt. The two interest rate swaps, entered into by Tenon in July 2011, hedge the LIBOR contracts and the swap interest cost has been included in calculating the interest rate on the LIBOR loans, due for repayment in 2016. As at 30 June 2011, Tenon's remaining interest rate swap was ineffective due to the refinancing activities on 24 June 2011. In calculating the future average interest rates by repayment period, the interest rate swap interest differential was included in the effective interest rate for the current debt to be repaid in the 2012 year.

	Tenon Group (1)			Rubicon Limited (3)	RUBICON GROUP
Debt facilities available	Term (2) US$m	Revolver US$m	Total US$m	US$m	Total US$m
June 2012	7.08	50.00	57.08	20.00	77.08
June 2013	6.46	50.00	56.46	20.00	76.46
June 2014	4.83	50.00	54.83	–	54.83
June 2015	3.21	50.00	53.21	–	53.21
June 2016	–	–	–	–	–

(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 Tenon 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 subject to availability under a 'borrowing base' covenant. The value of the assets under the 'borrowing base' covenant is calculated based on the current value of Tenon'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 5.2 (d)).

The revolver facility is classified as non-current, reflecting the lenders' commitment to Tenon for the life of the facility. Under the facility Tenon can exercise its unconditional right to drawdown or repay borrowings from time to time up to the amount of the facility, subject to Tenon remaining in compliance with certain facility covenants (refer to note 5.2 (d)). As at 30 June 2012 and 30 June 2011, Tenon was in compliance with the 'borrowing base' covenant, accordingly the amount of debt drawn under the revolver facility is classified non-current.

(2) Tenon's syndicated bank credit facility reduces as a result of the scheduled amortisation of the term facility (of $52,000 per month) 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 2013, the maximum $1 million repayment will be made under the excess cash flow provision of the facility.

19 TERM AND CURRENT DEBT continued

(3) On 8 July 2011 Rubicon announced that its $15 million facility with the ANZ, which was to expire on 31 December 2011, had been increased to $20 million and extended the expiry date out to 1 July 2013. On 23 May 2012 the ANZ agreed to further extend the expiry date of the facility to 1 July 2014. Under the terms of the amended ANZ bank facility, the ANZ will have the right to bring forward the expiry date to no earlier than 15 January 2014, if it determines that an IPO of ArborGen is unlikely to be completed by 1 July 2014, but if it were to do so the ANZ would be required to give Rubicon 90 days prior notice (refer note 32 subsequent events).

All term debt and current debt are denominated in US$.

20 CAPITAL

RUBICON LIMITED			RUBICON GROUP	
June 2011 US$m	June 2012 US$m		June 2012 US$m	June 2011 US$m
163	163	**Share capital**	**163**	**163**

June 2011	June 2012		June 2012	June 2011
284,788,155	284,788,155	**Number of shares on issue**	**284,788,155**	**284,788,155**

On 5 July 2012 an underwritten pro-rata entitlement of 1 share for every 3 shares held closed, which resulted in the issue of 94,931,820 shares (refer to note 32 subsequent events).

21 RESERVES

RUBICON LIMITED			RUBICON GROUP	
June 2011 US$m	June 2012 US$m	**Retained earnings**	June 2012 US$m	June 2011 US$m
(9)	(11)	Opening balance	(16)	(11)
(2)	(2)	Net earnings	(8)	(5)
–	–	Increase resulting from Tenon share buy back	1	–
(11)	(13)	**Closing balance**	**(23)**	**(16)**
		Revaluation reserve		
–	–	Opening balance	1	1
–	–	**Closing balance**	**1**	**1**
		Hedging reserve		
–	–	Opening balance	–	–
–	–	Fair value gains/(losses) in year	–	1
–	–	Hedge losses transferred to earnings in the period	–	(1)
–	–	**Closing balance**	**–**	**–**
		Currency translation reserve		
–	–	Opening balance	–	(1)
–	–	Translation of independent foreign operations	–	1
–	–	**Closing balance**	**–**	–
(11)	(13)	**Total reserves**	**(22)**	**(15)**

Notes to the Consolidated Financial Statements

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22 EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS

	RUBICON GROUP	
	June 2012 US$m	June 2011 US$m
Opening balance	56	56
Decrease resulting from Tenon share buy back	(1)	–
Net earnings	(4)	(1)
Translation of independent foreign operations	(1)	1
Equity attributable to minority shareholders	**50**	**56**

23 CAPITAL EXPENDITURE COMMITMENTS

At 30 June 2012 Rubicon is committed to contribute $2 million to ArborGen for the period 1 July 2012 to 31 March 2013 (2011: $4 million) and Tenon's committed capital expenditure was nil (2011: nil).

24 OPERATING LEASE COMMITMENTS

The expected future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at 30 June 2012 are as follows:

	RUBICON GROUP	
	June 2012 US$m	June 2011 US$m
Operating lease commitments are as follows:		
Within one year	7	7
two years	5	5
three years	5	4
four years	4	3
five years	2	2
After five years	6	2
Total operating lease commitments	**29**	**23**

Operating lease commitments relate mainly to occupancy leases of buildings and vehicles. There are no options to purchase in respect to any asset held under an operating lease. Total lease costs for the year were $9 million (2011: $8 million).

25 CONTINGENT LIABILITIES

There are no material contingent liabilities as at 30 June 2012 (2011: nil).

26 RELATED PARTY TRANSACTIONS

RUBICON LIMITED June 2011 US$m	RUBICON LIMITED June 2012 US$m		RUBICON GROUP June 2012 US$m	RUBICON GROUP June 2011 US$m
–	–	Capital contributions to ArborGen	(9)	(4)
161	171	Intercompany advances(1)	–	–
–	–	Tenon Limited(2)	–	–

(1) These advances (to Rubicon Forests Holdings Limited) are for no fixed term and are not expected to be called in the next 12 months.

(2) Tenon's NZ corporate office subleases office space from Rubicon. In addition the directors fees associated with the Rubicon CEO serving as chairman of Tenon are paid to Rubicon for Rubicon's account. Recovery of office and administrative costs and directors fees from Tenon were $0.3 million (2011: $0.1 million).

27 EMPLOYEE REMUNERATION

Key management compensation

Salaries and other short-term employee benefits paid during the current period were $4 million (2011: $4 million).

Tenon chief financial officer's incentive plan

The Tenon chief financial officer's remuneration includes a long-term incentive plan (Tenon CFO LTI plan). The Tenon CFO LTI plan was established on 1 July 2009. The Tenon CFO LTI Plan has a one-time pay-out date of 1 September 2012. As Tenon has not achieved the June 2012 EBITDA target, Tenon has not taken any charge to earnings in respect of the Tenon CFO LTI plan. Payment may also be triggered in the event of a change of control of Tenon.

Rubicon equity plan

In March 2007 Rubicon announced that it had implemented a new equity plan (Plan) for its employees. The purpose of the Plan was to align management with shareholders, and to incentivise the quick and effective achievement of Rubicon's business goals.

Under the terms of the Plan, the three senior executives of Rubicon, did not receive any base salary payments in respect of the two-year period to 31 March 2009. The Company issued the Senior Executives Rubicon shares (at 2 cents above the then current market price) equivalent to the value of those two years net salaries foregone, resulting in the 1.5 million shares (0.6% of the Company's issued share capital, at the time) being issued to them.

At balance date, all costs of this plan have been fully expensed.

In addition to the new shares issued, the Plan also required the participating employees to purchase Rubicon shares on-market, to the value of NZ$450,000 (in the aggregate). This requirement was met, in the period from 26 March to 20 April 2007, where the participating employees acquired approximately 458,500 shares (in aggregate) at an average price of approximately 98 cents each.

