SKELLERUP

SKELLERUP HOLDINGS LIMITED

ANTI-SLIP BARREL MILKING LINER INCREASES AIR-FLOW & ENHANCES MILK FLOW

CORRUGATED FOR CUP ALIGNMENT

VACUUM SHUT-OFF GROOVE

ANNUAL REPORT 09

THE SKELLERUP GROUP OF COMPANIES

develops, markets, manufactures and distributes technical polymer products and vacuum pumps for a variety of specialist industrial and agricultural applications.

Founded 99 years ago, today Skellerup is a global company headquartered in New Zealand, with operations in Asia, Europe, the United States and Australasia.

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KEY POINTS

- Continuing Operations Revenue up 5.2% to $180.9 million
- Continuing Operations NPAT (before abnormals) down 8.9% to $9.7 million
- Operating cash flow up $13.7 million to $23 million
- Net Debt down $8.8 million to $65 million
- Global recession severely affected second half profitability
- Agri Division resilient, as a result of essential consumable nature of product range
- Trading for Industrial Division has stabilised, however at lower levels than in first half
- Continuing focus on technical polymer products and vacuum pumps into niche markets
- Range of new products brought to market in past year - including the Quatro gumboot, new design vacuum pumps and square dairy liners.
- Product development investment increased.
- 2 for 5 Rights Issue at 40 cents per share announced which will raise $21.5 million

CONTINUING OPERATIONS REVENUE	OPERATING CASH FLOW	CONTINUING OPERATIONS NPAT
$180.9 MILLION	**$13.7** MILLION	**$9.7** MILLION
UP 5.2%	**UP**	**DOWN 8.9%**

Year ended 30 June	2009 $000	2008 $000	% change
Operating Revenue	**180,857**	**171,991**	**5.2%**
Trading EBITDA	**26,818**	**30,026**	**-10.7%**
Trading EBIT	20,002	24,866	-19.6%
Surplus before Tax	14,129	16,031	-11.9%
Taxation	4,401	5,358	-17.9%
Surplus after Tax on a Continuing Operations basis	**9,728**	**10,673**	**-8.9%**
Discontinued Operations and Abnormals	(553)	4,024	
Net Profit for the year	9,175	14,697	-37.6%
Operating Cash Flow	**22,953**	**9,249**	**148.2%**
Total Assets	177,810	194,039	
Total Liabilities	106,380	122,241	
Net Assets	**71,430**	**71,798**	
Earnings per share	**6.88c**	**13.09c**	
Dividends per share	2.5c	6.0c	

THERE IS EVERY REASON to be confident that Skellerup is in a sound position to weather what remains of the economic downturn.

The challenges within the global economic environment have affected our results this year, as they have for almost every business worldwide.

Group revenue for the full year, on a continuing operations basis, was ahead of last year by 5.2%. However, this reflects the combination of an increase in sales over the first six months of 23.2%, followed by a decrease in the second six months of 11.4%. This reduction highlights the severity of the slow-down in industrial activity worldwide during the latest period.

Net Profit after Tax (NPAT) for the year, on a continuing operations basis, was $9.7m before abnormal items compared with $10.7m for last year, a decline of 8.9%.

Despite the above result, there is every reason to be confident that Skellerup is in a sound position to weather what remains of the economic downturn. The Company now has a solid foundation in place, through prudent decisions undertaken in the past few years.

The strategy of deepening our focus on technical polymer products in recent years has resulted in the divestment of non-core businesses, closure of inefficient factories and re-grouping of our technical competencies across the Group. This has helped us to promote greater emphasis on product development.

The capital raising exercise we undertook last year enabled us to reduce the Group's bank debt, thereby strengthening the balance sheet. There has also been a significant improvement in working capital management in the current year which has contributed to a net debt reduction of $8.8m.

Our latest two-for-five rights issue at 40 cents per share will enable us to further reduce debt, which your Board feels is appropriate at this time, given the constraints of the current financial markets. This will create an even stronger balance sheet going forward, giving us the ability to grow the business further as opportunities arise .

After a relatively strong first half year (particularly within the Agri Division) conditions in our major industrial markets in Europe and the USA tightened considerably during the third quarter. This led to our revised profit forecast in April this year which, with the benefit of hindsight, has proved to be a marginally conservative indication of our final year-end position.

ECONOMIC IMPACT

Our performance this year was impacted by the broad-based slowdown in global industrial production, which reduced demand for a wide range of componentry such as automotive driveshaft couplings, construction products, pipe gaskets, dairy pumps and general industrial products.

Our Industrial Division results were further affected by intense de-stocking regimes implemented by many of its major customers. Although we now are beginning to see greater month-on-month stability in demand trends, it is still too early to suggest that this market is heading into full recovery.

Our Agri Division is primarily a producer of consumables for the dairy sector, such as dairy liners, tubing, filters and footwear. While there has been a drop in dairy farmer spending, most of our products are essentials for milk harvesting, and therefore this division has been relatively resilient so far.

PRODUCT DEVELOPMENT FOCUS

Although market conditions have been challenging, we have continued to invest at equal, or above traditional levels in product development within the core areas of product expertise where we hold a strong position. Our growing international reputation for excellence in developing technical polymer products is enabling us to compete successfully in a range of niche areas.

The benefits of more resilient, higher quality products are well recognised by significant market sectors, and we expect to be able to retain and grow market shares in both the Industrial and Agri Divisions, even within the current tight fiscal conditions.

DIVIDEND

The Company's dividend policy in normal circumstances is to return to shareholders each year a total dividend payout within the range of 40% to 60% of Net Profit After Tax (NPAT).

The interim dividend of 2.5cents per share paid on 30 April 2009 is equivalent to 36% of this year's $9.2m NPAT. As a consequence of the impending rights issue, the Board has concluded that it is not in the best interests of the Company at this time to be paying an end of year dividend to shareholders.

However, as stated in the rights issue prospectus, dividend payments are expected to resume in April next year.

ANNUAL MEETING

Our Annual Meeting will be held in Auckland on Wednesday 28 October 2009 at 2.30 pm in the Ellerslie Convention Centre.

SKELLERUP PEOPLE

Our ability to withstand the impacts of challenging economic conditions relies heavily on the competence and dedication of our staff and directors. We are fortunate to have a very experienced and loyal staff team, extending from our senior management throughout our organisation, and within every one of the many businesses that make up the Skellerup Group.

There have been no changes to the composition of your Board or senior management team over the year. The stability that results from our ability to work together effectively is a key strength that will help us to manage the conditions we are likely to face in the coming year.

