



RUBICON ANNUAL REPORT **2004**

CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholder,

In last year's report we outlined Rubicon's objectives for the 2004 year. With the exception of FTSA (which we comment upon later), we achieved all of the key targets we had set. Pleasingly, the progress we made during the year resulted in a significant uplift in the value of your Rubicon shares.

In previous years we have made a significant commitment, through our Annual Report, to improve shareholders' understanding of the various components of Rubicon's activities. This year we feel able to benefit from having laid that foundation of understanding, allowing us to focus purely on the actual accomplishments your Company has made in the course of the year under review.

SHARE PRICE PERFORMANCE

Since writing the 2003 Annual Report, the Rubicon share price has risen from 68 cents per share to 83 cents per share. This equates to a 22% increase over the past year – well in excess of our target return of 17% per annum. The reasons for this increase are discussed in this report.

While the Rubicon share is now trading at close to the Company's book value, our goal is to have Rubicon trading at substantially above the asset value recorded in our Annual Financial Statements.

In terms of value to shareholders, it is worth noting that since Rubicon's shares listed in March 2001, we have returned \$60 million of capital and, in addition, our share price has more than doubled – in fact it has increased 107%, which corresponds to an annualised return to shareholders of 28% per annum. This can be compared with a return of 11.4% per annum for the NZX top 50 companies over the same three-year period.

We are confident we can deliver further value to our shareholders in 2005.

INVESTMENT IN TENON

(PREVIOUSLY FLETCHER CHALLENGE FORESTS)

In last year's Annual Report, we made quite clear our view as to the strategic path that Tenon should be moving down. For completeness we repeat it here:

"Rubicon's view is that [Tenon] should be focusing on, and operating in, those market segments in the forest products value-added chain where the greatest margin can be achieved for the highest return to its shareholders ... the returns achieved from the ownership of forest resource is not the place to be ... We believe [Tenon] should have relatively more of its capital invested in value-added processing and in-market distribution activities, and far less invested in the ownership of forest resource ... it must progressively remove capital invested in the forest ownership end of the market-to-resource chain, and increase its investment in value-add activity much closer to the end-market and customers.

The Rubicon share price has risen 22% over the past year

The sale of the forest estate on transaction metrics higher than those the share market had been applying to Tenon, released significant value to Tenon shareholders. As the cornerstone shareholder in Tenon, Rubicon's share price also benefited significantly.

To some extent [Tenon] has established some beach-heads of this type ... But much more needs to be put in place in other markets, and it needs to be actioned with urgency.

As long as [Tenon] can obtain wood supply contracts that give it the certainty it needs in relation to its current and future processing and market distribution activities, there is, logically, no need for it to have the amount of capital tied-up in forest resource that it has today. Nor does [Tenon] need to reinvest in new market activities anywhere near the capital it could free up from a lessening of its ownership of forest resource. In this way we see a win:win for [Tenon] and its shareholders – including for Rubicon and its shareholders. [Tenon] would be able to raise its returns (over time) by reducing its investment in its financially poor-performing forest estate, and increasing its investment in those market activities where shareholders expectations can be met or exceeded. In so doing, surplus capital could be released and returned to shareholders. [Tenon] would then be a much leaner vehicle operating strongly at the customer-end of the forest products value chain."

You will be aware that Tenon's new strategy is now to do just as we outlined.

In December 2003 Tenon announced it had sold its forest estate to the Kiwi consortium for \$725 million. It was subject to certain conditions – the main ones being the satisfaction of financing conditions on the Tarawera forestry cutting right component of the sale, the assignment of \$209 million of leasehold interests, and Tenon shareholder approval. Although there were elements of the sale with which we were less than happy, we did vote in favour, as the transaction was consistent with the strategy we had advanced for Tenon and we believed the transaction overall was in the best interests of Rubicon shareholders.

Tenon agreed to make two capital returns to its shareholders from the proceeds of the forest sale – the first was paid in March this year, with Rubicon receiving just under \$70 million in cash from that payment. The second payment of "up to" \$1.15 per Tenon share (dependent upon the assignment of certain forestry leases) is due in September this year. If the full amount is paid, Rubicon would receive an additional \$64 million in cash as a 20% Tenon shareholder.

The sale of the forest estate on transaction metrics higher than those the share market had been applying to Tenon, released significant value to Tenon shareholders. As the cornerstone shareholder in Tenon, Rubicon's share price also benefited significantly.

Again, if we look back to our 2003 Annual Report, we also got things pretty well right when we said, "...if all of [Tenon's] forest estate was restructured on similar metrics to those adopted in [Tenon's] recent US\$65 million forest cutting right transaction, [Tenon's] share price should jump to a level in excess of \$1.50 per share – a 50% increase over the current share price." Tenon's subsequent upwards share price movement has proved this statement to be correct.

Having received the first Tenon capital return, the Rubicon Board gave careful consideration to the best use of these cash funds for Rubicon shareholders. We had originally been of the view that we would probably make a capital return to Rubicon shareholders, however, after extensive discussion the Board determined the best use of funds was to acquire a 50.01% interest in Tenon, to allow us to better drive the delivery of value in that company. What we have found over the last few years is that while our 20% shareholding in Tenon has afforded us a level of influence in Tenon decision making, it certainly has not given us control of decision making. We believe it is in the best interests of our shareholders that we now move to a 50.01% control position, as that will allow us to maximise value in Tenon with the appropriate urgency. Just as we have added considerable value through our strategic input into Tenon to date, we believe we can take the company another step forward by moving to a 50.01% ownership position now.

So, on April 8, 2004, we announced our intention to make a partial takeover offer for Tenon, and on May 5, we made our formal offer to Tenon shareholders. Our Offer price was \$1.85 per share, which we subsequently increased to \$1.95 per share on May 20th.

The closing date for our Offer is June 3, 2004. At the time of writing this report our Offer was still open for acceptance, and we did not know the outcome. Typically, takeovers of this sort are decided on the 'last day', so we will need to wait and see what happens. Having said that, we remain confident of success.



Tenon has a leading position in Radiata appearance mouldings into the United States through its investments in Empire and Amercian Wood Moulding.

We have received considerable support from our own shareholders for our decision to move to a control position in Tenon. Our two largest shareholders – GPG and Perry Corporation – each representing a 20% interest in Rubicon, agree that this is the best path for the Company. Although we already have a cornerstone 20% shareholding position in Tenon today, we do not control our own destiny in terms of the future direction of Tenon – our single largest investment. It is a natural move for Rubicon to seek to determine the future of this significant investment by taking control, and such a move also fits well with our primary focus today – bringing value to our core forestry portfolio.

FORESTRY BIOTECHNOLOGY AND TREESTOCK PRODUCTION OPERATIONS

IMPROVED WOOD QUALITY CLONE # 194-001

If you were to look inside a pine tree you would see two types of wood – core wood running down the centre of the tree, and mature wood on the outside of that core. Core wood is the wood that is laid down in a tree's juvenile years – typically up to age 10 in Radiata. Mature wood is the older wood that occurs in the 15 years or so of growth following the juvenile phase. The juvenile core represents very low value wood – it is soft and weak, and not suitable for the higher value structural grade applications that can only be achieved from the mature outer wood.

The picture shows two logs – the one on the left has a core of eight rings of juvenile wood – it is the output of a traditional family treestock. The log on the right is the output that can be expected from our higher-value clonal treestocks, the first of which are now being deployed at Horizon2. You can see that the juvenile core in the clonal log is much smaller – only three growth rings. This means that from as early as age five, this tree will begin to lay down wood that can be used in the much higher-value structural lumber applications with significant implications for the volume of high grade wood per tree and the rotation length.

The five-ring difference in juvenile core between these two logs, generates significantly higher recoveries and value for the processor.

You can see the impact quite clearly when a sawmill cutting grid is laid on top of each log. From each of these logs a typical sawmill would cut 26 100X50 mill boards (or 26 4X2s in old language). In the first log, only 11 of the 26 do not intersect the juvenile core, and hence will be structural grade boards – these are marked on the cutting grid.



TREES & TECHNOLOGY ('T&T')

T&T recorded an EBITD (earnings before interest, tax and depreciation) of \$1.5 million in 2004 – up 19% on last year's earnings. This excellent result was due to success in three areas:

- *An increase in the production and sales of our higher-value clonal treestocks.* In 2004 T&T sold some 1.4 million clonal units – up 66% on the previous year. This number would have been even higher had T&T not suffered from the carry-over effect of the 2003 drought-induced stress on its mother plant production;
- *A continued cost control focus.* Costs were maintained at last year's levels, despite the much higher cost currently associated with increased clonal production, and despite the loss of \$0.1 million of product development income due to the early termination of the Strategic Relationship Agreement ('SRA' – refer next page) by Tenon;
- *Complete delivery of ArborGen's science-services requirements.* During the period, all ArborGen's science deliverables (which, for T&T, are focused primarily on the bioengineering of Eucalyptus treestocks for trialing in North America and Brazil – none are field-tested in New Zealand) were met on time and under budget. T&T received \$1.2 million of services revenue from ArborGen in 2004.

To some extent, however, this strong performance was overshadowed by two significant events that will fundamentally change T&T's business moving forward.

The first was the formation of Horizon2, which was announced in March 2004, with effect from April 1, 2004. Horizon2 is the merger of T&T with Carter Holt Harvey's ('CHH') Forest Genetics operations. Rubicon and CHH are equal partners in the merged entity. These two businesses are New Zealand's recognised pioneers in the application of biotechnology techniques to the improvement of growth rate and wood quality in Radiata. The Horizon2 merger:

- Pools the considerable experience, knowledge and science capability of New Zealand's two leading forestry biotechnology teams;

- Allows the development of a single integrated science and product development program, and achieves the pooling of financial resources necessary to advance the program;
- Brings together two competing technologies (organogenesis and somatic embryogenesis ('SE')) – the combination of which should allow the future development of superior treestock products at far lower unit costs;
- Will result in better outcomes for our customers and the forest industry more generally. Horizon2 will be able to offer an expanded range of treestock products and services, including a greater range of higher-value clonal treestocks – whether they be for structural, appearance or engineered wood end-uses;
- Will allow the new entity to compete internationally. Examples of growth options outside New Zealand are Australia, where Forest Genetics already has an initial footprint (it sold 0.7 million Radiata treestocks in Australia last year), and Chile, where T&T has clonal treestock trials underway; and
- Has acquired CHH (New Zealand's largest forest owner) as a long-term customer (CHH has signed a 9-year exclusive strategic relationship agreement with Horizon 2), with set annual commitments as to treestock volume and clonal up-take.

The combined entity will be the largest commercial scale producer of clonal conifers in the Southern Hemisphere. In its first year Horizon2 is forecasting it will produce 19 million treestock units, predominantly Radiata, but also Douglas Fir, Eucalyptus, Acacia and Redwood. Of the 19 million production units, approximately 2.5 million will be clonal treestocks.