Rubicon Director long-term incentive plan

The Rubicon Non-Executive Directors' Incentive Plan (NEDP) provides for a once-only payment to be made to Rubicon's three eligible non-executive Directors. In order to participate in the NEDP, the three eligible Directors' agreed to reduce their remuneration for the June 2009 financial year. For that year, Mr Kasnet's remuneration (as Chairman) was reduced by NZ$46,778 and Mr Fletcher's and Mr Hasler's remuneration each reduced by NZ$31,185. The NEDP provides for a once-only payment to the three Directors, depending upon the final value outcomes achieved for the Company's Tenon and ArborGen investments, as reflected in the Rubicon share price on 1 July 2013.

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27 EMPLOYEE REMUNERATION continued

There is provision in the NEDP for these payments to be made earlier, with an appropriate reduction in the target share price for time, should both ArborGen and Tenon be brought to value conclusions for shareholders prior to 1 July 2013. The share price hurdles under the NEDP have been adjusted to reflect the additional shares on issue arising from the Rubicon pro-rata entitlement offer, which closed on 5th of July 2012.The maximum payment under the NEDP will now not occur unless the Rubicon share price at 1 July 2013 is at least US$0.909 (NZ$1.158 at the 30 June 2012 exchange rate of 0.7851). This share price equates to a hurdle rate of 17% per annum (US functional currency) compound total shareholder return (i.e. share price appreciation plus dividends) for the Company since its listing on the NZX. Achieving this target would equate to an almost four fold increase from the Rubicon share price at 30 June 2012. At that share price, Mr Kasnet would receive a taxable payment of NZ$207,000, and each of Messrs Fletcher and Hasler would receive a taxable payment of NZ$138,000. The minimum Rubicon compound shareholder return percentage for the Company since its listing, below which no payment will be made under the NEDP, has been set at 10% per annum. This minimum 'threshold' level equates to a Rubicon share price of US$0.448 (NZ$0.571 per share at the 30 June 2012 exchange rate), at which level Mr Kasnet will be entitled to a taxable payment of NZ$103,500 and each of Messrs Fletcher and Hasler will be entitled to a taxable payment of NZ$69,000.

Rubicon has not taken any charge to earnings in respect of the NEDP (2011: nil).

Rubicon long-term incentive plan

The Rubicon long term incentive plan (Plan) provides for a once-only taxable payment to be made to the three senior executives of Rubicon, based upon the achievement of a pre-set Rubicon share price target at 1 July 2013. Such Plan payments are conditional not only on the share price target being met, but also on both Tenon and ArborGen being brought to value-conclusions for Rubicon shareholders by the 1 July 2013. The Plan replicates the NEDP, in that it sets the same hurdle rates as the NEDP and provides for early payment with an appropriate reduction in the target share price for time, should both ArborGen and Tenon be brought to value conclusions for shareholders prior to 1 July 2013. For the maximum Plan payment to be made, the Rubicon share price at 1 July 2013 would need to be at least US$0.909 (NZ$1.158 at 30 June 2012 exchange rate). If this share price target is met, a pre-tax payment equivalent to three times the participant's base salary will be made. The minimum share price below which no payment will be made is US$0.448 (NZ$0.571 per share at the 30 June 2012 exchange rate). At this target price participants will be eligible for a pre-tax payment equivalent to their base salary. The Plan also includes standard provisions in relation to an event of redundancy, or change in strategic direction of the Company.

Rubicon has not taken any charge to earnings in respect of the Plan (2011: nil).

28 SEGMENTAL INFORMATION SUMMARY

The Group has two reportable segments and their analysis is as follows:

	RUBICON GROUP	
	Year ended June 2012 US$m	Year ended June 2011 US$m
Appearance and wood products		
Operating revenue	334	326
Financial expense	(3)	(3)
Income tax expense	2	(1)
Earnings after taxation	(9)	(2)
Total assets	211	208
Liabilities	(71)	(58)
Capital expenditure	(2)	(2)
Depreciation	(5)	(6)
Biotechnology		
Share of (loss)/profit from associate	–	(1)
Earnings after taxation	–	(1)
Total assets	72	63
Investment in associates	72	63
Capital expenditure [1]	(9)	(4)
Corporate		
Financial expense	(1)	(1)
Earnings after taxation	(3)	(3)
Total assets	–	–
Liabilities	(21)	(9)
Total Group		
Operating revenue	334	326
Share of (loss)/profit from associate	–	(1)
Financial expense	(4)	(4)
Income tax expense	2	(1)
Earnings after taxation	(12)	(6)
Total assets	283	271
Investment in associate	72	63
Liabilities	(92)	(67)
Capital expenditure	(11)	(6)
Depreciation	(5)	(6)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

28 SEGMENTAL INFORMATION SUMMARY continued

The Group's geographical analysis is as follows:

	RUBICON GROUP	
	Year ended June 2012 US$m	Year ended June 2011 US$m
New Zealand and other		
Operating revenue	40	39
Non current assets [2]	17	16
Capital expenditure	(1)	–
North and South America		
Operating revenue	294	287
Non current assets [2]	168	164
Capital expenditure [1]	(10)	(6)
Total Group		
Operating revenue	334	326
Non current assets [2]	185	180
Capital expenditure	(11)	(6)

(1) Includes contributions to ArborGen.

(2) Excludes deferred taxation asset and financial instruments.

29 PRINCIPAL OPERATIONS

Rubicon Limited (a New Zealand incorporated limited liability company) is the holding company of the Rubicon Group. The principal subsidiaries and associate, as at 30 June 2012, were:

	Country of Domicile	% Interest June 2012	% Interest June 2011	Balance Date	Principal Activity
Principal subsidiaries					
Rubicon Forests Holdings Limited [1]	NZ	100	100	30 June	Holds 58.99% interest in Tenon
Rubicon Industries USA LLC	USA	100	100	30 June	Holds ArborGen, Inc investment
Tenon Limited	NZ	58.99	57.96	30 June	Wood products
Tenon Limited subsidiaries					
Tenon Industries Limited	NZ	100	100	30 June	Funding
Tenon Manufacturing Limited	NZ	100	100	30 June	Processing
Fletcher Wood Solutions, Inc	USA	100	100	30 June	Distribution
The Empire Company, Inc	USA	100	100	30 June	Distribution
Kok's Woodgoods, LLC	USA	100	100	30 June	Processing
Southwest Mouldings Co, LP	USA	100	100	30 June	Distribution
Ornamental Mouldings LLC	USA	100	100	30 June	Processing
Ornamental Products LLC	USA	100	100	30 June	Processing
Creative Stair Parts LLC	USA	100	100	30 June	Distribution
Ornamental Mouldings Company	Canada	100	100	30 June	Processing
Associate					
ArborGen, Inc [2]	USA	31.67	33.33	31 March	Forestry biotechnology

(1) In December 2011, Tenon undertook a share buy back, the offer closed on 29 December 2011 with 1,159,980 shares (1.7% of shares on issue) being bought back and cancelled. As Rubicon did not participate in the share buy back, the reduction in issued shares resulted in Rubicon's percentage holding in Tenon increasing from 57.96% to 58.99%.

29 PRINCIPAL OPERATIONS continued

(2) ArborGen acquired the assets, germplasm (i.e. genetics), of the varietal company CellFor Inc (CellFor). CellFor's business is the research, development and commercial sale of advanced technologies - specifically, the cloning of superior varietal pine seedlings for the forest industry. The consideration paid by ArborGen for CellFor was CDN$1.1 million in cash plus warrants over ArborGen's shares, which reduces Rubicon's interest in ArborGen from 33.33% to 31.67%.

30 FINANCIAL INSTRUMENTS

(a) Market risk

(i) Exposure to price risk

In December 2010 Tenon entered into an electricity commodity contract for the purposes of providing an economic hedge against New Zealand electricity costs.