OUTLOOK

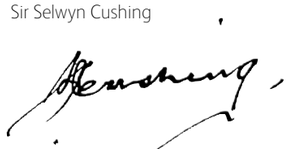
Although trading conditions within our global markets are beginning to stabilise, it is unlikely these markets will experience significant growth for some time. Our strategies of reducing debt, continuing to strengthen our ability to develop premium products within carefully selected market niches, and working to maximise the value of our distribution networks and manufacturing facilities, will ensure the Group is well positioned for future growth.

The earnings outlook for the Agri Division, while lower than that achieved in 2009, remains reasonably positive, based on the essential consumable nature of the majority of our products.

The outlook for activity within the Industrial Division has stabilised, albeit at a much lower level than we achieved in the six months to December 2008. Future uplift will depend upon the timing and extent of a global industrial recovery, and our ability to secure contracts from our OEM customers for newly developed technical products which can often have a long gestation period.

In summary, while there are indications that global economic conditions are improving, at the time of writing our forecasts assume that overall activity (industrial activity in particular) will remain at current levels for the rest of the 2010 financial year. If that assumption proves correct, we anticipate that earnings at the NPAT level for the June 2010 year will be approximately $7.1 million.

Sir Selwyn Cushing



Chairman

OUR ONGOING FOCUS on product development continues to deliver new and better products, which significantly out-perform our competitors' products.

Although the first half of the year brought pleasing gains, tightened trading conditions experienced throughout the global economies, and particularly in our key industrial markets within the USA and Europe, made 2009 one of the most challenging years in recent history.

For the full year, revenue for our continuing businesses increased by 5.2 %. This reflected difficult trading conditions experienced in the second half of the year, which resulted in contraction in revenue by 11.4 %. As a result, our Net Profit after Tax (NPAT) on a continuing operations basis for the full year reduced by 8.9 % to $9.7m before abnormals. This result is better than our revised profit forecast of April 2009.

The Agri Division reported overall revenue growth of 13 %, with a 3.9 % increase in EBITDA. This reflected ongoing increasing demand for our dairy rubberware, despite a worldwide fall in milk prices. Although the dairy industry is affected by reduced consumer spending, because the majority of our products are consumable by nature and essentials for dairy farming, we are confident that the division will remain resilient.

Dairy International and Stevens Filterite, servicing domestic and export customers with essential consumable milking products, both continued to perform well, with volumes increased from last year through market share gains.

While we continued to grow market share for vacuum pumps due to our ability to assist our end users with product development, fewer dairy farm conversions this year in NZ resulted in lower demand. However, this was somewhat offset by increased export volumes - particularly to the UK and Europe - on the back of improvements to our product range.

Our USA dairy rubberware distributor, Conewango, reported a solid year's trading, and continues to hold market share. This is partly due to the development and introduction of new and improved products, despite pressure from falling cow numbers and low dairy farm profitability due to low milk pricing and high feed costs.

The release of the Footwear Division's new high-tech Quatro Gumboot profiled later in this report was a significant contributor to earnings growth, offsetting a reduction in demand primarily caused by de-stocking initiatives by customers. Our high quality manufacturing operation in Jiangsu China is leveraging the success of its production of the Quatro boot, and continuing to extend its contract manufacturing operations for other international brands.

NZ Dairy was affected by reduced expenditure within the farming sector, combined with general reductions in stocking levels by distributors.

The broad-based downturn in international manufacturing operations had a significant impact on our Industrial Division. Revenues for the second half year were 20.4 % down on the corresponding half last year, after a relatively strong first half. As a consequence, EBITDA was 36 % down for the full year.

However, there were reassuring indications that trading conditions are beginning to stabilise, and while we cannot expect significant growth in our markets for some time yet, we are hopeful that the worst is over.

With the automotive industry in disarray in the early months of 2009, demand for automotive driveshaft couplings was severely affected. Despite this, revenues for Gulf Rubber and Tumedei increased over the first half of the year, reinforcing the wisdom of the rationalisation and re-grouping of manufacturing operations between the two companies.

Despite the tough conditions, both companies have continued to invest in new and improved products, as well as in market development to better service their Original Equipment Manufacturer (OEM) dominated customer base.

Thorndon Rubber also reported increased revenues from its sales of rubber rollers and other rubber products within New Zealand.

Deks Industries, which produces waterproof flashings and plumbing fittings, grew its market share in Australia and New Zealand, and is making good headway in the USA. The company has increased its level of outsourced manufacture over the past year, enabling improved efficiencies. Its new lead replacement roof flashing product introduced to the Australian market last year, together with further refinements that have been added to this product family over the past year is continuing to gain market share and providing pleasing growth.

Sales of industrial vacuum pumps by Masport in the USA slowed dramatically in the second half, in both the key industrial waste and oilfield sectors. The lower volume of units sold affected both Flomax and Skellerup Jiangsu, who support Masport's operations through development, design and manufacturing. The development this year of new market-leading pumps will stand us in good stead when the market ultimately recovers.

STRATEGIC OUTLOOK

While we have been affected – in some areas significantly – by the global recession, we believe we have put in place a stable platform that will not only enable us to survive the uncertainties of the next period, but position us to leverage growth as soon as market conditions improve.

Our current financial position was facilitated by our divestment of non-core businesses and the capital raising last year, which led to a reduction in bank debt. The current share offering will further solidify this position. This will enable us to cautiously invest in opportunities that may emerge as the world economy stabilises, to strengthen our market position.

CONTINUED PRODUCT DEVELOPMENT FOCUS

Our ongoing focus on product development continues to deliver new and better products, which significantly out-perform our competitors' products.

The energy and discipline that we invest in evaluating customer needs and requests, and developing and testing new formulations and products, are key strengths of the Group. Over the past year, we have seen exciting developments in a varied range of products - including the launch of the new Quatro gumboot from our footwear division, a new foaming dip cup designed and produced by Ambic UK, extension of the Dektite range of roof flashing products, and significant developments in the performance of rubber couplings for the automotive industry achieved by Gulf Rubber in Australia.

While getting new products into OEM customers is often a slow process, we are confident that we are now well placed to benefit from the significant amount of development work carried out in recent years.

We constantly review our manufacturing options in order to maintain a fundamentally sound mix between in-house and outsourced manufacturing capability. Achieving an optimal balance of low-cost manufacture and high-tech formulations and specifications remains our goal. This will be a key to maintaining our market leading position.

OUR CORE OFFERING of dairy rubberware and industrial products provides, in the main part, essential componentry for a range of different industries. We remain confident of market demand in those areas.

SALES REVENUE OF CONTINUING OPERATIONS BY MARKET LOCATIONS

TRENDS IN MARKETING AND DISTRIBUTION

The spread and depth of our global distribution channels continues to be another key asset. An increasing proportion of our revenue is sourced from the markets within Europe, Asia and the USA; and, although our market share in each of these key sectors is still relatively low, it continues to increase towards a critical mass, which will ultimately position us well to leverage significant future growth.