The second 'event' in 2003/4, was that at the same time we were putting in place Horizon2, the face of the New Zealand forestry industry was undergoing radical change. As already noted, during the year Tenon sold its entire forest estate in order to focus solely on its processing and distribution operations. In so doing, it 'walked away' from its SRA obligations to T&T, and compensated Rubicon by way of an early termination payment. As the SRA with Tenon was one of the critical assets to be contributed by T&T to Horizon2 upon its formation, and to some extent it underwrote part of Rubicon's 50% shareholding in the merged entity, we agreed to make a \$3 million cash contribution to Horizon2 (upon its formation on April 1, 2004) in order to maintain our 50% shareholding in the absence of that contract.

Of course, it was not just Tenon that was restructuring itself. The forest estate previously known as the CNIFP and which had been managed by a receiver for the past three years, was sold to the Harvard endowment fund (managed by the Campbell Group).

While we are yet to understand the forestry regime (i.e. species, harvesting plan, annual treestock requirements, and attitude towards clonal forestry) that some of the new owners of these forestry assets will pursue, others have indicated their preference to work with Horizon2. In this regard, several large customers have already signed up to exclusive supply contracts with T&T, and these contracts have now been assigned to Horizon2 as part of Rubicon's contribution to the new venture.

In the second log, which is the expected output of one of our clonal treestocks, the structural grade recovery doubles to 22 of the 26 boards. For a sawmill the size of, say, Tenon's Kawerau mill, this small change in juvenile core and increase in structural grade output, would amount to more than \$25 million dollars per annum in additional revenue, assuming all of its log diet could be satisfied from clonal treestock output of this type.

In anyone's language, that value up-lift is very significant.

So, Horizon2's role is to find those naturally occurring trees that have truly superior performance across a range of traits – a small juvenile core is only one of the many traits we search and select for – others include wood density, stiffness and distortion. Once these top performers have been found, the genetic material is cryo-preserved so that access to it can be maintained forever. Site characteristics and desired wood qualities are then matched with the best seedlings to plant from Horizon2's total library of clones. With that decision made many copies are multiplied for production and deployment purposes. This multiplication process is called cloning, and the result is the creation of many perfect treestock copies of a single superior tree – just like identical twins in humans.

ArborGen takes this process one stage further. It takes the top performers that Horizon2 has cryo-preserved, and identifies exactly what it is in the genetic make-up of those trees that makes them perform the way they do. Once identified, science can be applied, to make step-change improvements to tree performance – changes that would otherwise take many generations to achieve, even under clonal forestry.

ArborGen is now able to produce millions of identical copies of specific clones for commercial plantings at a customer's request

ARBORGEN

2003/4 was also an exceptionally strong year for ArborGen:

- All product milestones were met.
- The science program achieved its goals at 15% under budgeted cost.
- Significant advances were made in the ability to bioengineer Eucalyptus. ArborGen now has the capability for gene testing and product development in Eucalyptus, Pinus taeda, Pinus radiata, and Populus.
- A step-change improvement in SE production capability was achieved, with ArborGen now able to produce millions of identical copies of specific clones for commercial plantings at a customer's request. (SE is one of the clonal propagation technologies that allows ArborGen (and Horizon2) to produce any number of genetically identical copies of a particular tree).
- ArborGen's commercial SE services business in North America continued to grow. The great benefit to ArborGen of providing this service is that it ensures strong relationships with ArborGen's future bioengineered treestock customers are forged, while at the same time facilitating the faster adoption of clonal planting stock technology. In the future bioengineering of treestocks, it will be the ability to engineer selected traits across a range of clones that will prove to be a defining capability and a source of competitive advantage.
- A number of key licensing agreements were concluded during the period. This will be an on-going process, as ArborGen will continue the development and assessment of future gene candidates that could achieve its product concepts. In 2003/4, in-licensing related primarily to technology necessary for ArborGen's product development in lignin modification, growth rate increase, and flowering / reproductive control.
- ArborGen's licensing strategy efforts, combined with its extensive gene discovery program in growth, development and wood quality, now positions it with a continuous high quality pipeline of new targeted products. ArborGen's EST database (i.e. short strings of DNA), when combined with the Rubicon-Genesis database, holds in excess of 600,000 ESTs for pine and Eucalyptus species. This is by far the largest of its type in existence today, and forms the foundation of ArborGen's gene discovery platform.
- ArborGen continued to develop its own patent strategy with nine patents applied for during the year, five of which were genomic sequence patent applications.
- Aggressive evolution of ArborGen's wood gene discovery program continues to be an important component of ArborGen's product pipeline strategy. Frequent capability assessments of world-class functional genomics companies continue to be conducted in order to ensure that ArborGen partners with the best and most efficient service providers available in the market.

- The product development portfolio was advanced and expanded:
 - *Improved pulping Eucalyptus plants were placed in field trials, and the product development remains on target.* The improved pulping characteristics come through altering the lignin content and composition (lignin is the 'glue' that holds a tree together, but which adds considerable energy and chemical cost at the time of extraction in the pulping process). Improved pulping genes have been introduced with flowering control genes in the event that such a trait may be required for regulatory purposes.
 - *Advances were made in faster rotation / improved wood quality pine products (i.e. those that combine higher yield and improved stiffness through a focus on juvenile wood reduction with shorter rotation length).* In conventional tree breeding, shorter rotation length is accompanied by an increase in the proportion of generally unwanted juvenile wood. The faster rotation / improved wood quality product has application in all pine species, although the initial focus is Loblolly. ArborGen has the sole forest licence over a number of 'growth' genes that are currently being trialed and which have exhibited immediately positive results. In addition, several proprietary genes that have been selected as a result of the ArborGen gene discovery program are also showing significant promise.
 - *A cold tolerant Eucalyptus product was added to ArborGen's core portfolio.* Hardwood pulp is an essential raw material for manufacturing a range of higher-quality papers. It is economically attractive to grow Eucalyptus (a hardwood) because of the short rotation times and the high quality fibre that is produced. However, in some geographies, where serious hardwood supply shortages may soon occur, commercial plantings of Eucalypt are simply not a possible alternative currently, as they are not resistant to the occasional extremes of cold which can completely destroy the growing tree. Engineering in a cold tolerant gene that will enable the tree to withstand extreme frosts is an attractive commercial proposition in this situation. During the period, an exclusive license to cold tolerance genes in several key forestry species was secured from a leading US based genomics company. These genes are now being tested in model tree species as well as Eucalyptus. Although it is early days, ArborGen has had some excellent early success with specific gene trials of this nature in the laboratory. These trials will be extended into the field in due course.
- Extensive effort was put into detailed customer interviews and a corresponding refinement of ArborGen's customer acquisition strategy and product development plans. The result has been a rigorous and quantitative review of product and market value prospects with very favourable results in each of the product areas that ArborGen has analysed. In acknowledgement of the importance of the Brazilian market, ArborGen has now decided to establish a field trial and marketing capability in Brazil.

Engineering in a cold tolerant gene that will enable the tree to withstand extreme frosts is an attractive commercial proposition in this situation

ArborGen
and Horizon2
represent
intellectual
capability
that will
fundamentally
change the
future
profitability of
the forest
industry

Overall, we continue to believe that ArborGen and Horizon2 represent intellectual capability that will fundamentally change the future profitability of the forestry industry. The example (refer pages 4 and 5) of T&T's discovery of clone #194-001 (which was discussed at last years' Rubicon ASM) is just one example of what can be achieved.

In ArborGen, all science milestones are being met, and we are now well down the business development path. The critical next step is to secure funding for the business for the next 2-3 years, as the first-round committed partner-funding ends in the first quarter of 2005. We believe this can be achieved.

We now have T&T on an excellent footing – having turned it around from a loss-making internally focused science business when we acquired it from Tenon in 2001, into a profitable commercially-focused treestock production business today. Its merging with Forests Genetics to form Horizon2 represents the next step in its evolution, providing it with an even stronger base from which it can launch profitable expansion and growth.

FORESTADORA TAPEBICUÁ ('FTSA')

FTSA continues to strengthen modestly in terms of operating performance. Revenues during the period grew to around 2.85 million pesos per month. As the graph opposite shows, a noticeable recovery in the domestic Argentine economy saw domestic sales significantly exceed export sales in 2003/4 – a reversal of the sales-mix recorded by FTSA in 2003.

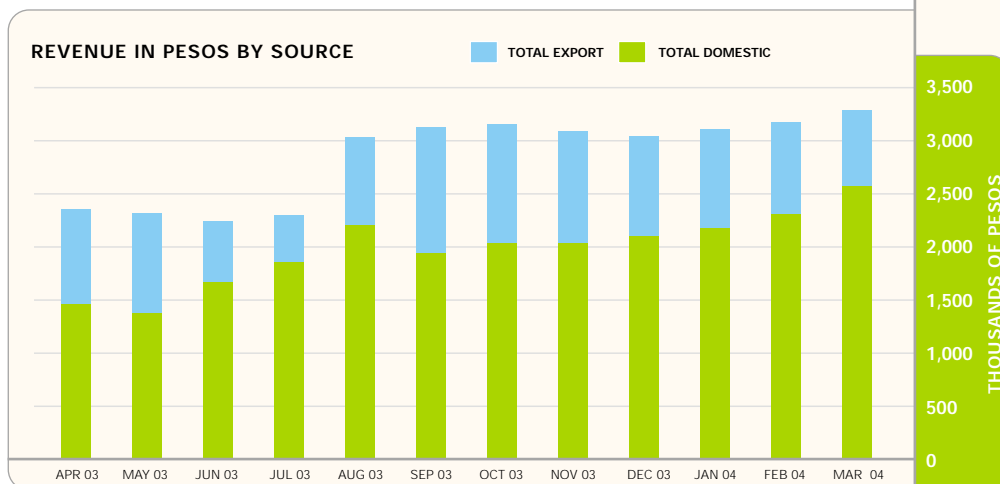
Improvements were achieved in product quality, cost and efficiency in both the plywood and sawmill operations. 2003/4 saw customers being converted from opportunistic sales transactions to regular, relationship-based clients. FTSA's forest resource was harvested on a sustainable basis over the period, with the company being able to take advantage of competitive third party log availability.

However, despite the improvements in the underlying business, little has been advanced in terms of the governance of FTSA. This is a disappointment to us. For this reason, and as foreshadowed in our Interim Report, we have now taken the decision to enter into arbitration, and if necessary take court action, over all outstanding claims and issues we have with the 50% partner in FTSA – Aldanor. This action is being taken to protect the contractual rights of FTSA in relation to debts owed to FTSA by Aldanor and related Albano family interests, to overcome the obstructive conduct of Aldanor on the board of FTSA, to assert the right to transfer ownership to Rubicon, and ultimately to remove the impediments to unlocking value in the business. In our view, Aldanor's actions continue to seriously undermine the future prospects of FTSA, including the impact those actions may have upon FTSA's bank lenders and any action they may chose to take against FTSA.

We will employ every endeavour to recover from Aldanor what is rightfully Rubicon's. We are no longer willing to negotiate indefinitely with an intransigent partner, and we are now moving to claim what should be ours.