(ii) Exposure to currency risk

The functional currency of the Group is the US$ and the risk to the Group's equity and earnings are from assets, liabilities, revenues and costs in currencies denominated in currencies other than US$. The Group's exposure to foreign currency risks on financial instruments is based on the following:

	RUBICON GROUP			
in US$m	**June 2012**		**June 2011**	
	US$	**NZ$**	**US$**	**NZ$**
Cash and liquid deposits	–	–	2	–
Trade debtors	23	3	17	2
Bank Overdraft	–	(1)	–	–
Trade creditors	(15)	(5)	(9)	(6)
Current debt	(1)	–	(9)	–
Non current debt	(57)	–	(31)	–
Gross balance sheet exposure		(3)		(4)

The following exchange rates applied during the year:

	Average rate (1)		**Spot rate**	
	2012	**2011**	**June 2012**	**June 2011**
NZ$:US$	0.8069	0.7586	0.7851	0.8228

(1) These are merely arithmetical averages not hedged rates.

Sensitivity analysis

Given the small size of the gross balance sheet exposure shown above, any movement in the NZ$:US$ exchange rate is unlikely to be material.

(iii) Exposure to interest rate risk

Rubicon's debt of $20 million (2011: $8 million) is drawn with a floating interest rate.

Tenon's interest rate policy is for interest to be a mixture of fixed rate and floating rate debt within an established ratio. Loans are drawn with floating interest rates and Tenon enters into floating to fixed interest rate hedges to comply with Tenon's risk management policy. As at 30 June 2012, Tenon had two interest rate swaps totalling $15 million, covering 39% of total Debt (as at 30 June 2011, Tenon had one interest rate swap for $4 million, covering 14% of total debt). The two current period swaps are for $7.5 million each and were entered into in July 2011. They have a 4 year duration and expire in July 2015. Tenon pays a fixed interest rate of 1.575% on one swap and 1.53% on the other. For both swaps Tenon receives a rate based on the USD LIBOR floating rate.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

30 FINANCIAL INSTRUMENTS continued

The rate receivable as at 30 June 2012 was 0.2428% on one swap and 0.2398% on the other. The swap interest cost has been included in calculating the interest rate on the LIBOR loans, due for repayment in 2016. The previous period swap of $4.375 million, as at June 2011, was subject to a quarterly amortisation and terminated in June 2012. The fixed interest payable on the terminated swap was 3.42% and the floating interest receivable was the equivalent of the one month USD LIBOR floating rate.

Swaps are settled monthly on a net basis. Interest rate swaps are treated as hedging instruments and the effective portion of the change in the fair value of swaps is taken to the hedging reserve in Equity. The ineffective portions of any swaps are taken to Earnings. The interest rate swaps were 100% effective as at 30 June 2012 and the net fair value of the interest rate swaps as at 30 June 2012 was a liability of $0.5 million and is included in other payables and the hedging reserve in Equity. As at 30 June 2011, the previous period swap was ineffective and the net fair value was a liability to the Group of $0.1 million and was included in other payables and as a financing expense in the income statement.

The following table sets out the weighted average interest rate of borrowings and interest rate hedges:

		RUBICON GROUP			
		June 2012		**June 2011**	
		US$m	**%**	**US$m**	**%**
Interest rate repriced: (including average interest rate)					
Debt repayable	within one year	(1)	4.80%	(9)	4.97%
	between one and two years	(22)	4.40%	(2)	5.03%
	between two and three years	(2)	4.81%	(2)	5.03%
	between three and four years	(33)	4.98%	(2)	5.03%
	between four and five years	–	–	(25)	4.82%
Gross balance sheet exposure		(58)		(40)	

Sensitivity analysis

As at 30 June 2012, a 1% increase in the floating interest rates of the debt outstanding at balance date would have resulted in an estimated $0.4 million reduction in profit before taxation and a 1% decrease would have increased profit before taxation by an estimated $0.5 million. The 2012 earnings impact was calculated on the actual debt drawn as at 30 June 2012, for a full 12 months and assuming; 39% of the Tenon group debt was subject to the two interest rate swaps in existence as at 30 June 2012 and the swaps were for the entire year. As effective hedges, the change in fair value of the swaps are included in Equity . The supply chain financing interest cost is also based on LIBOR rates and therefore sensitive to interest rate changes. As at 30 June 2012 a 1% change in the floating LIBOR interest rates on the level of debtors de-recognised as a result of supply chain financing programme ($16 million) would have had an estimated $0.2 million impact on profit before taxation.

A 1% increase in interest rates would have no impact on equity, because the reduction in the fair value liability of the interest rate swaps is offset by the after tax increase in total interest costs. A 1% reduction in interest rates would have increased equity by $0.3 million, being the after tax reduction in interest costs partially offset by an increase in the fair value liability of the interest rate swaps.

As at 30 June 2011, a 1% increase in the floating interest rates of the debt outstanding at balance date would have resulted in an estimated $0.3 million reduction in profit before taxation and a 1% decrease would have increased profit before taxation by an estimated $0.4 million. The 2011 earnings impact was calculated on the actual debt drawn as at 30 June 2011, for a full 12 months and assuming; 14% of the Tenon group debt was subject to the one interest rate swap in existence as at 30 June 2011, the swap was the only one for the entire year, it was taken out at the beginning of the year and the change in fair value of the swap was included in interest costs in the year. The supply chain financing interest cost is also based on LIBOR rates and therefore sensitive to interest rate changes. As at 30 June 2011 a 1% change in the floating LIBOR interest rates on the level of debtors de-recognised as a result of supply chain financing programme ($19 million) would have had an estimated $0.2 million impact on profit before taxation.

A 1% increase in interest rates would have reduced equity by $0.3 million, being the after tax increase in interest costs.

A 1% reduction in interest rates would have increased equity by $0.4 million, being the after tax reduction in interest costs.

30 FINANCIAL INSTRUMENTS continued

(b) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure which at 30 June 2012 was $31 million of cash and liquid deposits and trade and other receivables (2011: $27 million).

Cash and liquid deposits are only held with banks that are part of the Group's banking consortiums; ANZ for Rubicon and JP Morgan Chase Bank, N.A. for Tenon. In the event of default, cash balances may be set off against obligations owing by the Group to its lenders. Moody's credit ratings of the counterparties for cash and liquid deposits are rated as P-1, which designates them as "Issuers who have a superior ability to repay short-term debt obligations".

The status of trade debtors, which all relate to the Tenon group, is as follows:

RUBICON LIMITED			RUBICON GROUP	
June 2011 US$m	**June 2012 US$m**		**June 2012 US$m**	**June 2011 US$m**
–	–	Neither past due or impaired	23	17
–	–	Past due (1 month) but not impaired	3	2
–	–	Impaired	–	–
–	–		26	19
–	–	Less provision for doubtful debts	–	–
–	–	Net trade debtors [(1)]	26	19

(1) Tenon has an excellent history of trade debtor collections and there is no reason to believe that the $26 million (June 2011: $19 million) of "neither past due nor impaired" debtors will not be collected, taking into account the payment history of Tenon's customers, the share of total trade debtors owed by the National Accounts (both retail and pro-dealer), and the existence of credit insurance for a significant portion of the US based pro-dealer customers.

(c) Liquidity risk

The following are contractual maturities of financial liabilities and net settled derivatives (excluding estimated interest payments). The amounts disclosed are the contractual undiscounted cash flows.