Following the restructure of operations at Tumedei, our ability to market products from other companies within the Skellerup family throughout Europe via Tumedei's distribution networks continues to develop. Our sales team at Tumedei has been strengthened through the addition of three experienced sales managers from within the industry in Italy, and the transfer of Gulf Rubber NZ's European Sales Manager, Jason Steele, to Italy.

Although our USA operations have experienced some of the toughest economic pressures anywhere in the world, our mature and robust connections there are ready to leverage growth as the first signs of recovery begin to show.

While our interests in Asia initially identified that region as a source of manufacturing capability, we also see opportunities there for our products over time. Our Dairy International team has made good progress in China with sales of dairy rubberware and dairy vacuum pumps.

OUR PEOPLE

This has been a very stable year for our management team, with no significant changes to roles of our key personnel.

Within Skellerup, we continue to facilitate information exchange between our technical teams and our marketing personnel, aiming to reinforce our culture of innovation, boost our ability to leverage the application and cost-effectiveness of product development work, and support career development.

We are frequently reminded of the dedication that Skellerup people give to their work in many ways, and many locations around the world. Over the past year, for example, we have seen Skellerup staff in China make a huge effort to meet an urgent production order for footwear, and Skellerup Rubber Services staff worked around the clock to replace rubber componentry for industrial equipment at NZ Steel.

So many of our staff in New Zealand, and increasingly those working in locations around the world, show their commitment to the company through long service, thinking outside the square, and 'going the extra mile' to meet the needs of our customers and the other Skellerup staff they work with. That loyalty is the cornerstone of our ongoing success in today's challenging environment.

LOOKING TO OUR FUTURE

While we believe that we have weathered the worst of the current global economic storm, we remain prepared for our markets to remain at current levels for some time to come.

Hindsight reinforces the wisdom of our strategies over the past few years to focus on our strengths in technical polymer development and production, reduce debt, and make the most of the opportunities for synergies within the group. The current share offering will place us in an even stronger financial position going forward.

Our core offering of dairy rubberware and industrial products provides, in the main part, essential componentry for a range of different industries. We remain confident of market demand in those areas.

Our continuing penetration into major markets within Europe, Asia and the USA is due to our strong distribution networks as well as our reputation for high quality, innovative and practical products in our targeted areas.

Although we do not anticipate a rapid recovery to favourable market conditions we have the benefits of an exceptionally loyal group of staff, management and directors, strong technical expertise, a balanced manufacturing model, and appropriate breadth within our distribution channels to be well placed for the future.

As we approach our Centenary next year, we recognise the inherent strength of Skellerup and its ability to withstand all of the varied challenges in the marketplace over the past 100 years. From humble origins as a supplier of rubberware to New Zealand dairy farmers, the company has grown steadily to become a global specialist in technical polymer products, with development, manufacturing and marketing operations worldwide.

When the current economic storm abates, armed with our exceptional capability in product development, cost-effective manufacturing facilities, and strong international networks and distribution channels, we will be ready to deliver our shareholders sound future growth into our second century.

Donald Stewart

Managing Director

AGRI DIVISION ▶

The Agri division's main market focus is the manufacture and distribution of products for the dairy industry.

Skellerup has been an active participant in the global dairy industry for more than 50 years and in that time has grown from a long-established business of supplying dairy rubberware, to extending its product range to include vacuum and milk pumps, milk filters, calf teats and the Ambic range of dairy hygiene equipment.

Skellerup supplies to the leading global and regional Original Equipment Manufacturers (OEMs), as well as many leading dairy industry distributors.

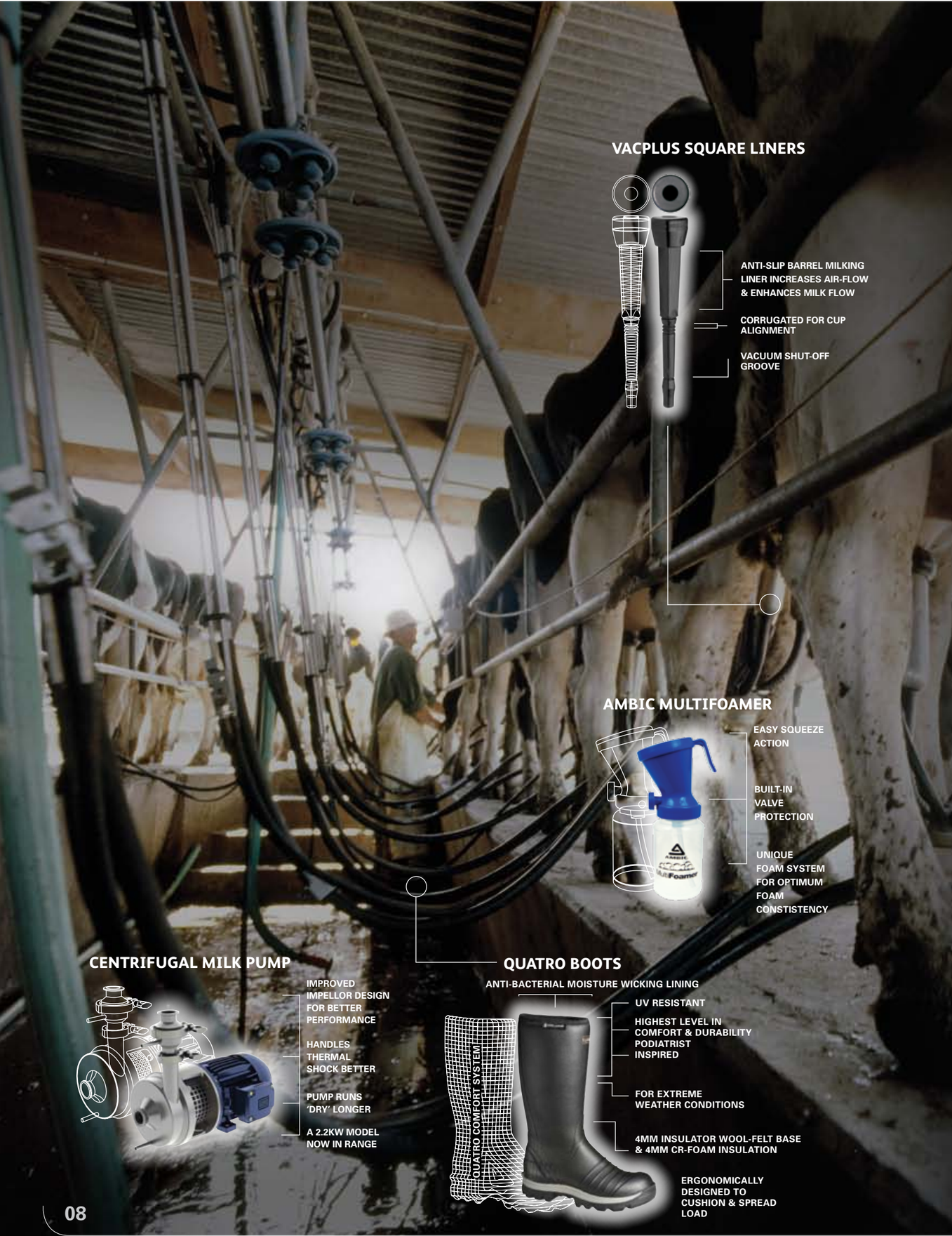
Specialising in the manufacture of liners, tubing and jetter wash cups, Skellerup exports dairy related products to over fifty customers in 32 countries including United States, United Kingdom, Ireland, South Africa, France, Germany, Denmark and Australia.