You will be aware that Aldanor has to date refused to give its consent for the legal transfer of Tenon's 50% interest in FTSA to Rubicon – something Aldanor cannot 'unreasonably' withhold. Despite the fact we believe their refusal is 'unreasonable', we have determined not to transfer legal title to Rubicon pending resolution of this and other issues we have with Aldanor. On this point, you will recall that we have previously received US\$3 million from Tenon in order to compensate Rubicon for certain transfer-related issues, including any loss should legal title to Tenon's 50% interest in FTSA not eventually pass to us.

As we are beginning an intense legal dispute with Aldanor which may prove to be protracted, and FTSA is also now entering serious discussions with its funding bank in relation to a fundamental debt-renegotiation proposal (the outcome of which we do not know at the time of writing this report), the Board has determined to keep the carrying value of FTSA in Rubicon's financial statements under close review throughout this year, as these issues develop further.



This voting record shows excellent alignment of interests amongst our shareholders in relation to the path we are taking the Company on

GOVERNANCE / SHAREHOLDER ISSUES

March saw the conclusion of the GPG and Perry Corporation litigation. The Court of Appeal unanimously over-turned the High Court decision, and ruled that Perry had not breached its Securities Markets Act disclosure obligation. Pleasingly, although never in question, was the conclusion that Rubicon and its officers had also acted quite properly, and at all stages sought to ensure its shareholders complied with the requirements of the Act. The Privy Council declined to hear an appeal, thus bringing the matter to an end. All parties are pleased to have this matter behind them.

At our ASM, we announced we would reduce the size of the Rubicon Board, not only in order to address the on-going public company costs we are required to incur, but also to 'right-size' the Board for Rubicon's needs. We had hoped to have announced the Board restructuring by now. However our decision to launch our takeover offer for Tenon has meant that we have been unable to address this matter, because the competency requirements, Board composition and size are all dependent on that outcome. Once that matter is determined we will be in a position to announce changes to the composition of the Rubicon Board.

The Rubicon ASM passed resolutions approving the terms and conditions of the CEO's remuneration, the issuance of options to non-executive directors, and the re-appointment of directors. We had a particularly high shareholder vote for the resolutions put to the meeting, with some 65% of the Company's shares being voted either at the meeting itself or by postal votes. This 'turn-out' is close to double that experienced by other New Zealand listed companies. All resolutions were passed with a majority of at least 80%, with most being greater than 95%. This voting record shows excellent alignment of interests amongst our shareholders in relation to the path we are taking the Company on, and we are grateful for the level of support we are receiving from our shareholders.

This support is further evidenced by the alignment of our two major (20% each) shareholders – GPG and Perry – with our current move to acquire control of Tenon.

OUTLOOK

It is likely that 2005 will again be dominated by Tenon-related events – this time, by the outcome of our current offer to Tenon shareholders to increase our shareholding position to 50.01%. We are confident of success, and believe Rubicon shareholders will be well-rewarded if we can achieve this goal.

Horizon2 will strengthen its position as the leading treestock development and production operation in Australasia. In particular, it will look to play a larger role in supplying the Australian Radiata market. High on its agenda will be the need to address new customers for its clonal products – a task which has not been made any easier by the recent ownership changes in the New Zealand forestry industry. In the end, however, we believe Horizon2's superior value-proposition will win through.

The focus in ArborGen will be on advancing the business-development (particularly in Brazil) and funding initiatives necessary for the commercialisation of its core products. This will include the establishment of an ArborGen centre in Brazil, the formation of clonal treestock consortia with key customers in Brazil and North America, and reaching partner agreement on the next 2-3 years funding for ArborGen.

In FTSA, we will be taking a far more aggressive role in recovering value from our investment. As previously noted, we are no longer prepared to allow Aldanor to frustrate our objectives in this regard. We hope to be well down the legal pathway to a conclusion by the end of 2005.

2004 was a year of value creation and share-price appreciation for Rubicon shareholders. We are expecting the same for 2005.



Luke Moriarty
CHIEF EXECUTIVE OFFICER
30 May 2004

It is likely that 2005 will again be dominated by Tenon-related events – this time, by the outcome of our current offer to Tenon shareholders

FINANCIAL REVIEW

EARNINGS

For the year to March 31, 2004 Rubicon recorded net earnings of \$1.2 million. The summary of earnings for the period is shown below.

\$ MILLIONS	
Tenon	5.6
ArborGen	(4.4)
FTSA and other	(0.8)
T&T	1.5
Corporate	(2.9)
Tracking Unit expense	(0.6)
Earnings from operations	(1.6)
Investment writedowns	(1.1)
SRA termination payment	5.0
Litigation costs	(0.2)
Other items	4.8
Earnings before depreciation	2.1
Depreciation	(0.9)
Net Earnings (after interest, tax and depreciation)	1.2

As we have noted previously, an earnings analysis of Rubicon does little to enhance a reader's understanding of the Company. This is because ArborGen and T&T (now Horizon2) are still developing businesses, and therefore their true value is not yet captured in their annual earnings contribution to Rubicon. With time, it will be.

The Tracking Unit expense reflects the increase in the Rubicon share price during the period. Quite simply, an expense is recorded in this line only if the share price increment exceeds the Company's target return of 17% per annum. As previously noted, the share price in 2003/4 rose from 68 cents to 83 cents – a 22% increase. This share price increment equates to \$42 million in value, and the \$0.6 million expense should be seen in that context.

CASHFLOW / FINANCIAL POSITION

Our cashflow from operations was \$1.2 million for the period. We utilised some \$10 million of cash reserves to meet our on-going ArborGen funding commitments and intellectual property protection expenditure (i.e. patent costs).

In terms of balance sheet strength, Rubicon is in excellent financial health.

The receipt of the first capital return from Tenon on March 31, 2004, buoyed our cash reserves, seeing us end the period with a cash balance of \$101 million. On April 1, 2004 (immediately after balance date) we invested \$3 million into Horizon2, reducing this cash balance to \$98 million.

If we are successful with our bid to move to a 50.01% ownership position in Tenon, the immediate cash cost to us, at our offer price of \$1.95 per Tenon share, will be approximately \$164 million. We sent all Rubicon shareholders a letter in April detailing funding arrangements for our bid. In summary, we will use our \$98 million cash balance plus funds from a debt facility provided to us by The Hongkong and Shanghai Banking Corporation (HSBC) to fund the additional investment in Tenon. We are grateful for HSBC's support throughout this process.

We plan to repay this entire bank borrowing out of Tenon's second capital return later this year. Although there remains some uncertainty around the timing and per share amount that will ultimately be returned, if Tenon was to make its planned full \$1.15 per share second capital return, Rubicon would receive (as a 50.01% owner) some \$160 million in cash – more than enough to repay the bank loan, and still see Rubicon with a considerable amount of cash in hand.

We will update shareholders on the outcome of the Tenon bid upon its conclusion, by way of a separate letter. Our offer closes on June 3, 2004.

In terms of
balance sheet
strength,
Rubicon is
in excellent
financial health

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2004

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000	NOTES	\$000	\$000
25,727	21,096	Operating Revenue	13,339	15,915
(4,060)	(31,235)	Operating Expenses	(12,480)	(12,566)
(56)	(708)	Earnings Relating to Associates	351	10,764
21,611	(10,847)	Operating Earnings	1,210	14,113
		Taxation Expense		
21,611	(10,847)	Net Earnings	1,210	14,113

STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 March 2004

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000	NOTES	\$000	\$000
21,611	(10,847)	Net Earnings	1,210	14,113
(127)		Translation Differences	(10,654)	(9,532)
21,484	(10,847)	Total Recognised Revenue and Expenses	(9,444)	4,581
	323	Capital Contributions – Issue of Options	323	
231,936	253,420	Opening Equity	252,017	247,436
253,420	242,896	Closing Equity	242,896	252,017

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

STATEMENT OF CASH FLOWS

For the year ended 31 March 2004

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
5,786	355	Receipts from Customers	12,400	11,478
19,652	21,099	Interest Received	1,568	3,392
25,438	21,454	Cash Provided from Operating Activities	13,968	14,870
(5,235)	(6,048)	Cash Applied to Operating Activities	(12,763)	(13,675)
20,203	15,406	Net Cash From Operating Activities	1,205	1,195
		Capital Return	69,706	
(97)	(37)	Investment in Fixed Assets and Intellectual Property	(563)	(367)
		Investment in Associates	(9,497)	(26,678)
(45,758)	(24,237)	Advances to Subsidiaries		
(45,855)	(24,274)	Net Cash From (Used) in Investing Activities	59,646	(27,045)
(25,652)	(8,868)	Net Movement in Cash	60,851	(25,850)
66,491	40,707	Opening Cash and Liquid Deposits	40,800	66,794
(132)	1	Effect of Exchange Rate Changes on Net Cash	(1)	(144)
40,707	31,840	Closing Cash and Liquid Deposits	101,650	40,800
21,611	(10,847)	Net Earnings	1,210	14,113
		Adjustment for Items not involving Cash:		
95	99	Depreciation, Amortisations and Revaluation of treestocks	603	405
		Earnings and Amortisations Relating to Associates	(1,473)	(11,038)
(3,397)	220	Movement in Provisions	220	(6,202)
	25,926	Revaluation of Investments	1,103	3,223
18,309	15,398	Cash Flow from Operations Before Net Working Capital Movement	1,663	501
1,894	8	Net Working Capital Movement	(458)	694
20,203	15,406	Net Cash from Operating Activities	1,205	1,195

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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2004

PARENT		GROUP		
2003	2004		2004	2003
\$000	\$000	NOTES	\$000	\$000
		Current Assets		
40,707	31,840	Cash and Liquid Deposits	101,650	40,800
		Inventory	7	4,005
366	186	Debtors	8	1,070
41,073	32,026	Total Current Assets	107,252	45,875
		Current Liabilities		
(4,065)	(3,791)	Creditors	9	(5,547)
(4,065)	(3,791)	Total Current Liabilities	(5,018)	(5,547)
		Non Current Assets		
471	409	Fixed Assets	10	8,444
		Investments	11	132,245
215,941	214,252	Investment in and Advances to Subsidiaries		
216,412	214,661	Total Non Current Assets	140,662	211,689
253,420	242,896	Net Assets	242,896	252,017
		Equity		
239,378	239,701	Share Capital	12	239,378
14,042	3,195	Reserves	13	12,639
253,420	242,896	Total Shareholder Funds	242,896	252,017



Michael Andrews
CHAIRMAN



Luke Moriarty
CHIEF EXECUTIVE OFFICER



Mark Taylor
CHIEF FINANCIAL OFFICER

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

1. REPORTING PERIOD

The financial statements presented are for the year 1 April 2003 to 31 March 2004.

2. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The financial statements presented are those of Rubicon Limited (the 'Company') and its subsidiaries (together the 'Group'). Rubicon Limited is a company domiciled in New Zealand and is registered under the Companies Act 1993. The financial statements are presented in accordance with the Companies Act 1993 and have been prepared in accordance with the Financial Reporting Act 1993.

Accounting Convention

The financial statements are based on the general principles of historical cost accounting with the exception of inventory and investments as noted below. These financial statements comply with generally accepted accounting practice in New Zealand (GAAP).