	RUBICON GROUP						
Financial liabilities	**Carrying value US$m**	**Fair value US$m**	**0-6 months US$m**	**6-12 months US$m**	**1-2 years US$m**	**2-5 years US$m**	**Over 5 years US$m**
30 June 2011							
Non derivative financial liabilities							
Trade and other payables	(26)	(26)	(23)	(3)	–	–	–
Debt	(40)	(40)	(8)	(1)	(2)	(29)	–
Financial liabilities as at 30 June 2011	(66)	(66)	(31)	(4)	(2)	(29)	–
30 June 2012							
Non derivative financial liabilities							
Bank Overdraft	(1)	(1)	(1)	–	–	–	–
Trade and other payables	(32)	(32)	(30)	(2)	–	–	–
Debt	(58)	(58)	–	(1)	(22)	(35)	–
Derivative financial liabilities							
Interest rate swaps	(1)	(1)	–	–	–	–	–
Financial liabilities as at 30 June 2012	(92)	(92)	(31)	(3)	(22)	(35)	–

30 FINANCIAL INSTRUMENTS continued

(i) Interest rate swap cash flows

As at 30 June 2012 the future gross cash flows of the interest rate swaps (refer note 30(a)(iii) Exposure to interest rate risk) are $0.7 million cash outflow (being fixed interest paid). The swaps are settled on a net basis monthly. Of the net cash outflow (based on the prevailing floating interest rates as at 30 June 2012) of $0.6 million, $0.1 million is expected to occur in the 6 months to December 2012 and $0.1 million in the 6 months to June 2013, with a further $0.2 million outflow in each of the 2014 and 2015 years.

As at 30 June 2011 the future gross cash flows of the interest rate swap (refer note 30(a)(iii) Exposure to interest rate risk) is a $0.2 million cash outflow (being fixed interest paid). The swap is settled on a net basis monthly. Of the net cash outflow (based on the prevailing floating interest rates as at 30 June 2011) of $0.2 million, $0.1 million is expected to occur in the 6 months to December 2011 and $0.1 million in the 6 months to June 2012.

(ii) Fair values

The estimated fair values of the Group's financial assets and liabilities do not differ materially from the carrying values. The basis for determining fair values is disclosed in note 5.

The Group adopted the amendments to NZ IFRS 7 'Financial Instruments - Disclosures' effective from 1 July 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the balance sheet.

The Group's financial assets and liabilities as at 30 June 2012 and 30 June 2011 were below levels requiring disclosure.

(iii) Financial instruments by category

Cash and liquid deposits, trade and other receivables and intercompany advances are classified as loans and receivables. Bank overdraft, trade and other payables, current debt, non-current debt and intercompany advances are classified as financial liabilities at amortised cost. The electricity hedge and interest rate swaps are classified as derivatives used for hedging (June 2011: the interest rate swap was classified at fair value through the Income Statement).

31 ASSET BACKING PER SHARE

At 30 June 2012 the net assets backing was 50 cents per share (cps) (NZ: 64 cps), (2011: 52 cps, NZ 63 cps); and net tangible asset backing was 29 cps (NZ 37 cps) (2011: 32 cps, NZ 39 cps).

32 SUBSEQUENT EVENTS

On 5 June 2012, Rubicon announced the making of a fully underwritten pro-rata entitlement offer to existing Rubicon shareholders of 1 share for every 3 shares held at an application price of NZ$22 cents per share (or US$16.531 cents per share), and the extension of the Company's US$20 million bank debt facility with the ANZ (refer note 19).

The capital raise closed on 5 July 2012, with the full targeted $15.4 million (after fees) being raised, which was used to repay debt.

On 17 August 2012 the sale and purchase agreement for Ornamental's manufacturing premises in Canada, that Tenon had entered into in June 2012, became unconditional. The asset was classified as an asset held for sale as at 30 June 2012 (refer to note 12) and valued at net book value. No material gain or loss will arise from the sale of the asset.

Independent Auditor's Report

To the shareholders of Rubicon Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Rubicon Limited (''the company") and the group, comprising the company and its subsidiaries, on pages 2 to 38. The financial statements comprise the balance sheet as at 30 June 2012, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the company and group in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 2 to 38:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 30 June 2012 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Rubicon Limited as far as appears from our examination of those records.

KPMG

24 August 2012

Auckland

Governance

The Rubicon Board is committed to the highest standards of behaviour and accountability.

This section describes how Rubicon's business practices reflect corporate governance best practice, and is structured on the basis of the nine corporate governance principles issued by the New Zealand Securities Commission.

This Annual Report was approved by the Board on 17 September 2012.

All references to $ is to US$ unless otherwise stated.

PRINCIPLE 1 – ETHICAL STANDARDS

Directors observe and foster high ethical standards.

Rubicon's Code of Conduct and Ethics, Board Charter and other documents related to corporate governance, collectively and individually encourage high standards of ethical and responsible behaviour.

Rubicon's Code of Conduct and Ethics sets out clear expectations for ethical decision-making and personal behaviour by Directors and employees in relation to situations where their or Rubicon's integrity could be compromised. These include conflicts of interest, proper use of company property and information, fair dealings with employees and other stakeholders, compliance with laws and regulations, reporting of unethical decision making and dishonest behaviour, and related matters.

Included in the Code of Conduct and Ethics are mechanisms for dealing with breaches of the Code. Rubicon's Code of Conduct and Ethics has been communicated to all Directors and employees of the Company, and is also published on our corporate website.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

There is a balance of independence, skills, knowledge, experience, and perspectives among Directors that allows the Board to work effectively.

The Board's primary role and obligation is to protect and enhance the value of the assets of the Company and to act in the best interests of the Company. The Board has statutory responsibility for the activities of the Company, which in practice is partially exercised through delegation to the three Board standing committees (Audit, Remuneration and Nominations) and through delegation to the CEO who is charged with the day-to-day leadership and management of the Company. The CEO also has special responsibility to manage the interfaces between the Company, its shareholders and the public.

The Board Charter reserves a number of roles and responsibilities to the Board. These include:

- the review and approval of appropriate corporate strategies and objectives, transactions relating to acquisitions and divestments, capital expenditures above delegated authority limits, financial and capital structure policies, financial statements and reports to shareholders;
- the review of performance against strategic objectives; and
- ensuring that appropriate systems and processes are in place so that the Group is managed in an honest, ethical, responsible and safe manner.

The Board Charter is published on our corporate website.

In practice, most matters that the Board has reserved to itself are developed and formulated by management and presented to the Board for its deliberation. The CEO is a member of the Board and attends all meetings where such matters are presented to the Board for discussion.

The roles of Chairman and CEO are separate at Rubicon. The Chairman's role is: to foster a constructive corporate governance structure, manage the Board effectively, provide leadership to the Board, chair shareholders meetings and to interface with the CEO.

Board Composition

Rubicon's Constitution requires a minimum of three Directors and provides for a maximum of nine. Of Rubicon's six Directors, two are ordinarily resident in New Zealand. In addition the Board has identified four of the Directors as being Independent Directors. As at 30 June 2012 the Independent Directors and non-Independent Directors of the Board were:

Independent Directors:

SG Kasnet (Chairman) HA Fletcher G Karaplis WA Hasler

Non-Independent Directors:

SL Moriarty (1) DM Knott (2)

(1) Mr Moriarty is an executive of the Company.

(2) Mr Knott is a substantial security holder.

At each Annual Shareholders' Meeting (ASM), one-third of the total number of Directors must retire from office by rotation. The Directors who retire are those who have been in office longest since last elected. In addition, all Directors appointed to the Board since the last ASM must also stand for election.

Messrs Kasnet and Moriarty retire by rotation at the 2012 ASM and being eligible have offered themselves for re-election.

The Company's Board represents a balance of independence, skills, knowledge, experience and perspectives (refer Board biographies on pages 54 and 55 for details), thereby ensuring the effectiveness of the Board in guiding the strategic direction of the Company and overseeing management.

The Board has implemented a process for the evaluation of the Board, its Committees and Directors.

Rubicon is committed to ensuring its Directors have the knowledge and information to discharge their responsibilities effectively.

Directors receive comprehensive information on the Company's operations and have access to any additional information they consider necessary for informed decision-making.

PRINCIPLE 3 – BOARD COMMITTEES

The Board uses committees where this enhances its effectiveness in key areas while retaining Board responsibility.

The Board has three permanent committees, being the Audit Committee, the Remuneration Committee and the Nominations Committee. Committees enhance the effectiveness of the Board through closer examination of issues and more efficient decision making. Rubicon's committees assist the Board in the conduct of its responsibilities and report to the full Board on all material matters and issues requiring Board decisions. All Board Directors receive copies of all committee minutes and papers, with the exception of the Tenon and Rubicon Share Committees where Messrs Kasnet, Karaplis, and Moriarty do not receive the Committee's papers or minutes and they do not participate in Committee discussions.