Skellerup is also a leading supplier of vacuum pumps and components to all major international dairy equipment OEMs. In addition to manufacturing a large range of vacuum pumps Skellerup also supplies a range of Milk Pumps and Plate Heat Exchangers.

Skellerup has also been providing New Zealanders with high quality, genuine hand-finished footwear for more than 60 years.

New Zealand's first rubber gumboot, the original 'Marathon' was produced by Skellerup on September 9, 1943. This was soon followed by the Skellerup 'Red Band' - the gumboot of choice for New Zealand farmers for more than 50 years.

Skellerup's latest gumboot - the Quatro® - was launched recently in New Zealand and Australia. This high performance waterproof boot has been developed to provide superior comfort, warmth, support and performance.



WE WILL REMAIN TIGHTLY FOCUSED

on the foundation ranges of dairy rubberware and footwear that make Skellerup a leading provider to farmers, and ensure we are in the best possible position to leverage future growth.

Our Agri Division felt the impact of the reduction in global dairy prices, which had a flow-on effect on spending in the rural sector in the second half of the 2008-2009 year.

Revenue for the full year was ahead of last year by 13% with Earnings before Interest and Tax and Depreciation (EBITDA) up 3.9% on the previous year at $18.3m.

Total Agri revenue at $69.9m represents 38.6% of Group sales for the year.

Although Agri revenue was ahead of the previous year by 20.8% in the first half, trading in the second half was much more difficult, with the increase over the previous year reduced to 5.4% reflecting de-stocking by distributors and slowing of trading activity within farming communities, both in New Zealand and internationally.

However, many of our products within this sector such as dairy liners, tubing and filters are essential consumables and although sales may be somewhat affected by farmers extending replacement cycles, global dairy consumption continues to grow. In general, dairy farmers still value the quality and durability that Skellerup products are renowned for, as they understand the value equation and are prepared to continue to pay a quality premium.

Our footwear division has benefited from the launch of the new Quatro gumboot profiled on page 12 and 13. This essential farming staple is the pride of our product development team, featuring an insulated lining, a full length rubber outer shell, and a cushioned inner sole. It clearly out-performs any and all competitors, and has been enthusiastically received not only by farmers, but also many others needing high performance insulated outdoor footwear.

The Quatro boot is strong proof that no manufacturer anywhere in the world can make a better gumboot than Skellerup.

Skellerup Industries, New Zealand, experienced a boost in international sales of dairy rubberware and continued to make market share gains in New Zealand, Australia, Europe and the USA. Although domestic sales of vacuum pumps were affected by the slow-down in dairy conversions, this was more than offset by improved volumes for vacuum pumps in the UK and Europe.

Sales of square profile dairy liners continue to grow in New Zealand and the USA. The VacPlus range introduced into the New Zealand market last year have continued to gain market share, with the benefits of the new profile in increasing milking efficiency now becoming well recognised by dairy farmers.

We gained ground in the Chinese market for both dairy rubberware and vacuum pumps, with promising developments in distribution channels which will provide a foundation for sound future growth in this potentially large market. The recent melamine issue has highlighted the need for products to meet food safety standards, and created opportunities for our internationally proven dairy range.

Stevens Filterite, our NZ-based manufacturer of dairy milk filters, reported increased revenues on last year, reflecting the consumable nature of these products and the importance of milk quality to our dairy farmers.

While Ambic UK was affected by the reduction in new dairy capital sales, its development and launch of an innovative new MultiFoamer dip cup, which significantly reduces mastitis in dairy cattle by sanitising and preparing cow teats before milking, met with an enthusiastic response from customers in Europe and the Middle East. This augers well for future sales of Ambic's range of specialised dairy hygiene products.

Ambic's integrated business model, involving design, product development, plastic moulding, product assembly, marketing and sales is a unique and powerful combination which can test, develop and bring products into the market within short timeframes. The company has also recently launched several new products which provide pre-milking treatments, as well as a range of mounting heat detection systems for dairy fertility management.

Conewango Products, our USA distributor of dairy rubberware, experienced a solid first half year trading on the back of growing market appreciation of the abilities of Skellerup dairy liners to boost milking performance. However, our revenues reduced in the second half as the American dairy industry faltered, in the face of historically low milk prices combined with high feed costs. Dairy farmers were forced in some instances to reduce cow numbers.

While New Zealand is still our largest market for products from our Agri division, the distribution channels that we have established in the much larger markets within USA, Europe and Australia continue to gain ground. We will be safeguarding and strengthening these channels over the coming year, to ensure that our products have ready entry into these significant markets as they recover.

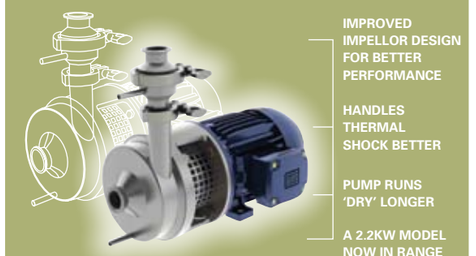
Our current focus is also on getting best use from our existing manufacturing facilities and supply arrangements. We have undertaken production processing, logistics and supply chain reviews aimed at increasing productivity and cost-effectiveness of existing options, as well as keeping vigilant in assessing potential future initiatives that will create synergies or efficiencies in manufacture and/ or distribution.

Looking ahead, while conditions for the dairy industry are likely to be tight for some time, we remain confident that the essential consumable nature of the majority of our products, together with farmers' recognition of the benefits of choosing Skellerup products over those of our competitors, will maintain demand for our products.