Estimates

The preparation of financial statements in conformity with GAAP requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Basis of Consolidation

The consolidated financial statements comprise the Company and its subsidiaries and the Group's interest in associates, partnerships and joint ventures. Inter-company transactions are eliminated in preparing the consolidated financial statements. Subsidiaries are those entities that are controlled, either directly or indirectly, by the Company and are consolidated in the financial statements using the purchase method of consolidation. The equity method has been used for associates over which the Group has the capacity to exercise significant influence. Equity earnings are included in the Group's net earnings before taxation. Subsidiaries and associates are not included in the consolidated financial statements if, by the earlier of three months after the date that control or significant influence is obtained or the date when the annual financial statements are approved, the Company has entered into a binding agreement to relinquish control of the subsidiary or significant influence of the associate within one year from the date that control or significant influence is obtained.

Goodwill on Acquisition

Fair values are assigned to the identifiable assets and liabilities of subsidiaries and associates of the Group at the date they are acquired. After assigning fair values to the identifiable assets and liabilities of subsidiaries and associates acquired, goodwill may arise when comparing the purchase cost to the fair value assigned. Goodwill arises to the extent that the fair value is determined to be less than the purchase cost and this goodwill is amortised to earnings on a systematic basis over the period it is believed benefits will arise. The period of amortisation will generally be ten years or less, however in individual cases may be up to 20 years. The period of amortisation of any goodwill is regularly reviewed and, if it is believed that the amount remaining to be amortised will not be recovered by future benefits to be realised, the unrecoverable amount is written off to earnings and the balance amortised over the period it is believed benefits will be realised. A surplus on acquisition arises to the extent the fair value is determined to exceed the purchase cost. This surplus is applied to reduce the book value of non-monetary assets acquired and, to the extent there are insufficient non-monetary assets, taken to earnings. In relation to associates, where a surplus on acquisition is applied to reduce the book value of the non-monetary assets, the resulting depreciation recognised by Rubicon will be lower than is recorded in the associates' financial statements. This means that the equity accounted earnings of the associate will be greater than Rubicon's share of the associates' reported earnings.

Currency Translation

Statements of Financial Position of independent foreign operations are translated into New Zealand currency at the rates of exchange ruling at balance date. Earnings of independent foreign operations are translated using an average exchange rate reflecting an approximation of the appropriate transaction rates. Exchange variances arising from these translations are included in the Currency Translation Reserve. Foreign currency transactions or monetary assets and liabilities are recorded at the exchange rates ruling at the date of the transaction and translated at the rates of exchange ruling at balance date, with exchange rate variances arising being recorded in earnings.

STATEMENT OF FINANCIAL PERFORMANCE**Revenue Recognition**

Revenue is recognised in accordance with the terms of sale when the benefits of ownership and risk of loss passes to the customer.

Investment Revenue

Interest income is taken to earnings when received or accrued in respect of the period for which it was earned. Dividends and distributions are taken to earnings when received or accrued where declared in respect of the period prior to balance date.

Depreciation

Depreciation of fixed assets is calculated on a straight-line basis over the expected useful life of the asset, less estimated residual value. Estimates of useful life are reviewed on a regular basis.

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, then further 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.

Taxation

Taxation expense is the estimated liability in respect of current earnings after allowance for permanent differences between reported earnings and assessable earnings. The future tax benefit of past and current tax losses, to the extent they exceed related deferred taxation liabilities, is not recognised unless recovery is considered virtually certain.

STATEMENT OF FINANCIAL POSITION

Cash

Cash and liquid deposits comprise cash and demand deposits with banks or other financial institutions and highly liquid investments that are readily convertible to cash.

Debtors

Debtors are valued at estimated net realisable value. The valuation is net of a provision maintained for doubtful debts. All known losses are written off to earnings in the period in which it becomes apparent that the debts are not collectable.

Inventory

Plantation forest estate and nursery stock are referred to as treestock. Treestock is revalued to the Directors' estimate of market valuation based on net present value. Net present value of treestock is determined by applying a discount rate estimating the overall real return from the treestock, to the excess of future (after tax) cash inflows from the treestock, over future (after tax) cash outflows of harvesting, transporting and marketing. Only cash flows in respect of current crops are included. No account is taken for the revenues or costs of crops not yet planted, irrespective of any intention to replant areas following harvest, or holdings of unplanted land. Other inventory is stated at the lower of cost or net realisable value. Cost is determined principally on the first-in-first-out basis and in the case of manufactured goods, includes direct materials, labour and production overheads.

Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation. The estimated useful lives of fixed assets are as follows:

Land	indefinite
Buildings	40 – 100 years
Plant and machinery	5 – 15 years
Fixtures and equipment	3 – 15 years

Investments

Investments in equity securities, not consolidated or equity accounted, which have a readily determinable market value are valued at market value with unrealised gains and losses included in Earnings.

Investments which do not have a readily determinable fair value are valued at historical cost. Impairments in value are written off to earnings as they arise.

Impairment

Permanent impairment is deemed to occur when the recoverable amount falls below the book value of the asset. The recoverable amount is determined as the greater of the net market value of the asset and the present value of the net future cash flows obtainable from the assets continuing use and ultimate disposal.

Taxation

The provision for current tax is the estimated amount due for payment in the next 12 months. The provision for deferred tax is the liability for taxation that has been deferred because of timing differences less taxation benefits, which will offset the deferred liability as it arises. The provision for deferred taxation has been calculated by applying the liability method.

The future tax benefit of past and current tax losses, to the extent they exceed related deferred taxation liabilities, is not recognised unless recovery is considered virtually certain.

Changes in Accounting Policies

There were no changes in accounting policies during the period.

3. OPERATING REVENUE COMPRISES:

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
		Trading sales	6,775	6,494
6,065		Receipt from Tenon ¹	5,000	6,065
3,347	1,557	Interest on cash and liquid deposits	1,564	3,356
16,315	19,539	Intercompany Interest and administration fees		
25,727	21,096	Total Operating Revenue	13,339	15,915

¹ In March 2004 Tenon terminated a 10-year Strategic Relationship Agreement with Trees & Technology. As compensation for the early termination, Tenon paid Trees & Technology \$5 million and assigned an exclusive agreement for the delivery of treestocks to the Kiwi Forests Group in favour of Trees & Technology.

In June 2002, Rubicon and Tenon reached an agreement, which released Tenon from any further financial obligation in respect of the transfer of the legal title of certain assets that were to be transferred to Rubicon by Tenon upon the separation of Fletcher Challenge Limited, but which could not be transferred. As part of this agreement Tenon paid Rubicon US\$3 million, and retains the obligation to hold on trust for Rubicon those assets not already transferred (refer note 21).

4. OPERATING EXPENSES INCLUDE:

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
		Depreciation:		
		Buildings	(228)	(226)
(95)	(99)	Plant, equipment, fixtures and fittings	(609)	(652)
		Revaluation of market listed securities:		
		Genesis Research and Development	(400)	(1,062)
(515)	(553)	Directors' fees (refer note 9)	(553)	(515)
(95)		Donations		(95)
		Maintenance and repairs	(29)	(47)
(282)	(304)	Operating lease expense	(304)	(282)
		Auditors' fees and expenses payable for:		
(89)	(98)	Statutory audit	(98)	(89)
(66)	(41)	Other services ¹	(90)	(66)
		Costs associated with the unsuccessful Tenon / CITIC transaction		(3,586)
3,295		Provision release		7,600
		Brazilian office closure costs		(625)
(1,038)	(570)	Tracking unit costs	(570)	(1,038)
(837)	(152)	Costs associated with the GPG / Perry Litigation	(152)	(837)
		Revaluation of investment ²	(703)	(2,161)
	(25,926)	Revaluation of investment in Subsidiaries to Group carrying value ³		

¹ This relates primarily to tax advice in relation to compliance issues.

² Write-down of investment in Health Innovations Holdings Limited to nil carrying value.

³ Revaluation of the investment in subsidiaries to reflect the Group's carrying value of their underlying external investments.

5. EARNINGS RELATING TO ASSOCIATES COMPRISE:

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
		Earnings of associates ¹	2,652	12,504
		Amortisation of intangibles	(1,179)	(1,466)
(56)	(708)	Costs relating to associates ²	(1,122)	(274)
(56)	(708)	Total Earnings Relating To Associates	351	10,764
1 Earnings of associates comprise:				
		Tenon Limited	5,740	17,500
		ArborGen LLC	(3,048)	(4,398)
		FTSA	397	(9)
		Health Innovations Holdings Limited	(437)	(589)
			2,652	12,504

2 Includes legal and other costs relating to arbitration/legal proceedings against Aldanor, the 50% partner in FTSA.

6. TAXATION

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
21,611	(10,847)	Taxation Expense		
		Earnings before taxation:	1,210	14,113
		Adjusted for:		
		Amortisation of intangibles	1,179	1,466
		Revaluation of market listed securities	400	1,062
		Revaluation of investment	703	2,161
(10,859)		Equity accounted earnings	(5,700)	(16,902)
(10,752)	10,847	Other permanent differences	(4,871)	(13,665)
		Intra Group offset		
		Losses not recognised	7,079	11,765
-	-	Taxable Income	-	-
		Unrecognised taxation losses		
		New Zealand	13,160	10,015
		United States of America	16,683	15,116
		Total unrecognised taxation losses	29,843	25,131

The recognition of the Group losses in future periods is dependent on the Group having assessable income of \$13.2 million in New Zealand and \$16.7 million in the USA, and compliance with the requirements of the relevant tax legislation.

		Shareholder Tax Credits		
		Imputation credit account		
		Imputation credits at the beginning of the period	3,940	3,940
		Imputation credits attached to dividends received		
-	-	Imputation credits directly and indirectly available to Shareholders at balance date:	3,940	3,940

7. INVENTORY

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
		Treestock and seed stock	4,774	3,862
		Consumable stores	87	143
-	-	Total Inventory	4,861	4,005

8. DEBTORS

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
22	11	Trade debtors	117	160
		Less provision for doubtful debts		
22	11		117	160
344	175	Other receivables	624	910
366	186	Total Debtors	741	1,070

9. CREDITORS

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
(440)	(720)	Trade creditors	(1,361)	(1,070)
(675)	(858)	Accrued employee benefits ¹	(1,117)	(906)
(1,658)	(1,764)	Provision for executive tracking units ²	(1,764)	(1,658)
(1,039)	(276)	Accrued Directors fees ³	(276)	(1,039)
(253)	(173)	Other liabilities	(500)	(874)
(4,065)	(3,791)	Total Creditors	(5,018)	(5,547)

¹ Accrued employee benefits includes amounts for holiday pay, PAYE, long service leave and incentive payments.

² The provision for executive tracking units is summarised below:

(260)	(1,658)	Opening provision	(1,658)	(260)
(522)		Cash contributions received from executives		(522)
162	464	Units exercised	464	162
(2,118)		Accelerated tracking unit cost		(2,118)
1,080	(570)	Impact of movement in share price net of escalation in Unit exercise price	(570)	1,080
(1,658)	(1,764)	Closing provision	(1,764)	(1,658)

The closing provision is equal to (the number of tracking units outstanding) x (Rubicon's share price at balance date (less the current Unit exercise price plus the Unit fee to be paid by executives)).