Each permanent committee has adopted a formal Charter addressing purpose, constitution and membership, authority, reporting procedures and performance evaluation of the committee. These Charters are published on our corporate website.

Audit Committee Members:

HA Fletcher (Chairman) WA Hasler SG Kasnet

The Audit Committee is comprised solely of non-executive Directors of the Company. It has been determined by the Board that several members of the Audit Committee have an adequate accounting or financial background as defined in the NZSX Listing Rules. The Chairman of the Audit Committee is an Independent Director who is not the Chairman of the Board.

Further information on the Audit Committee is included under Principle 4.

Governance

Remuneration Committee Members:

SG Kasnet (Chairman) HA Fletcher

The Remuneration Committee is responsible for evaluating the performances of the CEO and senior executives of the Company, setting the remuneration packages for senior executives, and recommending to the Board the remuneration of the CEO and non-executive Directors.

Nominations Committee Members:

SG Kasnet (Chairman) HA Fletcher WA Hasler G Karaplis DM Knott SL Moriarty

The Nominations Committee is responsible for making recommendations of Director appointments to the Board. A majority of the members of the Nominations Committee are Independent Directors.

In addition to the three permanent committees noted above, the Board establishes committees on an "as required" basis to address specific issues that arise. The Board believes this enhances its effectiveness through closer scrutiny of specific issues. Currently the three additional committees are the Tenon Share Committee, the Rubicon Share Committee and the Due Diligence Committee.

Tenon Share Committee Members:

HA Fletcher (Chairman) WA Hasler DM Knott

The Tenon Share Committee is responsible for decisions by the Group to deal in Tenon shares. Its membership does not include Messrs Kasnet, Karaplis or Moriarty, as they are Directors of Tenon.

Rubicon Share Committee Members:

HA Fletcher (Chairman) WA Hasler DM Knott

The Rubicon Share Committee is responsible for decisions by the Group to deal in Rubicon shares.

Due Diligence Committee Members:

HA Fletcher (Chairman) SG Kasnet

The Rubicon Due Diligence Committee is responsible for undertaking due diligence investigations as appropriate from time to time, including for example in relation to the Company's recent entitlement offer.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The Board demands integrity both in financial reporting and in the timeliness and balance of disclosures on entity affairs.

The Board is ultimately responsible for ensuring the quality and integrity of the Company's financial reports. To achieve this, the Company has in place a structure to independently verify and safeguard the integrity of the Group's reporting. The Audit Committee constitutes a key component of this structure.

The Audit Committee is well resourced and operates under a formal written Charter. The Audit Committee's terms of reference include the following duties and responsibilities:

- To review the effectiveness of the internal control framework across the Rubicon Group with management and the independent Auditor;
- To review the Group's accounting policies, financial reporting practices, and auditing practices;
- To ensure that the Board is properly and regularly informed and updated on corporate financial matters;

- To review all financial statements of the Group and advise all Directors whether these financial statements comply with the appropriate laws and regulations;
- To confirm the integrity of the Group's financial statements in terms of relevance, reliability, comparability and timeliness;
- To monitor and review the Group's compliance with regulatory and statutory requirements and obligations;
- To maintain direct communication with the independent Auditor; and
- To make recommendations to the Board as to the appointment and discharge of the independent Auditor and to ensure that the independent Auditor or lead audit partner is changed at least every five years.

In accordance with best practice requirements the CEO is not a member of the Audit Committee.

PRINCIPLE 5 – REMUNERATION

The remuneration of Directors and executives is transparent, fair, and reasonable.

The Company's remuneration policies aim to attract and retain talented and motivated Directors and executives who will contribute to enhancing the performance of the Company.

Non-Executive Director Remuneration

The Company's remuneration policy for Directors is to remunerate Directors at levels that are fair and reasonable in a competitive market environment taking into account the skills, knowledge and experience required by the Company.

The total remuneration, prior to any taxation liability, of non-executive Directors of Rubicon for the year ended 30 June 2012 was:

	NZ$
SG Kasnet (Chairman)	147,000
HA Fletcher (1)	91,500
WA Hasler	84,000
G Karaplis (2)	45,880
DM Knott (2)	45,880

Mr Moriarty, as CEO and an executive Director, does not receive any Director fees.

(1) The additional NZ$7,500 reflects the additional workload undertaken by Mr Fletcher as Chair of the Audit and Due Diligence committees.

(2) Appointed to the Board in December 2011.

Non-executive Directors are not entitled to receive retirement payments.

For the June 2009 financial year the then three non-executive Directors (Messrs Kasnet, Fletcher and Hasler) agreed to reduce their remuneration in order to participate in future Rubicon share price upside. In return for the reduction in remuneration each non-executive Director was entitled to participate in the Non-Executive Directors' Incentive Plan (NEDP). The key terms of the NEDP are outlined in Note 27 to the Financial Statements. Mr Moriarty, as an executive Director, does not participate in the NEDP.

Executive Director and Employee Remuneration

Rubicon's remuneration policy aims to attract, retain and incentivise employees in order to drive and enhance Company performance. Base salaries are 'benchmarked' against competitor information. Annual performance incentive payments, if any, are determined by the Board and Remuneration Committee, and are calculated by measuring actual performance outputs against target individual and Company objectives.

Governance

To align management with shareholders, and to incentivise the quick and effective achievement of Rubicon's business goals the Company operates an Equity Plan implemented in March 2007 and a Long Term Incentive Plan implemented in March 2008. The key terms of the Plans are outlined in Note 27 to the Financial Statements.

In accordance with Section 211 of the Companies Act, remuneration and other benefits (including performance benefits and redundancy payments) which in total exceeded NZ$100,000 per annum received by employees of Rubicon and its subsidiaries in the 2012 financial year is summarised in the following table:

NZ$000			Number of Employees US/Canada-based Business	Number of Employees NZ-based Business
$100	to	$110	10	2
$110	to	$120	10	2
$120	to	$130	6	4
$130	to	$140	10	–
$140	to	$150	3	2
$150	to	$160	5	1
$160	to	$170	4	–
$170	to	$180	4	–
$180	to	$190	5	1
$190	to	$200	2	–
$200	to	$210	1	–
$210	to	$220	1	–
$220	to	$230	2	1
$240	to	$250	1	2
$250	to	$260	–	1
$270	to	$280	2	–
$290	to	$300	1	–
$310	to	$320	1	–
$320	to	$330	1	–
$330	to	$340	1	–
$340	to	$350	1	1
$360	to	$370	1	–
$400	to	$410	–	1
$410	to	$420	–	1
$420	to	$430	1	–
$450	to	$460	1	–
$460	to	$470	1	–
$490	to	$500	1	–
$610	to	$620	–	1

In analysing this table, it should be noted that:

- It is a consolidation of data for Tenon (and its subsidiaries) and Rubicon employees. However as Rubicon has only four employees in the chart it is dominated by Tenon data.
- Of the total data points shown, 80% are US-based residents (given Tenon's core market is the United States).
- The results include former employees who have been made redundant during the year. The redundancy benefits have been included in the numbers in the chart.

The Rubicon CEO's base salary for the financial year ended 30 June 2012 was NZ$490,000. He was not paid a performance incentive in the 2012 financial year, and nor did he receive any director fees for his services as a director of Rubicon, or for his Chairmanship of Tenon Limited, or for his Directorship of ArborGen Inc, The public company director fees relating to him serving as Chairman of Tenon (NZ$130,000 in the period) were paid directly to Rubicon for Rubicon's account. During the period the CEO received a pre-taxation retention payment of NZ$71,834.