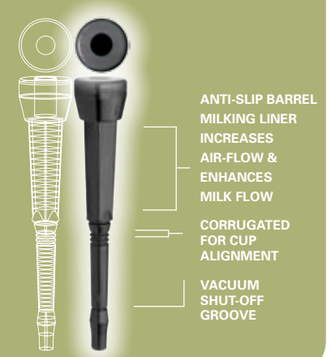
We will remain tightly focused on the foundation ranges of dairy rubberware and footwear that make Skellerup a leading provider to farmers, and ensure we are in the best possible position to leverage future growth.

AMBIC MULTIFOAMER

CENTRIFUGAL MILK PUMP



VACPLUS SQUARE LINER



INTRODUCING SKELLERUP QUATRO:

. . . and fencing, drain laying, standing in freezing puddles,

The boot that's made for walking mustering, concreting, milking, plumbing, and watching the footy!

When the Quatro gumboot was launched in May this year, it was the culmination of more than two years of intense observational research, testing, and market research – and it built on more than 50 years of success of Skellerup gumboots.

To work out how to make the best gumboot in the world, our team interviewed and observed more than 200 target users to find out what they needed. They came not only from the farming community, but a wide range of people who work in the outdoors in all kinds of demanding conditions, rain or shine. These are the people whose livelihoods depend heavily on having supportive, long-lasting, waterproof footwear that keep their feet comfortable through the demanding tasks they do, day in, day out.

The research results gave our development teams a strong steer. A great gumboot needs to be 100% comfortable and durable – with all of the best features of premium workboots thrown in with the watertight, all-purpose qualities of a traditional gumboot.

Producing an insulated boot that lasts longer than a few months was another priority that pushed our technical team to trial new formulations aimed to withstand extreme temperatures, high levels of UV light, and rugged working conditions.

The Quatro gumboot is the first in New Zealand to feature an insulated 4mm foam lining, a full length rubber outer shell and a podiatrist-inspired cushioned inner sole. Its innovative Chloroprene/ SBR sponge liner replaces the traditional cotton linings, creating a moisture wicking double layer with exceptional thermostatic properties.

The testing team trialed the prototypes through the hottest periods of last summer in Canterbury, finding to their delight that the Quatro is designed not only to keep feet warm and dry in the cold, but they also remain cool in summer as the liners draw the sweat away from the body. What's more, the anti bacterial, odour resistant lining formula also proved its worth in keeping the boots fresh, even in the hottest conditions.

TESTED IN THE TOUGHEST CONDITIONS

THE DESIGN OF QUATRO BOOTS MAXIMISES THE SUPPORT THAT IS GIVEN TO THE FOOT, GIVING GOOD ARCH SUPPORT AND PREVENTING HEEL SLIP WITH SPECIAL FRICTION PADS.

THE SOLES ARE PARTICULARLY HARDY, WITH HIGH ABRASION RESISTANCE THAT CUSHIONS AND SPREADS THE LOAD ACROSS THE BOOT SOLE.

The Quatro is available in both a full knee and a calf version, and smaller sizes will be launched soon to meet a wider range of foot sizes.

Quatro boots have been instantly popular in rural communities, as well as with a range of contractors and city dwellers who value the support, insulation and durability of the boots. Four months on, response from customers enthusiastic about the durability of the boots: "They're the best gumboots I've ever worn by a long shot" says Kaikoura beef and sheep farmer Tony Blunt. "After three months of tough wear, they're still in great condition; and my feet are so comfortable that I can get the most out of my working day without getting tired."

Quatro boots are currently being marketed in New Zealand and Australia, but we are planning to launch them into the USA in October of this year. Skellerup's Footwear Division Manager Paul Randall says: "I'm certain that the Quatro gumboot is the best boot of its kind manufactured anywhere. With the keen interest we've had from a wide range of customers, it looks set to become our most popular model yet!"

ALREADY POPULAR WITH A WIDE RANGE OF CONSUMERS

INDUSTRIAL DIVISION ▶

The Industrial Division of Skellerup serves a wide range of industrial markets - from major automotive and consumer appliance OEMs, through to a variety of distributor and end-user industrial customers. Principal products include both sourced and manufactured technical industrial polymer products, and also specialist vacuum pumps.

The common link across the Agri and Industrial businesses is a focus on quality systems, both in manufacturing and sourcing; and strong technical product development programs that keep them at the forefront of their markets.

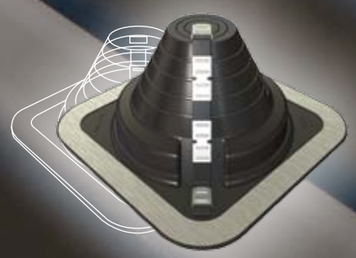
Skellerup is the largest industrial rubber products supplier in New Zealand, with customers in over 30 countries including Australia, Europe, USA and Asia.

Through Gulf Rubber, Tumedei, Skellerup Rubber Services, Thorndon Rubber and Deks Industries, Skellerup can meet most of the needs for industrial polymer products across a variety of markets, including high volume precision-moulded components supplied to major manufacturers worldwide.

Skellerup's range of Industrial manufacturing and product development facilities now includes operations in New Zealand, Australia, Italy, China and Vietnam. These are augmented by specialist sourcing and quality teams that partner quality manufacturers in other countries around the world.

Skellerup is also well known for its range of industrial vacuum pumps. Its largest market for these pumps is in the USA where - through its subsidiary, Masport Incorporated, Skellerup supplies pumps for installation on mobile liquid waste trucks, as well as for pumping slurry in the oil extraction industry.