³ Pursuant to Shareholder approval given at the Rubicon Annual Shareholders Meeting on 15 September 2003, non-executive Directors of Rubicon were issued 4,610,236 options. The option cost of 7 cents per option was paid for by Directors out of their after tax Director fees for the period up to March 2002. Directors fees for the 18 months to 30 September 2003 have been reinvested by the Director into Rubicon shares, purchased on-market. Tony Gibbs and Gary Weiss, whose fees are paid to GPG, have not reinvested their fees. If GPG was to do so it would breach the 20% ownership threshold contained in the Takeovers Code.

10. FIXED ASSETS

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
		Cost		
		Land	1,876	1,876
		Buildings	3,109	3,046
636	673	Plant, equipment, fixtures and fittings	6,212	5,713
636	673	Total Cost	11,197	10,635
		Accumulated depreciation		
		Buildings	(865)	(576)
(165)	(264)	Plant, equipment, fixtures and fittings	(2,424)	(1,615)
(165)	(264)	Total Accumulated Depreciation	(3,289)	(2,191)
		Net book value		
		Land	1,876	1,876
		Buildings	2,244	2,470
471	409	Plant, equipment, fixtures and fittings	3,788	4,098
471	409	Net Book Value Fixed Assets	7,908	8,444

11. INVESTMENTS COMPRISE:

			GROUP	
			2004	2003
			\$000	\$000
	MARKET PRICE	NO. OF SHARES		
Shares in Tenon ¹			96,684	164,850
Shares in Genesis Research and Development Corporation Limited ²	\$0.65	727,273	473	873
Investment in ArborGen LLC ³			30,012	31,575
Investment in FTSA ^{4,6}			5,585	5,947
Investment in Health Innovations Holdings Limited ^{5,6}				
Total Investments			132,754	203,245
1 The investment in Tenon comprises:				
Percentage Ownership			19.99%	19.99%
Carrying Value 1 April 2003			164,850	132,880
Currency Translation			(4,200)	
Additional share acquisition ^a				14,470
Capital Return ^b			(69,706)	
Share of operating surplus			5,740	17,500
Carrying Value 31 March 2004			96,684	164,850

a Rubicon acquired an additional 13.1 million shares in mid February 2003, taking its ownership interest in Tenon to 19.99%.

b On 31 March 2004 under a share cancellation and return of capital programme authorised by Tenon shareholders and approved by the High Court, one out of every two Ordinary shares, and one out of every two Preference shares in Tenon was cancelled, and \$1.25 per cancelled share was paid to Tenon shareholders. Rubicon received \$69.7 million from the capital return and had 7,714,711 Ordinary and 48,049,952 Preference shares cancelled.

c The closing price for Tenon shares traded on the NZX on 28 May 2004 was \$1.91. As at 31 March it was \$1.69.

Rubicon's shareholding in Tenon at 31 March 2004 comprised:	000	000
Preference shares	48,050	96,100
Ordinary shares	7,715	15,429
Total Shares	55,765	111,529
Average carrying value per share	\$1.73	\$1.48

2 The investment in Genesis Research and Development Corporation Limited represents 2.81% of the issued capital of the company.

11. INVESTMENTS COMPRISE:

	GROUP	
	2004	2003
	\$000	\$000

3 The Group holds a 31.67% interest in ArborGen LLC, a US partnership that also includes International Paper Company and MeadWestvaco Corporation as equal partners. ArborGen, a leading forestry biotechnology company, is in the business of developing, testing, producing and marketing bio-engineered trees for forestry companies around the world. The business is targeting those products that can create step-changes in performance, to benefit both forestry companies and their customers, and in turn help make forestry a more sustainable industry. The Group equity accounts its interest in this associate, which has a balance date of 31 December.

Carrying Value 1 April 2003	31,575	35,587
Capital contributions during the period	8,357	9,458
Share of operating surplus / (deficit)	(3,048)	(4,398)
Amortisation of initial cost of acquisition	(1,179)	(1,466)
Difference arising on translation of independent foreign operation	(5,693)	(7,606)
Carrying Value 31 March 2004	30,012	31,575

Rubicon (together with its equal partners International Paper and MeadWestvaco) has a commitment out to February 2005 to fund ArborGen. Rubicon's remaining financial commitment is US\$3.5 million (US\$8.4 million at 31 March 2003).

4 The Group has an interest in 50% of FTSA, an Argentine forestry and wood processing operation.

Carrying Value 1 April 2003	5,947	7,630
Share of operating surplus / (deficit)	397	(9)
Difference arising on translation of independent foreign operation	(759)	(1,674)
Carrying Value 31 March 2004	5,585	5,947

5 The Group holds a 32.5% interest in Health Innovations Holdings Limited, a New Zealand health sector service provider.

Carrying Value 1 April 2003	-	-
Capital contributions during the period	1,140	2,750
Share of operating surplus / (deficit)	(437)	(589)
Impairment	(703)	(2,161)
Carrying Value 31 March 2004	-	-

6 Unaudited results have been used to equity account FTSA and Health Innovations Holdings Limited. The Tenon result includes the audited six months to 30 June 2003, plus the unaudited six months to 31 December 2003.

12. CAPITAL

PARENT			GROUP	
2003	2004		2004	2003
000	000		000	000
279,021	279,021	Shares on Issue	279,021	279,021
	4,610	Issue of Options ¹	4,610	
	4,610	Options on Issue	4,610	

1 These options are held by non-executive Directors, and have an expiry date of 31 March 2009 and a first exercise date of 1 April 2004, at which time the exercise price is 63.72 cents per option. The options exercise price escalates quarterly at a per annum rate of 17%. The next escalation date is 1 July 2004, at which time the exercise price of the options will be 66.27 cents per option. Also refer note 9 (3).

\$000	\$000		\$000	\$000
239,378	239,378	Reported Capital	239,378	239,378
	323	Reported capital at the beginning of the period		
		Issue of Options	323	
239,378	239,701	Reported Capital	239,701	239,378

13. RESERVE BALANCES

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
14,169	3,322	Retained earnings (refer note 14)	45,562	44,477
(127)	(127)	Currency translation reserve (refer note 15)	(42,367)	(31,838)
14,042	3,195	Total Reserves	3,195	12,639

14. RETAINED EARNINGS

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
(7,442)	14,169	Opening Balance	44,477	30,364
21,611	(10,847)	Net Earnings	1,210	14,113
		Transfer From Currency Translation Reserve	(125)	
14,169	3,322	Closing Balance	45,562	44,477

15. CURRENCY TRANSLATION RESERVE

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
	(127)	Opening Balance	(31,838)	(22,306)
(127)		Currency translation differences	(2)	(127)
		Transfer To Retained Earnings	125	
		Translation of independant foreign operations	(10,652)	(9,405)
(127)	(127)	Closing Balance	(42,367)	(31,838)

16. FINANCIAL INSTRUMENTS

Exposures to currency, interest rate, credit, liquidity and market risks arise in the normal course of the Group's business. To manage and limit the effects of these financial risks the Group operates within the following policies and utilises the following financial instruments:

Foreign currency risk

Foreign currency risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk as a result of transactions being denominated in foreign currencies. Such transactions include export sales, imported purchases and offshore investments. Forward currency contracts are entered into, where appropriate, to manage foreign currency exposure. The Group had forward exchange contracts for \$452,379 outstanding at 31 March 2004.

The Group maintains its investments in offshore companies in the currency of the investment. This exposes the Group's equity in these investments to movements in the foreign currency relative to the New Zealand dollar. The Group's investments in Forestadora Tapebicua and ArborGen are exposed to risk of movement in the Argentine peso and US dollar relative to the New Zealand dollar.

Interest rate risk

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances and this risk is managed by entering appropriate fixed interest rate arrangements.

Repricing risk

The following table identifies the effective interest rates of financial assets of the Group and their maturity periods.

Bank Bills	GROUP	
	2004	2003
	\$000	\$000
Less than 90 days	101,650	40,800
Effective interest rate	5.30%	5.82%

Credit risk

To the extent the Group has a receivable from another party there is a credit risk in the event of non-performance by that counterparty. At balance date there were no significant concentrations of credit risks in respect of trade receivables. With respect to cash and liquid deposits, funds were held with three major banks all with Standard and Poors credit ratings of AA- or higher.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty raising funds at short notice to meet its financial commitments as they fall due. Given the significant cash and liquid deposits on hand the Group faces no exposure to liquidity risk.

Fair value

There are no significant differences between the fair value and carrying value of financial instruments.

17. CAPITAL EXPENDITURE COMMITMENTS

At 31 March 2004 Rubicon has committed to contribute US\$3.5 million to ArborGen in the period to February 2005 (US\$8.4 million as at 31 March 2003).

18. OPERATING LEASE COMMITMENTS

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
		Operating lease commitments are as follows:		
305	314	Not later than one year	314	305
305	313	Later than one year but not later than two years	313	305
604	309	Later than two year but not later than five years	309	604
		Later than five years		
1,214	936		936	1,214

19. SEGMENTAL INFORMATION

		GROUP	
		2004	2003
		\$000	\$000
Operating Revenue			
New Zealand		13,339	15,915
North & South America			
Geographic Operating Revenue		13,339	15,915
Forestry			
Biotechnology		6,775	6,494
Corporate & Other		6,564	9,421
Industry Operating Revenue		13,339	15,915
Net Earnings			
New Zealand		5,977	20,693
North & South America		(4,767)	(6,580)
Geographic Net Earnings		1,210	14,113
Forestry			
Biotechnology		5,194	13,159
Corporate & Other		(4,053)	(6,554)
		69	7,508
Industry Net Earnings		1,210	14,113
Total Assets			
New Zealand		212,317	220,042
North & South America		35,597	37,522
Geographic Total Assets		247,914	257,564
Forestry			
Biotechnology		102,269	170,797
Corporate & Other		43,586	45,134
		102,059	41,633
Industry Total Assets		247,914	257,564

20. RELATED PARTY TRANSACTIONS

PARENT			GROUP	
2003	2004		2004	2003
\$000	\$000		\$000	\$000
6,065		Income from ArborGen relating to the provision of science services	1,242	1,456
		Income from Tenon (refer note 3)	5,000	6,065
		Income from Tenon for sale of treestocks and provision of clonal product development services	2,185	1,431
16,269	19,443	Intercompany interest ¹		
46	96	Intercompany administration fee		
215,941	214,252	Intercompany advances ²		
		Amount owing by ArborGen LLC	9	367
		Amount owing by Tenon		199

¹ Rubicon Limited received interest income from subsidiaries on net advances owing from subsidiary companies.

² These advances are for no fixed term and bear interest at a margin over the Group funding rate.

21. ASSETS HELD ON TRUST BY TENON

On 23 March 2001 Rubicon acquired from Tenon its interest in ArborGen LLC, its shares in Genesis Research and Development Corporation and the assets of Trees & Technology, together with all the intellectual property related to these assets. Tenon has not yet been able to transfer legal title in respect of its interest in FTSA, and continues to hold this investment on trust for Rubicon.