Director and Senior Executives' Equity Holdings

Rubicon believes it is appropriate to have Directors' and executives' rewards dependent upon the performance of the Company, and that having Directors and executives own Rubicon shares is a good way of achieving this goal. With this in mind, all non-executive Directors (other than George Karaplis who was appointed to the Board in December 2011) and senior executives have a relevant interest in at least 400,000 Rubicon shares and all executives of Rubicon own Rubicon shares.

At 30 June 2012, Directors and Senior Executives of the Company held the following relevant interests in Rubicon shares:

Name	Position	Number of shares
SG Kasnet	Chairman and non-executive director	489,948
HA Fletcher	Non-executive director	3,112,298
WA Hasler	Non-executive director	617,853
DM Knott	Non-executive director	80,616,160
SL Moriarty	Director and Chief Executive Officer	2,621,607
BG Burton	Vice President	475,095
MA Taylor	CFO and Company Secretary	819,925

Following the pro rata entitlement offer completed in July 2012, in which all Directors and Senior Executives took up their full entitlements in full, Directors and Senior Executives of the Company held the following relevant interests in Rubicon shares

Name	Position	Number of Shares
SG Kasnet	Chairman and non-executive director	653,265
HA Fletcher	Non-executive director	4,149,731
WA Hasler	Non-executive director	823,804
DM Knott	Non-executive director	107,488,210
SL Moriarty	Director and Chief Executive Officer	3,495,476
BG Burton	Vice President	633,460
MA Taylor	CFO and Company Secretary	1,093,234

PRINCIPLE 6 – RISK MANAGEMENT

The Board regularly verifies that the entity has appropriate processes that identify and manage potential and relevant risks.

The Audit Committee reviews with management and the independent Auditor significant risks and exposures of the Group, and assesses risk mitigation steps taken by management to minimise such risks.

Governance

PRINCIPLE 7 – AUDITORS

The Board ensures the quality and independence of the external audit process.

The Company's external Auditor, KPMG, has been the external Auditor since 2001. Consistent with best practice the audit partner who lead the audit from 2006 was rotated following the 2010 audit. A formal engagement letter with KPMG clearly sets out the responsibilities of KPMG in relation to the external audit of the Group's financial statements and financial systems. The Board facilitates full and frank communication between the Audit Committee, KPMG and management. KPMG attends all Audit Committee meetings and has sessions, at least semi-annually, with the Audit Committee with management not in attendance.

The Board is satisfied that there is no relationship between KPMG and Rubicon or any related party that could compromise the independence of KPMG, and has obtained confirmation from KPMG to this effect.

In the Rubicon Board's opinion, KPMG's independence was not compromised as a result of any non-audit services provided by the firm to the Group.

The Audit Committee, together with the Company's management, monitor the performance of KPMG to ensure that the services being provided to the Company are of the highest standard, relevant, timely and cost effective.

PRINCIPLE 8 – SHAREHOLDER RELATIONS

The Board fosters constructive relationships with shareholders that encourage them to engage with the Company.

The Board is committed to promoting good relations between Rubicon and its shareholders through:

- communicating effectively with them;
- giving them ready access to information about the Company, its goals, strategies and performance; and
- facilitating participation at shareholder meetings.

The Company's website includes the following information:

- Annual Reviews, Statutory Reports and Interim Reviews;
- Disclosures made to the stock exchange;
- Press releases; and
- Key corporate governance documents.

PRINCIPLE 9 – STAKEHOLDER INTERESTS

The Board respects the interests of stakeholders within the context of the Company's ownership type and its fundamental purpose.

Rubicon is strongly committed to meeting its legal and other obligations to stakeholders such as employees, shareholders, and suppliers.

The corporate governance principles followed by Rubicon do not materially differ from the Corporate Governance Best Practice Code issued by NZX.

RUBICON INTERESTS REGISTER

Directors' certificates to cover entries in the Interests Register in respect of remuneration, dealing in the Company's securities, insurance and other interests have been disclosed as required by the New Zealand Companies Act 1993.

Directors' Interests

The following are particulars of general disclosures of interest given by the Directors of the Company pursuant to section 140(2) of the Companies Act 1993:

	Relationship
SG Kasnet	
Governors Academy	Trustee
Calypso Management LLC	CEO
Columbia Labs, Inc	Chairman
Tenon Limited	Director
Ocean Manchester Corporation	President
The Kasnet Family Foundation	Trustee
First National Bank of Ipswich	Director
Two Harbours Investment Corp	Director
Stephen G Kasnet 2010 Grantor Retained Annuity Trust	Trustee and beneficiary
HA Fletcher	
Fletcher Building Limited	Director
Asia Pacific Committee of the Trilateral Commission	Member
IAG (New Zealand) Holdings Limited	Chairman
IAG (New Zealand) Limited	Chairman
The University of Auckland Foundation	Trustee
Australian and New Zealand Advisory Board of L.E.K. Consulting	Member
Vector Limited	Director
Dilworth Trust	Trustee
Insurance Australia Group Limited	Director
The New Zealand Portrait Gallery	Trustee
The Fletcher Trust (1)	Trustee
WA Hasler	
Schwab Funds	Trustee
Aviat Networks	Director
TOUSA Inc	Director
Mission West Properties Inc	Director
BoardVantage	Director
Inside Track, Inc	Director
GlobalStar Inc	Director
ETWater Inc (1)	Director

Governance

	Relationship
G Karaplis	
Netia Sa [1]	Vice Chairman
Tenon Limited [1]	Director
DM Knott	
Paramount Resources [1]	Director
Ligand Pharmaceuticals [1]	Director
Boy's and Girl's Harbor [1]	Director
Say Yes to Education [1]	Director
Undergraduate Financial Aid at the University of Pennsylvania [1]	Director
Knott Partners [1]	CEO, Chief Investment Manager and Managing Partner
SL Moriarty	
Tenon Limited	Chairman
ArborGen Inc	Director
Moriarty Family Trust	Trustee and beneficiary
Moriarty Superannuation Fund	Trustee and sole beneficiary
Reserve Bank of New Zealand [1]	Monetary Policy Advisor to the Governor of the Reserve Bank of New Zealand

(1) Directors' interests disclosed to the Company during the year ended 30 June 2012.

During the year ended 30 June 2012 Directors advised the following resignations:

SG Kasnet	
ESCON Capital, Inc	Director
HA Fletcher	
Reserve Bank of New Zealand	Deputy Chairman
WA Hasler	
Ditech Networks	Director

Dealings in Company Securities

Directors of the Company disclosed that they acquired (on market) the following relevant interest in Rubicon shares since 1 July 2011:

	Number of shares acquired	Consideration paid NZ$
SG Kasnet		
28 July 2011	42,304	21,152
30 September to 5 October 2011	30,750	11,768
HA Fletcher		
6 to 7 October 2011	89,542	36,003

In addition Directors (and their associates) took up all shares offered under the Company's 5 June 2012 pro-rata entitlement offer resulting in the following acquisitions:

	Number of shares acquired	Consideration paid US$
SG Kasnet	163,317	26,998
HA Fletcher	1,037,433	171,498
WA Hasler	205,951	34,046
SL Moriarty	873,869	144,459
DM Knott	26,872,050	4,442,219

Directors' Holdings of Rubicon Equity Securities at 30 June 2012
Refer page 45.

Directors' and Officers' Indemnity and Insurance
In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, the Company has given indemnities to, and has effected insurance for, Directors and executives of Rubicon and its related companies which, except for specific matters expressly excluded, indemnify and insure Directors and executives against monetary losses as a result of actions or omissions by them in the course of their duties. Specifically excluded from the indemnity are actions of criminal liability or breach of the Director's duty to act in good faith and in what the Director believes to be the best interests of the Company.

On 1 July 2012 the Company renewed its Directors' and Officers' liability and statutory liability insurance policies.

Donations
During the period Tenon made donations of $5,000.

Credit Rating
Neither Rubicon nor Tenon have sought a credit rating.