DEKTITE COMBO

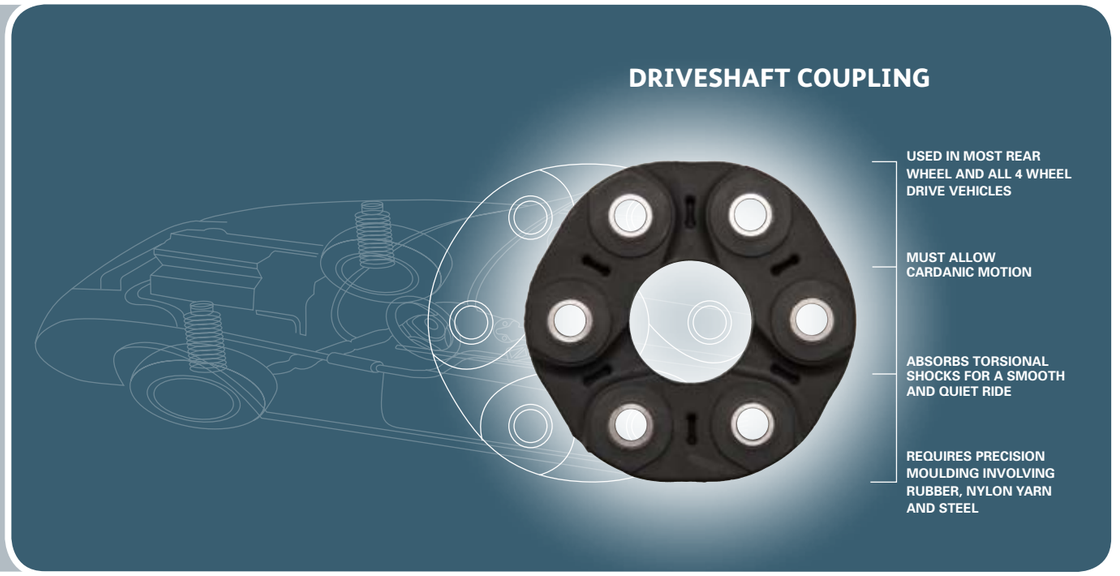


- SUITABLE FOR BOTH STANDARD AND RETROFIT APPLICATIONS
- CONFORMS WITH AND FOLLOWS ALL ROOF PROFILES
- DIAGONAL FIT FOR IMPROVED WATER RUN OFF
- TWENTY YEAR WARRANTY

DRIVESHAFT COUPLING

- USED IN MOST REAR WHEEL AND ALL 4 WHEEL DRIVE VEHICLES
- MUST ALLOW CARDANIC MOTION
- ABSORBS TORSIONAL SHOCKS FOR A SMOOTH AND QUIET RIDE
- REQUIRES PRECISION MOULDING INVOLVING RUBBER, NYLON YARN AND STEEL

WE WILL FOCUS on remaining well informed about functional and market developments that can give us the opportunity to develop new products that meet specific emerging market needs.



Our Industrial Division was severely affected in the second half by the broad-based slowdown in global industrial production, particularly within the automotive, infrastructure and gas industries in Europe and the USA. This was exacerbated by destocking undertaken by customers, further reducing demand.

While in the first half year, revenue on a Continuing Operations basis increased by 24.6 % and EBITDA by 5.8 %. Conditions worsened in the second half, reflecting continued contraction in industrial sectors, particularly within Europe and the USA, with the result that Industrial revenue in the second half year reduced by 20.5 %.

The Industrial Revenue for the full year was flat with the previous year at $110.8m.

EBITDA for the full year at $9.9m was down 36 % on the previous year.

There are indications, however, that the rate of decline has stopped and revenue has levelled off and we are cautiously optimistic that conditions will at least stabilise, and possibly begin to improve over the coming year.

The decline in the automotive, appliance and construction industries in Europe reduced Tumedei's sales to both its traditional customers, and customers from business transferred out of Australia and New Zealand.

Our 2008 review and rationalisation of the areas of strength of Tumedei and Gulf Rubber had a flow-on effect into this year, enabling us to make best use of production expertise and specialised capabilities specific to both these businesses.

The broad range of products which are manufactured and distributed across our Industrial Division, in normal circumstances, helps us to remain resilient to isolated adverse effects within some of our markets. But the impact of the recession was so widespread that almost all of the industries we service in Europe and the USA were severely affected.

Fortunately, there are emerging opportunities within Europe for us to develop targeted technical rubber products for specialised industry needs. By combining our local European manufacturing capability at Tumedei with our global expertise in outsourced production we are placed in a sound position to leverage these opportunities as they develop.

Gulf's business in driveshaft rubber couplings was severely impacted by the downturn in the automotive industry. However on the positive side, performance reports from testing on recently developed coupling components has proved that these products are out-performing competitive products and are being viewed with interest by all of the major vehicle manufacturers.

Deks Industries Australia had a good year, increasing its contribution to divisional EBITDA through a continued increase of market share in Australia and the USA for roof flashing and plumbing products. In addition significant progress has been made in developing new markets in North, Central and South America, with a number of new distribution agreements in place.

The 'Perform' lead-free roof flashing product range introduced to the market last year is rapidly gaining market acceptance as a premium product. Building on this success, our research and development teams have brought to market some new variations, including a range of lead-free Dekform™ tile flashings. These are proving ideal in rain harvesting situations, where they enable end users to avoid heavy metal contamination of harvested run-off.

First half sales of industrial vacuum pumps by our USA based company Masport were healthy, however the second half felt the impact of the marked decline in new business sales, particularly in the liquid waste and oilfields markets.

Our manufacturing model, with a balance and blend of on-shore and off-shore, in-house and outsourced manufacturing, continues to evolve. Around 50 % of the products manufactured by our Industrial Division are produced within our factories in New Zealand, Australia and Italy, with the balance produced mainly in Asia through a combination of company-owned and outsourced facilities.

The growing off-shore manufacturing base is gradually becoming better matched to our end-user demand, which is becoming more evenly distributed across New Zealand, Australia, the USA, and Europe.

The trade-offs between locating manufacturing facilities where lowest-cost manufacture is available, against the logistics costs of getting our products to their markets, continue to be scrutinized by our managers. We also retain our focus on maximizing the cost-effectiveness of our operations within each of our manufacturing facilities, and keeping our overheads at minimal levels in all aspects of our operations.

Our aim through these initiatives is to be able to make decisions that minimize our overall supply chain costs from raw materials through manufacture and distribution, to our end markets.

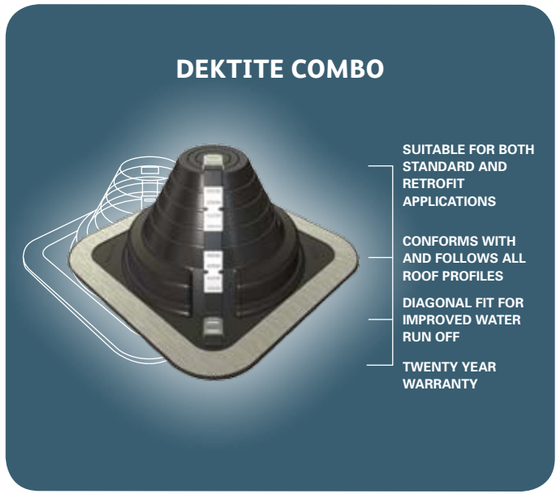
We will continue to focus and invest in product development across the board, positioning the group to be able to make the most of the market's inevitable, if slow, recovery.

Already, we are seeing positive signs that the dedication our people channel into developing high performance products is paying off, as the market recognises the tangible medium and long-term benefits of our products' durability, along with functional advantages over competitive products.

Looking ahead, we believe the fundamentals of the global industrial sectors that are serviced by our products will take some time to recover.

Through the coming year, we will concentrate on ensuring our operations are as efficient as they can be. We will also focus on remaining well informed about functional and market developments that can give us the opportunity to develop new products that meet specific emerging market needs.