22. PRINCIPAL OPERATIONS

Rubicon Limited is the holding company of the Rubicon Group. The principal subsidiaries and associates, as at 31 March 2004, were:

	COUNTRY OF DOMICILE	% INTEREST	BALANCE DATE	PRINCIPAL ACTIVITY
Principal subsidiaries				
Rubicon Investments Limited	NZ	100	31 March	Holding company
Rubicon Energy Holdings Limited	NZ	100	31 March	Holding company
Rubicon Forests Holdings Limited	NZ	100	31 March	Holds 17.65% interest in Tenon
Rubicon Tahorakuri Forest Limited	NZ	100	31 March	Holding company
Rubicon IP Limited	NZ	100	31 March	Holding company
Trees & Technology Limited	NZ	100	31 March	Treestock sales and development company
Rubicon Industries USA Inc	USA	100	31 March	Investment in ArborGen LLC
Rubicon Enterprises Limited	NZ	100	31 March	Holding company
Rubicon Forests Investments Limited	NZ	100	31 March	Holds 2.34% interest in Tenon
Rubicon Forests Limited ¹	NZ	100	31 March	Tenon takeover
Associates				
Tenon Limited	NZ	19.99	30 June	Forestry and processing operation
ArborGen LLC	USA	31.67	31 December	Forestry biotechnology
Forestadora Tapebicua ²	Arg	50	30 June	Forestry and processing operation
Health Innovations Holdings Limited	NZ	32.5	30 June	Healthcare service provider

¹ Incorporated since 31 March 2003.

² Aldanor SA, the owner of 50% of the ordinary shares in FTSA, has not yet given approval to the transfer of FTSA to Rubicon. Accordingly Tenon holds its 50% ownership of FTSA on trust for Rubicon (refer note 21).

23. SUBSEQUENT EVENTS

On 5 May 2004 Rubicon Forests Limited, a wholly owned subsidiary of Rubicon Limited, made a partial takeover for Tenon. The takeover, if successful, will move the Rubicon Group from a 19.99% ownership position in Tenon to a 50.01% position. On 2 March 2004 Rubicon and Carter Holt Harvey announced the merger of their respective tree nursery operations and the formation of Horizon2, which commenced business on 1 April 2004.

AUDITORS' REPORT



TO THE SHAREHOLDERS OF RUBICON LIMITED

We have audited the financial statements on pages 14 to 28. The financial statements provide information about the past financial performance and financial position of the Company and Group as at 31 March 2004. This information is stated in accordance with the accounting policies set out on pages 17 to 19.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2004 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out other assignments for the Company and certain of its subsidiaries in the area of taxation compliance advice and payroll administration. These matters have not impaired our independence as auditors of the Company and Group. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records;
- the financial statements on pages 14 to 28:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Company and Group as at 31 March 2004 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 31 May 2003 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to be 'H. G.', is written over the printed name 'HONG'.

AUCKLAND

GOVERNANCE

The Board of Rubicon is committed to the highest standards of behaviour and accountability, and has adopted the following policies and procedures:

ROLE OF THE BOARD

The Board has statutory responsibility for the activities of the Company, which in practice is exercised through delegation to the Company's Chief Executive Officer (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, and to act as the principal representative for the Company.

The Board respects the interests of all the Company's stakeholders. It endeavours to foster constructive relationships between the Company and its shareholders through facilitating appropriate shareholder participation in shareholder meetings and matters reserved for shareholder approval.

The Board has the obligation to protect and enhance the value of the assets of the Company and to act in the interests of the Company. It exercises this through the approval of appropriate corporate strategies, with particular regard to portfolio composition and return expectations, including the approval of transactions relating to acquisitions and divestments and capital expenditures above delegated authority limits, financial and capital structure policy and the review of performance against strategic objectives. The Board also ensures the Company has appropriate processes that identify and manage any potential and relevant risks facing the Company.

In addition to the formal governance role, the Board operates in partnership with management of the Company acting as an advisory body to management.

The Board supports the separation of the role of Chairman from that of the CEO. The Chairman's role is to manage the Board effectively, to provide leadership to the Board, and to interface with the CEO.

The Board has determined that the Company complies with the amendments to the NZX Listing Rules (incorporated on 29 October 2003 and 1 May 2004) relating to Corporate Governance. The Board is also currently reviewing the corporate governance principles adopted by the Company to determine whether they differ in any material way from the NZX Corporate Governance Best Practice Code issued by the NZX and the Principles for Corporate Governance recently issued by the Securities Commission. The outcome of this review will be disclosed on our website www.rubicon-nz.com.

The Board is committed to and observes high ethical standards and behaviour, and recognises the importance of ethical behaviour to all aspects of good corporate governance.

BOARD COMPOSITION

The Board comprises nine Directors, of whom, five are ordinarily resident in New Zealand, and six have been identified by the Board as being Independent Directors. The Independent Directors and Non-Independent Directors of the Board as at 30 May 2004 are shown below.

Independent Directors:

MJ Andrews (Chairman)	HA Fletcher
WA Hasler	SG Kasnet
JW Villiger	JK Virta

Non-Independent Directors:

SL Moriarty	AI Gibbs
GH Weiss	

The Company's Board represents a balance of independence, skills, knowledge, experience and perspectives amongst Directors, thereby ensuring the effectiveness of the Board in guiding the strategic direction of the Company and overseeing management. As noted in the Chief Executive Officer's overview, it is the Company's desire to reduce the number of Board directors to reflect the size and portfolio composition of Rubicon moving forward. As the outcome of Rubicon's takeover offer for Tenon is likely to have an impact on any Board restructuring, this decision will be taken some time after the closing of our Tenon offer on 3 June 2004.

BOARD COMMITTEES

Upon listing, the Board established two permanent Committees, being the Audit Committee and the People Committee. These 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. Each permanent Committee has adopted a Charter addressing purpose, membership, authority and reporting procedures.

In September 2001 the Board established a third Committee, the Forests Share Sub-Committee, since renamed the Tenon Share Committee.

Meetings of all three committees are held on an 'as required' basis throughout the year.

Audit Committee Members:

HA Fletcher (Chairman)	MJ Andrews
AI Gibbs	WA Hasler
SG Kasnet	JW Villiger
JK Virta	GH Weiss

The Audit Committee is comprised solely of Directors of the Company, a majority of whom are Independent Directors. 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 NZX Listing Rules.

The Audit Committee reviews the Group's accounting policies, procedures and practices, financial reporting and audit activities. It ensures that processes are in place and monitors those processes so that the Board is properly and regularly informed and updated on corporate financial matters.

The Audit Committee reviews the draft Interim and Annual Financial Statements and advises all Directors of the Company whether these Financial Statements comply with the appropriate laws and regulations. The Board confirms the integrity of the Company's Financial Statements in terms of relevance, reliability, comparability and timeliness.

The Audit Committee recommends the appointment and removal of the Company's independent Auditor, meets regularly to monitor and review the auditing practices, has direct communication with and unrestricted access to the independent Auditor, and ensures that the independent Auditor or lead audit partner is changed at least every five years. All work undertaken by the Group's Auditors is to be prior approved by the Chairman of the Audit Committee. The Board confirms the independence of the external audit process. In accordance with best practice requirements, Mr Moriarty, as CEO, is not a member of the Audit Committee.

People Committee Members:

MJ Andrews (Chairman)	JW Villiger
-----------------------	-------------

The People Committee reviews remuneration policies and their implementation, human capital requirements and recruitment policies and practices of the Group. It evaluates the performance of the CEO and his direct reports. In accordance with best practice requirements, the CEO is not a member of the People Committee.

Tenon Share Committee Members:

HA Fletcher (Chairman)	WA Hasler
SG Kasnet	JW Villiger
JK Virta	

The Tenon Share Committee is responsible for decisions by the Group to deal in Tenon shares. Its membership does not include either Mr Andrews or Mr Moriarty, as they are Directors of both Rubicon and Tenon.

In addition to the three Committees noted above, the Board establishes Committees on an 'as required' basis to address specific issues that arise. The Board believes this enhances the effectiveness of the Board through closer scrutiny of specific issues and more efficient decision-making.

DIRECTOR AND EXECUTIVE REMUNERATION

Non-Executive Directors' Remuneration and Other Benefits

The remuneration, prior to any taxation liability, accrued to Directors during the year ended 31 March 2004 is shown below.

	NZ\$000
MJ Andrews	98
HA Fletcher	65
AI Gibbs	65
WA Hasler	65
SG Kasnet	65
JW Villiger	65
JK Virta	65
GH Weiss	65

Mr Moriarty, as CEO and an executive Director, does not receive any Director fees (for a description of his remuneration, please see below). The Directors' remuneration shown above reflects the full amounts accruing to Directors. Unlike many companies, Rubicon does not provide meeting fees or any additional compensation to Directors for serving on Board Committees (including as Chair of Committees), serving as Directors of subsidiary companies, or acting as advisory members on internal project teams. The Board considers that the level of the Directors remuneration is fair and reasonable in a competitive market environment taking into account the skills, knowledge and experience required by the Company.

Rubicon believes it is appropriate to have Directors' rewards dependent upon the performance of the Company, and that having Directors own 'equity' in Rubicon is a good way of achieving this goal. With this in mind, with the exception of Mr Gibbs¹ and Dr Weiss¹, all non-executive Directors have agreed to invest all of their (after-tax) Director fees in relation to the 2004 financial year in Rubicon shares. These shares are to be acquired 'on-market' by Directors, rather than issued as new shares to them by the Company.

¹ Mr Gibbs and Dr Weiss Directors' fees are paid to GPG. Given GPG currently holds 19.997% of Rubicon's issued shares, GPG will be unable to reinvest the Directors' fees it receives from Rubicon in Rubicon shares, as if it was to do so it would breach the 20% ownership threshold under the Takeovers Code.

Chief Executive Officer's Remuneration

The CEO's remuneration in respect of the financial year ended 31 March 2004 comprised a base salary of \$436,250¹ and a performance incentive of \$330,750. The performance incentive is to be paid to Mr Moriarty in June 2004. Consistent with the Company's philosophy of having remuneration 'at risk' and dependent upon the future performance of Rubicon, Mr Moriarty has agreed to reinvest the after-tax value of his incentive in Rubicon shares, to be acquired 'on market'.

¹ It was agreed that whilst the CEO was a director of Tenon his base salary from Rubicon would be reduced by the amount of the director fees he receives from Tenon (currently \$53,750). The \$436,250 referred to in the preceding paragraph reflects this reduction.

Employee Remuneration

Employee remuneration consists of base salary plus an annual performance incentive. Base salaries are 'benchmarked' against competitor information, as supplied by independent advisors. The annual performance incentive is made up of two equally-weighted components. The first component is dependent upon Rubicon achieving an annual share price increment equal to a 17% per annum return and the second component is determined by actual performance against certain individual objectives set for each executive at the beginning of the year. The total incentive payment made can fall short of, or exceed, the target level, depending both on actual share price performance and individual objective outcomes.