TENON INTERESTS REGISTER

Section 211(2) of the Companies Act 1993 requires details of entries in the Interests Register of subsidiaries to be included in the annual report. The following are entries made to the Tenon interests register during the year ended 30 June 2012:

Directors' Interests
Other than Messrs Kasnet, Moriarty and Karaplis whose changes in Directors Interests are disclosed in the Rubicon Interests Register on pages 47 to 48, no Tenon director has advised any changes in their Interests.

Tenon Directors' Remuneration
Non-executive Tenon directors' base remuneration for the 2012 year was NZ$67,500 per annum, with the Chairman receiving NZ$130,000 [(1)].

The aggregate amount of fees paid by Tenon to non-executive directors for services in their capacity as directors during the year ended 30 June 2012 was NZ$447,868.

Governance

Fees, prior to any taxation liability, paid to individual non-executive directors in the year ended 30 June 2012 were:

	NZ$
MJ Andrews	67,500
RH Fisher	72,000
G Karaplis (1)	36,868
SG Kasnet	67,500
SL Moriarty (Chairman) (2)	130,000
MC Walls	74,000
Total	447,868

(1) Appointed to the Board in December 2011.
(2) Total directors' fees in relation to services provided by SL Moriarty are paid directly to Rubicon for Rubicon's account.

Directors' and Officers' Indemnity and Insurance
In accordance with section 162 of the Companies Act 1993 and the constitution of Tenon, Tenon has given indemnities to, and has effected insurance for, directors and executives of Tenon and its related companies which, except for specific matters which are expressly excluded, indemnify and insure directors and executives against monetary losses as a result of actions or omissions by them in the course of their duties. Specifically excluded from the indemnity are actions for criminal liability or breach of the director's duty to act in good faith and in what the director believes to be the best interests of the company.

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the Company to disclose in relation to directors and former directors of its subsidiaries, amongst other things, the total remuneration and value of other benefits received by them, and particulars of interest register entries made by them during the year ended 30 June 2012. No employee of a Rubicon Group company appointed as a director of any Rubicon subsidiary receives any remuneration or other benefits in that role, other than SL Moriarty, whose Tenon director fees are paid to Rubicon. The remuneration and other benefits of employees are disclosed elsewhere in this Annual Report. Except where shown below, no other director of any Rubicon subsidiary receives any remuneration or other benefits as a director. The following persons held office as directors of subsidiary companies as at 30 June 2012:

Rubicon Forests Holdings Limited	SL Moriarty, MA Taylor
Tenon Limited	MJ Andrews (NZ$67,500), RG Fisher (NZ$72,000), SG Kasnet (NZ$67,500), SL Moriarty (1), MC Walls (NZ$74,000)
Tenon Holdings Limited	PM Gillard, JE Paice, AS White, AT Johnston
Tenon Industries Limited	PM Gillard, JE Paice, AS White, AT Johnston
Tenon Manufacturing Limited	PM Gillard, JE Paice, AS White, AT Johnston
Tenon Retirement Plan Nominees Limited	PM Gillard, JE Paice, AS White, AT Johnston
Tenon Employee Educational Fund Limited	PM Gillard, AC Grinter, J McDonald
Tenon Welfare Fund Nominees Limited	PM Gillard, GD Niccol, MR Taylor
Tenon USA Holding Company	PM Gillard, AS White, AT Johnston
Tenon Supply, LLC	PM Gillard, AS White, AT Johnston
Tenon Custodians Limited	PM Gillard, JE Paice, AS White, AT Johnston
AWM Acquisitions Corporation	PM Gillard, AS White, AT Johnston
Comanche Investments, LLC	PM Gillard, AS White, AT Johnston
CNI Forest Nominees Limited	PM Gillard, JE Paice, AS White, AT Johnston

Creative Stair Parts, LLC	PM Gillard, AS White, AT Johnston
Fairfield Road, LLC	PM Gillard, AS White, AT Johnston
Fletcher Challenge Forests Finance Limited	PM Gillard, JE Paice, AS White, AT Johnston
Fletcher Challenge Limited	PM Gillard, JE Paice, AS White, AT Johnston
Fletcher Wood Solutions, Inc.	PM Gillard, AS White, AT Johnston
Kaingaroa Holdings Limited	PM Gillard
Kok's Woodgoods, LLC	PM Gillard, AS White, AT Johnston
NACS USA Inc	PM Gillard, AS White, AT Johnston
Ornamental Mouldings Company	PM Gillard, AS White, AT Johnston
Ornamental Mouldings, LLC	PM Gillard, AS White, AT Johnston
Ornamental Investments, LLC	PM Gillard, AS White, AT Johnston
Ornamental Products, LLC	PM Gillard, AS White, AT Johnston
Southwest Moulding Co.L.P.	PM Gillard, AS White, TH Highley, D Bell, AT Johnston
The Empire Canada Company Limited	PM Gillard, AS White, C Rogers, AT Johnston

(1) SL Moriarty's Tenon director fees of NZ$130,000 for the year to 30 June 2012 were paid to Rubicon for Rubicon's account.

SHAREHOLDER INFORMATION

The Company's shares are listed on the New Zealand Stock Market. The 20 shareholders of record with the largest holdings of shares at 31 July 2012 were:

Name	Number of shares	% of shares
New Zealand Central Securities Depository Limited	334,804,305	88.17
Fletcher Brothers Limited	4,149,731	1.09
Moriarty Superannuation Fund - Luke & Diana Moriarty	2,710,124	0.71
Taylor Superannuation Fund - Mark & Lesley Taylor	1,093,234	0.29
Brian Tyler	961,952	0.25
William Hasler	823,804	0.22
Moriarty Family Trust - Luke Moriarty, Diana Moriarty & Aida Harris	785,352	0.21
Stephen Kasnet	653,265	0.17
Burton Superannuation Fund – Bruce & Sarah Burton	633,460	0.17
Michael Andrews	612,746	0.16
Tenon Employee Educational Fund Limited	589,072	0.15
Christopher Flood	553,584	0.15
Victor Bedford	450,692	0.12
Leveraged Equities Finance Limited	443,420	0.12
Martin Teulon & Eileen Quigley	310,334	0.08
Peter Bradfield	278,094	0.07
ASB Securities <495569 – ML A/C>	252,584	0.07
Walker Capital Management Limited	248,154	0.07
Lindsay Hotham	247,074	0.06
Maureen McDonald	241,230	0.06
Total	350,842,211	92.39

Governance

New Zealand Central Securities Depository Limited provides a custodial depository service, which allows electronic trading of securities to its members, and does not have a beneficial interest in these shares. Its holders of Rubicon shares at 31 July 2012 were:

Name	Number of shares	% of shares
HSBC Nominees (New Zealand) Limited	150,953,669	39.76
Citibank Nominees (New Zealand) Limited	92,388,935	24.33
JP Morgan Chase Bank NA	79,947,206	21.05
Accident Compensation Corporation	7,982,142	2.10
National Nominees New Zealand Limited	3,409,850	0.90
HSBC Nominees (New Zealand) Limited A/C State Street	120,322	0.03
Private Nominees	2,181	0.00
Total	334,804,305	88.17

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 31 JULY 2012

	Number of shareholders		Number of shares	
Size of holding	Number	%	Number	%
1–999	2,468	33.31	1,659,102	0.44
1,000–9,999	4,399	59.38	11,820,318	3.11
10,000–49,999	451	6.09	8,413,547	2.22
50,000–99,999	44	0.59	2,996,224	0.79
100,000 and over	47	0.63	354,830,784	93.44
Total	7,409	100.00	379,719,975	100.00

DOMICILE OF SHAREHOLDERS AND HOLDINGS AS AT 31 JULY 2012

	Number of shareholders		Number of shares	
	Number	%	Number	%
New Zealand	6,248	84.34	374,679,186	98.67
Australia	691	9.32	1,743,972	0.46
United Kingdom	187	2.52	440,743	0.12
United States of America	151	2.04	2,209,368	0.58
Other	132	1.78	646,706	0.17
Total	7,409	100.00	379,719,975	100.00

SUBSTANTIAL SECURITY HOLDERS

According to notices given to the Company under the Securities Markets Act 1988, as at 17 September 2012 the following were substantial security holders in the Company. In terms of the Act, the number of shares and percentages shown below are as last advised to Rubicon by the substantial security holder and may not be their current holding.