We will leverage our combined product development expertise, manufacturing capability, and distribution channels to best advantage for the Company.



THE CUTTING EDGE OF CHANGE

In a world where the pace of technological development keeps accelerating, what is Skellerup's secret to staying ahead of its competitors?

And in tomorrow's marketplace, where pressure from large international companies operating in our sectors is intense, how will Skellerup maintain its position up with the best?

On these pages, we're aiming to give you an inside look at the way our product and process development teams operate.

While the process they follow has key differences between the various sectors, there is one common thread: the dedication to combine the best available market intelligence with a disciplined and exhaustive search to provide our customers with the highest performing products available.

The first essential ingredient is pulling together the range of knowledge and capabilities you need, to understand what you're looking for, and then apply that to generate technical solutions that will meet the market's needs.

Product and process improvement in many of our businesses is founded on getting the right mix of sales input, technical expertise, engineering skill and manufacturing capability. Cross-functional development teams are a feature of companies like Deks, Gulf, Conewango, Tumedei, Ambic and Dairy International.

Meeting at least every month, their role is to sift through both demand-driven information (what end users are looking for) and supply-driven initiatives (such as availability of improved materials and processes). Based on that information, they analyse and prioritise the opportunities that will have greatest potential to market and fastest payback.

Once these are agreed with senior management, typically a task force is set up to work on design and development.

Where possible, we start by analysing customer requirements by observational research. We seek customer feedback on our own products as well as the competition, so we can build formulations and designs that improve on past performance.

Some of our businesses, (like Ultralon Products, which manufactures closed cell foam products) rely heavily on the quality of raw materials to produce premium products. Making sure that the suppliers of key inputs into our manufacturing processes are reliable and have a rigorous quality assurance regime is part of our review.

Product design changes or developments follow from a review of the product's fitness for its purpose, its performance in application, or an identified opportunity to simplify the production process. Sometimes, we discover an alternative raw material that can reduce costs or boost the quality of the product, and this can affect the design as well as the manufacturing processes we employ.

A dedicated task force is set up to investigate the implications of the recommendations for change, and ultimately to develop prototypes for testing or revised processes for production. Extensive testing is undertaken on the prototypes, and typically the product and/or the manufacturing processes may be refined several times before it is ready for mass production.

Where possible, our development teams use existing industry standards when testing products. The resulting product is then guaranteed to meet our tough standards for durability and functionality.

Product and process development may be driven by a number of factors. Ideas for reductions in product costs, quality, speed to market, and customer service improvements, spring from every corner of our business.

Increasingly, we are eager to respond to calls for waste reduction, faster setups, and increased operational efficiency which come from Skellerup people - from management right through to the shop floor.

SOME OF OUR MOST INTERESTING NEW PRODUCTS AND PROCESSES INCLUDE:

- Masport's new high performance air-cooled rotary vane vacuum pump, which will be launched in March 2010.
- A specially designed in-line filter for robotic milking systems produced by Ambic for a Danish customer, based on Ambic's original mastitis detector.
- Installing fully automated process control equipment on Ambic's injection moulding machines enabling 'lights out' production.
- Reducing the set up times on the dairy tubing curing line from one hour to 15 minutes.
- The multi-purpose Dektite® Premium Combo roof flashing unit, which can either seal over or wrap around a penetrating pipe, giving a reliable, versatile, easy-to-fit solution for roofers.
- Automotive driveshaft couplings and centering bushes.
- Flow control products and pipe gaskets featuring the co-moulding of rubber, plastic and metal parts.
- Enhanced versions of our existing market-leading 'Flexiflo' mining products.

The result of all this activity is a steady flow of new products that constantly surprise our customers (and our competitors) through their increased quality, functionality and durability.

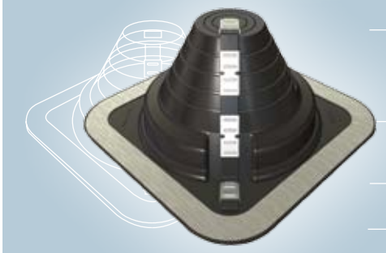
MASPORT HIGH PERFORMANCE AIR-COOLED ROTARY VANE VACUUM PUMP

- AN INTEGRATED PRE FILTER ON PUMP
- A BUILT IN VACUUM RELIEF VALVE
- MODIFIED PORT DESIGN ALLOWING THE PUMP TO RUN COOLER
- CAN BE MOUNTED IN CLOCKWISE AND ANTICLOCKWISE POSITIONS VERY EASILY
- FORCED FAN COOLING

AMBIC IN-LINE FILTER

- TWIN STAINLESS STEEL MILK FILTERS
- SUPERIOR FILTERS
- PROTECTS PLATE COOLERS FROM BLOCKAGES

DEKTITE COMBO

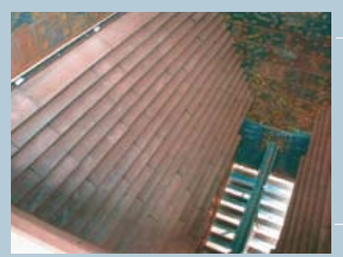


- SUITABLE FOR BOTH STANDARD AND RETROFIT APPLICATIONS
- CONFORMS WITH AND FOLLOWS ALL ROOF PROFILES
- DIAGONAL FIT FOR IMPROVED WATER RUN OFF
- TWENTY YEAR WARRANTY

DRIVESHAFT COUPLING

- USED IN MOST REAR WHEEL AND ALL 4 WHEEL DRIVE VEHICLES
- MUST ALLOW CARDANIC MOTION
- ABSORBS TORSIONAL SHOCKS FOR A SMOOTH AND QUIET RIDE
- REQUIRES PRECISION MOULDING INVOLVING RUBBER, NYLON YARN AND STEEL

FLEXIFLO MINING PRODUCTS



- FLEXIBLE WINGS FOR EASY FLOW OF IRON ORE
- QUIETER THAN METAL LININGS
- REDUCTION IN CLEANING TIME

WEATHERING THE STORM

Twelve months ago, the forces of global economic change were already beginning to be felt within our industries and communities. The housing market was falling (particularly in the USA), and government bail-outs of financial institutions were beginning to monopolize the editorials of our major newspapers.

Economists predicted a flow-on effect in industries worldwide, but nobody was certain how much that might affect the industries that rely on Skellerup products.

Their advice?

Focus on your strengths, shore up your alliance partners within your manufacturing and distribution, cut your debt to the lowest levels you can, and make your operations as lean and cost-effective as possible. Keep your good people, make sure you hold on to your niche through offering the best available products, and don't give up on product and process development. Just make sure it's going to keep you ahead of your competition.