In accordance with section 211(1)(g) of the Companies Act, remuneration and other benefits (including performance incentives as noted above) which in total exceed \$100,000, relating to employees of Rubicon and its subsidiaries worldwide (not being Directors of the Company), is summarised in the tables below:

REMUNERATION RANGE	NO OF EMPLOYEES
NZ\$	2004
\$530,000 to \$540,000	1
\$420,000 to \$430,000	2
\$210,000 to \$220,000	1
\$180,000 to \$190,000	1
\$130,000 to \$140,000	1
	6

The total remuneration of those employees earning over \$100,000 in 2004 and 2003 comprised:

\$000	2004	2003
Base Salary	1,307	1,457
Incentive Remuneration	622	394
	1,929	1,851

In addition, two of the executives included in the preceding table exercised some of their tracking Units during the 2004 financial year.

- 1 Exercised 1,568,571 tracking Units for a net pre-tax gain of \$207,835 (being \$317,635 gross receipt less related Unit fee of \$109,800)
- 2 Exercised 228,757 tracking Units for a net pre-tax gain of \$30,310 (being \$46,323 gross receipt less related Unit fee of \$16,013).

EMPLOYEE INCENTIVE SCHEMES

Rubicon has two tracking Unit incentive schemes (the Establishment Unit Scheme, and the Incentive Tracking Unit Scheme). Instead of shares being issued upon exercise of these Units, the tracking Unit incentive is paid out in cash. Tracking Units are considered to be preferable to pure options because they do not involve share dilution to existing shareholders from the issuance of shares upon exercise, as is the case with option schemes. They do however retain the key feature of options – linking remuneration to share price performance, and thereby directly aligning management incentives with increases in shareholder value. Units were not issued in relation to the 2003 or 2004 financial years, and will not be issued in relation to the 2005 financial year.

During the 2004 financial year 2,627,873 Units were exercised leaving 15,594,350 Units on issue at the end of the year.

The key terms of the tracking Units currently on issue under both the Establishment Unit Scheme and the Incentive Unit Scheme are summarised below.

- All tracking Units are currently exercisable
- The final exercise dates for the tracking Units are 23 March 2008 for the Establishment tracking Units and 1 April 2009 for the Incentive tracking Units.
- The exercise price for both types of tracking Units escalate quarterly at 17% per annum real after-tax.
- The exercise price per Unit is currently 63.72 cents, and escalates to 66.27 cents on 1 July 2004.
- The Units have a cost (or Unit fee) of 7 cents per Unit, which must be paid in cash to the Company by executives.

Full details on these tracking Units were included in the Company's 2003 Annual Report and 2003 Notice of Annual Shareholders Meeting.

INTERESTS REGISTER

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:

	RELATIONSHIP
MJ Andrews	
NZ Trade and Enterprise Board	Director
Tenon Limited	Director
Eastland Infrastructure Limited*	Director
Eastland Port Limited*	Director
Eastland Network Limited*	Director
National Centre for Bio Protection Technologies*	Director
HA Fletcher	
Fletcher Building Limited	Director
VCU Technology Limited	Director
CGNU Australia Holdings Limited	Director
Council of the University of Auckland	Member
Asia and Pacific Advisory Committee of the NYSE	Member
Business Advisory Council of the UN Office for Project Services	Member
Asia Pacific Committee of the Trilateral Commission	Member
Reserve Bank of New Zealand	Director
Advisory Board of No. 8 Ventures	Chairman
Advisory Board of No. 8 Ventures 2002 Fund	Chairman
Ports of Auckland Limited	Director
IAG (New Zealand) Holdings Limited*	Director
AI Gibbs	
Tower Limited	Director
Tower Australia Limited*	Director
Turners & Growers Limited*	Chairman
Turners & Growers Fresh Limited*	Director
Staveley Inc*	Chairman
Staveley Industries plc*	Director
Coats Limited plc*	Director
Guinness Peat Group plc*	Director
Guinness Peat Group New Zealand Limited*	Director
Turners Auctions Limited*	Director
GPG Forests Limited*	Director
Ithaca Custodians Limited*	Director
ENZA Limited*	Director
Ezypeel Mandarins Limited*	Director
Aeneid Seventeen Limited*	Director
WA Hasler	
Solectron Corporation	Chairman of Directors
Ditech Communications	Director
Genitope Corporation	Director
Schwab Funds	Trustee
Pacific Stock and Options Exchange in San Francisco	Public Governor
Stratex Networks	Director
Aphton Corporation*	Director and Vice Chairman
Technical Olympic USA*	Director

SG Kasnet

Governor Dummer Academy	Trustee and Vice President of the Board
Calypto Management LLC	CEO
Harbor Global Company Limited	President and CEO
PioGlobal Investment Fund	Chairman of Directors
PioGlobal First Russia	Chairman of Directors
IOS Brands Corporation	Director
Bank North, Massachusetts	Director
Republic Engineered Products, Inc.*	Director

JW Villiger

The Medicines Company (New Zealand) Limited	Chairman of Directors
Uniservices Limited	Director

JK Virta

Foundation for the promotion of Finnish Export Trade	Director
Pareco Oy	Director

GH Weiss

Tower Limited	Director
Ariadne Australia Limited*	Chairman
Canberra Investment Corporation Limited*	Director
Tag Pacific Limited*	Director
Westfield Management Limited*	Director
Coats Holdings plc*	Chairman
Guinness Peat Group plc*	Director

SL Moriarty

Tenon Limited	Director
---------------	----------

* Directors' interests disclosed to the Company after 1 April 2003.

Dealings in Company Securities

During the year ended 31 March 2004, Directors disclosed in accordance with section 148(2) of the Companies Act that they acquired or disposed of a beneficial interest in Rubicon shares as follows:

DIRECTOR	NUMBER OF SHARES ACQUIRED	CONSIDERATION PAID \$
MJ Andrews ²	121,917	97,875
HA Fletcher ²	85,733	65,325
WA Hasler ²	85,733	65,325
SG Kasnet ²	85,733	65,325
SL Moriarty ¹	139,510	112,000
JW Villiger ²	78,056	59,475
JK Virta ²	85,733	65,325
Total	682,415	530,650

1 Represents the investment by Mr Moriarty of his 2003 incentive payment (after-tax) back into Rubicon shares.

2 Represents the investment by Directors of their Directors' fees (after-tax) back into Rubicon shares.

In addition, Directors agreed to receive their Directors' fees for services rendered since the formation of the Company until 31 March 2002 in the form of Options. Accordingly, during the year ended 31 March 2004, Directors were issued the following Options:

DIRECTOR	NUMBER OF OPTIONS ISSUED	CONSIDERATION PAID \$	DATE ISSUED
MJ Andrews	1,220,357	85,425	15 September 2003
HA Fletcher	813,571	56,950	15 September 2003
WA Hasler	813,571	56,950	15 September 2003
SG Kasnet	474,583	33,221	15 September 2003
JW Villiger	813,571	56,950	15 September 2003
JK Virta	474,583	33,221	15 September 2003
Total	4,610,236	322,717	

The key terms of these Options are summarised below.

- All Options are currently exercisable.
- The final exercise date for the Options is 31 March 2009.
- The exercise price of the Options escalate quarterly at 17% per annum real after tax.
- The exercise price per Option is currently 63.72 cents, and increases to 66.27 cents on 1 July 2004.
- Each Option has an Option fee of 7 cents per Option, which was paid to the Company by the Directors when the Options were issued to them.

Further details on these Options were included in the Company's 2003 Notice of Annual Shareholders' Meeting. The issuance of these Options was approved by shareholders at the Company's 2003 Annual Shareholders' Meeting.

Directors' Holdings of Equity Securities at 31 March 2004

At 31 March 2004, Directors held the following Relevant Interests in Ordinary Shares and Options:

DIRECTOR	ORDINARY SHARES	OPTIONS
MJ Andrews	206,254 ¹	1,220,357
HA Fletcher	1,519,630 ²	813,571
AI Gibbs ³		
WA Hasler	85,733 ⁵	813,571
SG Kasnet	85,733 ⁵	474,583
SL Moriarty	659,489 ⁴	
JW Villiger	78,056 ⁵	813,571
JK Virta	85,733 ⁵	474,583

- ¹ 121,912 held by MJ Andrews, and 84,337 held by the Andrews Family Trust of whom MJ Andrews is a trustee.
- ² 85,733 held by HA Fletcher, 354,485 held jointly by HA and SS Fletcher, and 1,079,412 held by Fletcher Brothers of whom HA Fletcher is a director and beneficiary.
- ³ 55,797,224 shares held by GPG Forests Limited, of whom AI Gibbs is the sole director, were transferred to Ithaca (Custodians) Limited on 28 July 2003, at which time AI Gibbs ceased to have a relative interest in those shares. Ithaca (Custodians) is a wholly owned subsidiary of Guinness Peat Group plc of whom AI Gibbs is an Executive Director.
- ⁴ 647,389 held by SL Moriarty and 12,100 held by the Moriarty Family Trust of whom SL Moriarty is a trustee and beneficiary.
- ⁵ Shares held by Director.

The Company's Code of Conduct for Securities Trading by Directors and Executives supplements the New Zealand legislation contained in the Securities Markets Act. That legislation and the Code of Conduct prevent short-term trading and dealing in the Company's securities by directors and senior executives on the basis of non-public material and relevant information. The Company supplements this by requiring that anyone designated as having the opportunity to access price sensitive information can transact in the Company's securities only with the prior approval of the Company Secretary.

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 Limited 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.

Directors' Remuneration

In accordance with Section 161(2) the Board authorised, and entered the following particulars relating to remuneration into the interests register:

DATE	REMUNERATION PARTICULARS
30 June 2003	CEO's incentive remuneration for the year ended 31 March 2003, and confirmation of no change to his base salary for the year ended 31 March 2004.
15 September 2003	Director fees for the year ended 31 March 2003 of \$65,000 for each non-executive Director and \$97,500 for the Chairman.
25 November 2003	Director fees for the year ended 31 March 2004 of \$65,000 for each non-executive Director and \$97,500 for the Chairman.

Information used by Directors

The Board has passed a resolution under Section 145(2) of the Companies Act prohibiting Directors from disclosing information to:

- a person whose interests the Director represents; or
- a person in accordance with whose directions or instructions the Director may be required or is accustomed to act in relation to that Director's powers and duties.

Stock Exchange Waivers

On 2 April 2004, the Market Surveillance Panel granted to the Company waivers from Listing Rules 9.1 and 9.2 thereby permitting the Company to make its partial takeover offer for Tenon Limited, without the need to seek shareholder approval.

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act requires the Company to disclose, in relation to its subsidiaries, amongst other things, the total remuneration and value of other benefits received by directors, employees, former directors and former employees, and particulars of entries made in the interests registers made during the year ended 31 March 2004. No Director or employee of Rubicon appointed as a Director of any Rubicon subsidiary receives any remuneration or other benefits in that role. The remuneration and other benefits of such Directors and employees, are disclosed elsewhere in this Annual Report. The following persons held office as Directors of subsidiary companies as at 31 March 2004 and no persons ceased to hold office as Directors of subsidiary companies during this period.