Substantial security holder	Number of voting securities	% of issued Rubicon securities	Date of notice
David Knott [a]	107,488,210	28.307	23 July 2012 [1]
Third Avenue Management LLC	46,988,986	18.839	21 September 2006 [3]
Perry Corporation / Richard Perry [b]	31,260,698	10.977	14 December 2010 [2]
Sandell Asset Management Corp [c]	41,098,869	10.823	10 July 2012 [1]
Sophrosyne Capital, LLC	28,424,742	7.486	6 July 2012 [1]

The following substantial security holder notices have been received (which are included in the substantial security holder notices disclosed above);

Substantial security holder	Number of voting securities	% of issued Rubicon securities	Date of notice
(a) Mr Knott has disclosed he holds a relevant interest in:			
Dorset Management Corporation	97,502,420	25.677	23 July 2012 (1)
Knott Partners, L.P.	69,687,235	18.352	17 September 2012 (1)
(b) Mr Perry has disclosed he holds a relevant interest in:			
Perry Partners International Inc and Perry Partners International Master Inc	15,149,855	5.320	14 December 2010 (2)
(c) Castlerigg Master Investments Ltd has disclosed it has a beneficial interest in the following shares for which Sandell Asset Management Corp. has the power to control the disposition of and voting for:	34,847,891	9.177	10 July 2012 (1)

The total number of issued voting securities at 17 September 2012 was 379,719,975.

(1) Shares on issue at date substantial security holder notice was received was 379,719,975
(2) Shares on issue at date substantial security holder notice was received was 284,788,155
(3) Shares on issue at date substantial security holder notice was received was 249,419,021

WAIVERS BY NZX

NZX granted a waiver from Listing Rule 7.3.1, which would have required Rubicon to seek Shareholder approval for the issue of shares under the pro-rata entitlement offer announced on 5 June 2012. This waiver was granted subject to the conditions that:

- Eligible Retail Shareholders were able to participate in the Bookbuild through an Oversubscriptions Facility;
- the terms of the Offer were fully disclosed in the Offer Document; and
- the Directors of Rubicon certified that the terms and structure of the Offer were fair and reasonable to Rubicon and Rubicon's Shareholders.

Board of Directors

Stephen Kasnet
Director and Chairman
BA University of Pennsylvania (Philadelphia)

Steve is a former President and CEO of Raymond Property Company and Dartmouth Street Capital, which are real estate companies engaged in the acquisition, development, renovation, ownership and management of residential and commercial real estate in the Boston area. Prior to this he was President and CEO of Harbor Global Company Limited, which maintained the largest real estate investment fund in Russia and owned and managed one of Russia's leading asset management and mutual fund complexes.

He is CEO of Calypso Management LLC, Chairman of Directors of Columbia Labs, Inc, Trustee of Governors Academy, President of Ocean Manchester Corporation and Director of Tenon Limited, First National Bank of Ipswich and Two Harbours Investment Corp.

Hugh Fletcher
Director
MBA Stanford University; MCom (Hons), BSc University of Auckland

Hugh is Chairman of IAG (New Zealand) Holdings Limited and IAG (New Zealand) Limited, and a Director of Fletcher Building Limited, Vector Limited and Insurance Australia Group Limited.

He is also a Trustee of The University of Auckland Foundation, the Dilworth Trust, the Fletcher Trust and The New Zealand Portrait Gallery, and a member of the Asia Pacific Committee of the Trilateral Commission and the Australia and New Zealand Advisory Board of L.E.K. Consulting.

Hugh has broad pastoral farming interests. His executive experience includes six years as Managing Director and Chief Operating Officer of Fletcher Challenge Limited, before he became CEO from 1987–1997.

Bill Hasler
Director
MBA Harvard; BA Pomona College (California), CPA

Bill is former Vice Chairman and Board Director of KPMG Peat Marwick, a position he held from 1984–1991 after being responsible for KPMG's western US operations from 1984–1986, and subsequently heading their worldwide management consulting practice from 1986–1991.

Upon leaving KPMG, Bill became Dean and Departmental Chair of the Haas School of Business at the University of California in Berkeley. He held this position from 1991–1998, and continues today as Dean Emeritus.

In addition, Bill is a Director of Globalstar Inc, Inside Track Inc, Aviat Networks, TOUSA Inc, Mission West Properties Inc, BoardVantage and ETWater Inc and is a Trustee of Schwab Funds. He is also a consultant to, and investor in several private technology companies.

George Karaplis
Director
BEng. and MBA, McGill University

George has over 35 years' experience building and growing shareholder value and has a proven track record in 'turnaround' and high growth companies.

He is currently Deputy Chairman of Netia, a Polish integrated telecom services and media solutions' company, a Director of Tenon Limited, and he has previously led France Telecom's Global One business in Greece as Managing Director. He also acted as Chief Financial Officer and General Manager of International Investments for the Hellenic Telecommunications Organisation.

Prior to that Mr Karaplis held a number of management positions in Canada and Europe. He has relevant experience in the forestry and wood products industry from his previous employment with Domtar, a Canadian Paper and Forest Product producer.

Board of Directors

David Knott
Director
B.A. University of Pennsylvania, M.B.A. Wharton School of the University of Pennsylvania

David is the Chief Executive Officer, Chief Investment Manager and Managing Partner of Knott Partners who, with associated entities, is Rubicon's largest shareholder. He has served as Chief Investment Manager of Knott Partners from 1987, and prior to this he was a General Partner and analyst at Mandrakos Associates.

David currently serves on the board of Directors of Paramount Resources and Ligand Pharmaceuticals, Inc. He is also a Director of Boy's and Girl's Harbor and Say Yes to Education, and the Undergraduate Financial Aid at the University of Pennsylvania.

Luke Moriarty
Chief Executive Officer
MS Stanford University; LLB (Hons) and BCA Victoria University

Luke has a strong background in business and commercial transactions, both in New Zealand and North America. His financial experience has included extensive international business valuation, acquisition, divestment and joint venture analysis and negotiation, and structuring and execution in multi-billion dollar transactions – ranging from minority buyouts to trade sales and IPOs.

He spent several years in North America, and while there led the financial restructuring of Fletcher Challenge Canada, through the sale of TimberWest Forests and Blandin Paper Company. He joined the Fletcher Challenge Executive Office in 1999, and in 2000 was instrumental in the structuring of the financial separation of the Fletcher Challenge Group, including the establishment of Tenon (then Fletcher Challenge Forests) and the formation of Rubicon in 2001.

Luke is a Director and the CEO of Rubicon, the Chairman of Tenon Limited, and a Director of ArborGen Inc. Luke is also a Monetary Policy Advisor to the Governor of the Reserve Bank of New Zealand.

Investor Enquiries/Registered Office

Level 1, 7-9 Fanshawe Street, Auckland

PO Box 68 249, Newton,

Auckland 1145, New Zealand

Telephone: 64 9 356 9800

Facsimile: 64 9 356 9801

Email: information@rubicon-nz.com

Website: www.rubicon-nz.com

Stock Exchange Listing

The Company's shares (RBC) are listed on the NZSX.

Shareholder Enquiries

Shareholders with enquiries about share transactions or changes of address should contact the Share Registrar:

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road

Takapuna, Auckland

Private Bag 92 119,

Auckland 1142, New Zealand

Telephone: 64 9 488 8777

Facsimile: 64 9 488 8787

Email: enquiry@computershare.co.nz

www.rubicon-nz.com