Rubicon Energy Holdings Limited	SL Moriarty, MA Taylor
Rubicon Enterprises Limited	SL Moriarty, MA Taylor
Rubicon Forests Limited	HA Fletcher, AI Gibbs, WA Hasler, SG Kasnet, JW Villiger, JK Virta
Rubicon Forests Holdings Limited	HA Fletcher, JW Villiger, WA Hasler, SL Moriarty, MA Taylor
Rubicon Forests Investments Limited	HA Fletcher, JW Villiger, SKR Aimer
Rubicon Industries USA Inc	WA Hasler, MA Taylor, RA Johnson
Rubicon Investments Limited	SL Moriarty, MA Taylor
Rubicon IP Limited	SL Moriarty, MA Taylor
Rubicon Tahorakuri Forest Limited	SL Moriarty, MA Taylor, AI Gibbs
Trees & Technology Limited	SL Moriarty, MA Taylor

SHAREHOLDER INFORMATION

The Company's shares are listed on the New Zealand Stock Market.

Twenty largest shareholders as at 30 April 2004:

NAME	NO. OF SHARES	% OF SHARES
New Zealand Central Securities Depository Limited	160,847,621	57.65
Ithaca (Custodians) Limited	55,797,224	19.99
Peter Hanbury Masfen & Joanna Alison Masfen	2,246,993	0.81
Leveraged Equities Custodians Limited	1,303,429	0.47
Fletcher Brothers Limited	1,079,412	0.39
Portfolio Custodian Limited	714,097	0.26
Simon Luke Moriarty	647,389	0.23
Hirschfeld Custodian Nominees Limited	500,000	0.18
Victor Hugo Bedford	450,692	0.16
Fletcher Challenge Forests Trust Nominees Limited	386,578	0.14
HA & SS Fletcher	354,485	0.13
ASB Nominees Limited – A/C 373685	350,000	0.13
Dietrich Westphal	350,000	0.13
ASB Nominees Limited – A/C 127956	342,884	0.12
Tyrannus Holdings Limited	300,000	0.11
Marion Nita Webster	299,110	0.11
Forsyth Barr Limited	250,593	0.09
Robin Macdonald Smith	250,000	0.09
Ross Lance Wilson	235,338	0.08
Investment Custodial Services Limited	217,843	0.08
Total	226,923,688	81.35

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 major holders of Rubicon shares at 30 April 2004 were:

NAME	NO. OF SHARES	% OF SHARES
Citibank Nominees (New Zealand) Limited	98,296,067	35.23
AMP Investment Strategic Equity Growth Trust Fund	11,237,049	4.03
Custody and Investment Nominees Limited	8,672,279	3.11
National Nominees New Zealand Limited	8,461,717	3.03
ANZ Nominees Limited	7,030,357	2.52
Cogent Nominees Limited - Non Exempt	6,006,852	2.15
AMP Life Limited	5,678,804	2.04
Cogent Nominees Limited	4,787,047	1.72
NZGT Nominees Ltd - AIF Equity Fund	4,722,256	1.69
Accident Compensation Corporation	1,874,344	0.67
Total	156,766,772	56.19

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 30 APRIL 2004

SIZE OF HOLDING	SHAREHOLDERS		NO. OF SHARES	
	NO.	%		%
1-999	9,189	50.96	3,860,629	1.38
1,000-9,999	7,692	42.66	19,889,628	7.13
10,000-49,999	987	5.47	17,253,815	6.18
50,000-99,999	79	0.44	5,017,106	1.80
100,000 and over	85	0.47	232,999,992	83.51
Total	18,032	100.00	279,021,170	100.00

DOMICILE OF SHAREHOLDERS AND HOLDINGS AS AT 30 APRIL 2004

	SHAREHOLDERS		NO. OF SHARES	
	NO.	%		%
New Zealand	15,980	88.62	273,967,344	98.19
Australia	1,204	6.68	2,002,875	0.72
United Kingdom	326	1.81	638,666	0.23
United States of America	272	1.51	1,379,837	0.49
Other	250	1.38	1,032,448	0.37
Total	18,032	100.00	279,021,170	100.00

SUBSTANTIAL SECURITY HOLDERS

According to notices given to the Company under the Securities Markets Act, as at 2 June 2004 the following were substantial security holders in the Company:

SUBSTANTIAL SECURITY HOLDER	NO. OF VOTING SECURITIES	% OF ISSUED RUBICON SECURITIES	DATE OF NOTICE
Guinness Peat Group PLC	55,797,224	19.99	2 December 2002
Perry Corporation	55,276,862	19.81	28 January 2003
AMP Capital Investors (New Zealand) Limited	27,977,048	10.03	2 February 2004
Castlerigg Master Investments Limited	17,000,000	6.09	2 December 2002
Tower Asset Management Limited	16,338,891	5.86	1 April 2004

The total number of issued voting securities at 2 June 2004 was 279,021,170.



Michael Andrews
CHAIRMAN



Luke Moriarty
CHIEF EXECUTIVE OFFICER

MICHAEL ANDREWS
CHAIRMAN
MNZIF

Michael was the CEO of Fletcher Challenge Limited from 1997 to 2001 and oversaw the complex separation of the Fletcher Challenge Group, which saw the establishment of Rubicon, Fletcher Challenge Forests (now called Tenon) and Fletcher Building as stand-alone separately listed public entities.

Prior to this Michael had led the Building Materials, Energy and Paper sector operations of Fletcher Challenge Limited. He then led the forestry businesses where he was responsible for the reinvention of Fletcher Challenge Forests (now called Tenon), including the move into forestry genetics from which ArborGen evolved.

As well as being the Chairman of Rubicon, Michael is also a Director of the NZ Trade and Enterprise Board, Tenon Limited, Eastland Infrastructure Limited, Eastland Port Limited, and Eastland Network Limited.

DR JOHN VILLIGER
DIRECTOR
PhD University of Otago and University of Florida

John is currently Head of Product Development Worldwide, and Managing Director NZ of The Medicines Company, a US based company which listed on the Nasdaq in August 2000 and which has grown from four staff and US\$2 million seed capital, to a publicly listed company with 75 staff and a capitalisation of US\$1.6 billion. The Medicines Company acquires, develops and commercialises biopharmaceutical products in late stages of development. The company's lead product, Angiomax, directly blocks the actions of a key component in the formation and growth of blood clots and is currently marketed in New Zealand and the US.

John had previously held various positions in product development at Hoffmann-La Roche, including Head of Global Project Management and International Project Director. He was responsible for overseeing the development of Hoffmann-La Roche's global pharmaceutical portfolio, with management responsibility for over 50 development programmes. John is also the Chairman of The Medicines Company (New Zealand) Limited and a Director of Uniservices Limited.

WILLIAM (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. Concurrent with his role at Haas, Bill is also Vice Chairman and Director of Aphton Corporation, a public-listed biopharmaceuticals company based in San Francisco and listed on the Nasdaq National Board, and Chairman of Directors of Solectron Corporation.

In addition, Bill is an active director on many boards, including being a Trustee of Schwab Funds, and Public Governor of Pacific Stock and Options Exchange in San Francisco. He is also a consultant to, and investor and Director in, several private technology companies.

LUKE MORIARTY
CHIEF EXECUTIVE OFFICER
MS Stanford University; LLB (Hons) and BCA Victoria University

Luke is a Director and the CEO of Rubicon. He is also a Director of Tenon Limited.

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 formation of Rubicon.

HUGH FLETCHER
DIRECTOR
MBA Stanford University; MCom (Hons), BSc University of Auckland

Hugh is Chairman of the Advisory Board of No. 8 Ventures and No. 8 Ventures 2002 Fund and a Director of The Reserve Bank of New Zealand, Ports of Auckland, VCU Technology Limited, IAG (New Zealand) Holdings Limited, CGNU Australia Holdings Limited and Fletcher Building Limited. He is also a member of the Council of the University of Auckland, the Asia Pacific Advisory Committee of the New York Stock Exchange, the Business Advisory Council of the United Nations Office for Project Services and the Asia Pacific Committee of the Trilateral Commission.

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.

STEPHEN KASNET
DIRECTOR
BA University of Pennsylvania (Philadelphia)

Steve is currently the President and CEO of Boston-headquartered Harbor Global Company Limited, a prime asset of which until recently was a timber harvesting and sales operation in eastern Russia covering over 3 million acres of concession area. Harbor Global also maintains interests in two venture capital partnerships, which have invested in 10 privately held companies engaged in manufacturing and distribution of a wide range of products.

Steve was previously Executive Vice President of the Pioneer Group Inc in the US. He is Chairman of Directors of PioGlobal Investment Fund and PioGlobal First Russia, Trustee and Vice President of the Board of Governor Dummer Academy, and Director of IOS Brands Corporation, Bank North, Massachusetts, and Republic Engineered Products, Inc.

JOUKO VIRTÄ
DIRECTOR
LLM and MSc (Forestry) University of Helsinki; MSc (Forest Economics) University of California (Berkeley)

Jouko has had 30 years of experience in the international forestry industry. For 10 years he was based in London as Chief Executive of the Consulting Network of Jaakko Pöyry - a leading global forest industry consulting firm. Investment planning assignments and business opportunity analyses for almost all major global forest industry enterprises have given Jouko a unique understanding of global forest products marketing and business development. In addition, he is familiar with the environmental, social and technological issues related to sustainable resource development. Jouko's experience includes forestry projects covering a wide range of strategic and operational issues, carried out in New Zealand, Asia, South and North America, and Europe. Jouko, who is based in Singapore, is President for Global Fibre Supply of APRIL, a market pulp producer, and a Director of Pareco Oy.

GARY WEISS
DIRECTOR
PhD Cornell University; LLB (Hons), LLM Victoria University

Gary has considerable international business experience and is a highly respected commercial lawyer in Australia and New Zealand. Presently he is the Chairman of Ariadne Australia Limited and Coats Holdings plc, and is a Director of Guinness Peat Group plc (UK), Canberra Investment Corporation Limited, Tag Pacific Limited, Westfield Management Limited, and Tower Limited.

He was formerly a Director of Allgas Energy Limited, ASC Limited, Australia Media Limited, The Colonial Motor Company Limited, Metals Exploration Limited, Pacific Sports Entertainment Limited and Physicians Insurance Company of Ohio. Gary was also formerly a Director of Industrial Equity Limited and Industrial Equity (Pacific) Limited (until October 1988), the Australian and international arms of Brierley Investments Limited Group.

TONY GIBBS
DIRECTOR
Fellow of the Institute of Directors

Tony brings a 25-year history of a diverse range of management and directorship experience to the Board covering mergers, acquisitions, divestments and restructuring. He is the Chairman of Turners & Growers Limited and Staveley Inc, and is a Director of Coats Limited, Turners & Growers Fresh Limited, Staveley Industries plc, ENZA Limited, Tower Limited, Tower Australia Limited, Guinness Peat Group plc, Guinness Peat Group New Zealand Limited, GPG Forests Limited, Ithaca Custodians Limited and Turners Auctions Limited.

Tony was previously Chairman of a number of companies including AGB McNair Limited, Tyndall Life NZ Limited, The NZ Guardian Trust Co Limited (Deputy Chairman) and is a former Director of a number of companies including The Colonial Motor Co Limited, Tyndall Australia Limited, The Union Shipping Group and Wrightson Limited.