A casual observer might easily have thought that Skellerup's Board and Management team had 'inside knowledge' of the events that have impacted on us since that time.

Our review dating back to 2007 identified that Skellerup's greatest strength is its capability in the development and distribution of technical polymer products.

With this in mind, we set about divesting those businesses within the Group which were not strongly aligned with those capabilities. Throughout the 2008 and 2009 financial years, we sold five businesses within those categories.

At the same time, we also identified the opportunities available to us through the purchase of Tumedei – an enlargement of our core capabilities, plus much enhanced access to the European market and their in-house manufacturing capability. We saw the synergies between Tumedei and Gulf Rubber, and once the purchase was finalised, we immediately set to work to optimise the mix of technical rubber development and production resources between the two companies.

In addition, our manufacturing operations through Asia were growing – enabling us to make best use of lower cost production there to keep our products competitively priced.

Our capital raising exercise last year enabled us to substantially reduce debt, placing us in a more resilient position to withstand the challenges of reduced demand and de-stocking activity that has affected many of our businesses over the past year.

Looking forward, we can, and should, expect challenging market conditions to continue for some time. Our current share offer is designed to further reduce debt thereby strengthening the company's balance sheet for the opportunities ahead of us.

We have recognised our opportunities to maximise the benefits available to Skellerup companies of our combined technical rubber expertise. We have continued to invest in product development, albeit with a firm focus on cost benefit and a tight priority structure that ensures our new products have the greatest chance of market success, immediately following their launch.

While there are indications that the economic downturn may have passed its worst, and conditions are beginning to stabilise, Skellerup is well prepared for more challenges over the coming year.

And when global economic conditions do recover, Skellerup companies aim to have the best products, the most cost-effective manufacturing facilities, and powerful distribution channels to strengthen its position as a global leader in technical polymer products.

GOT WHAT IT TAKES

The team that made it happen for NZ Steel

Skellerup Jiangsu rises to the occasion. Martin Li, General Manager tries the irrigation hip boots for fit

Skellerup people are well known for their commitment to their work, and this year saw some outstanding examples of dedication above the call of duty.

A critical component of the production system at NZ Steel's Glenbrook plant is a significant number of large rubber membranes, which seal the water cooling units so temperatures are kept under control in the furnace.

When the water cooling system failed, resulting in the melting of the rubber componentry, NZ Steel faced mounting production losses for every hour that the plant was out of action, plus the cost of repairs to the furnace.

To make matters worse, the original rubber membrane components were sourced from the Netherlands, where everyone happened to be on summer holidays, so their factory was closed. Late on Saturday night, Skellerup's Rubber Services (SRS) was called by NZ Steel to find out if there was any way we could help.

Although our services for NZ Steel normally cover roller recovery, this emergency gave us a great opportunity to show the breadth and depth of our technical rubber capability. By early Sunday morning, we had assessed what was required and were working with Gulf Rubber's design engineers to develop a tool . From there, a mould was started on Sunday night and completed by Wednesday afternoon at 2.00pm. The rubber compound was developed by SRS and Skellerup Christchurch within one day.

Using the Gulf Rubber facilities and SRS staff, we managed to deliver 134 replacement components to NZ Steel by Wednesday night – just on 60 hours after we first were notified about the failure. The project was managed by SRS, however three of Skellerup's manufacturing sites were involved in finding a solution to solve NZ Steel's dire situation.

NZ Steel was delighted with the outcome, and publicly recognized the efforts and commitment of the Skellerup team, which resulted in their plant being up and running in a fraction of expected time, with losses kept to a minimum.

A similar show of dedication resulted when Skellerup Jiangsu had an urgent call from a US-based customer for 7,000 pairs of specialist irrigation rubber hip boots, all for delivery as soon as was humanly possible.

Although the factory had other urgent orders and a full workload planned, management swung into action to meet this challenge. We recruited and trained 22 more workers within a few days, teaming them up with more experienced staff all single-mindedly focused on meeting the customer's needs for the order.

"It was especially important that the order was not held up by any re-work" explained Skellerup Jiangsu General Manager Martin Li "This message was no problem to our staff, who are totally committed to outstanding quality standards".

The daily target of 320 pairs of boots prepared was quickly exceeded, and within two weeks the first two container loads, headed off to the US.

The balance of the order was delivered in short order, proving not only our ability to manage our workloads flexibly, but also the excellent teamwork and commitment that has become the signature of Skellerup staff everywhere.

HEALTH, SAFETY AND ENVIRONMENT REPORT ▶

Throughout the Skellerup Group, our various businesses have differing needs and characteristics for health, safety and environmental responsibility within their respective environments. While we have traditionally applied more focus on improving health and safety within our manufacturing plants which, because of their use of heavy machinery, are inherently dangerous environments, it is important to us that all of our staff are kept healthy and safe, no matter where they work, and that we take a similar responsible approach to environmental management throughout the worldwide Skellerup family of companies.

HEALTH AND SAFETY MONITORING AND MANAGEMENT

Although each of our business units operates under the national and local legislative frameworks that apply in their particular country, we monitor carefully the accident and incident rates for all of our sites within the Group, so that we can use the information gathered to initiate and progress ongoing improvements that go beyond achieving legislative compliance.

We undertake Key Element Assessments (KEA) audits on a regular basis, using a tightly prescribed process that covers both the obvious compliance aspects and the inherent safety culture that is evident within working environments in each business. KEA is measured on a scale from one to five, with one representing no safety measures in place, and a five being a perfect score.

Our internal health and safety monitoring programme tracks incident records by type across each of our businesses, and analyses this data to determine trends over annual and longer periods. We also take a close look at 'near hit' incidents, and use that information to tighten our safety standards where possible.

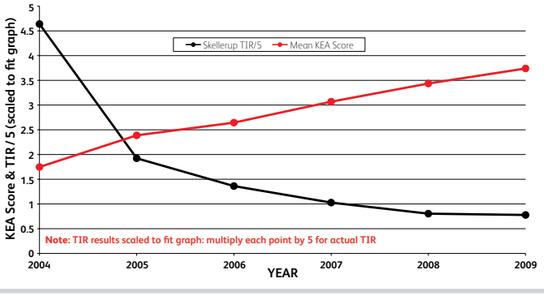
Over the past 12 months our total injury rate has improved slightly over the previous year, continuing a downward trend towards our goal of zero injuries.

Our lost time injury rate (LTI) has reduced considerably, a positive step forward as we have been continuing our focus on reducing the incidence and likelihood of more serious injuries.

Our KEA scores continue to improve, and the correlation between high KEA scores and low Total Injury Rate (TIR) rates demonstrates the effectiveness of the KEA program.

Our health and safety monitoring programme is useful for analysis purposes, and is made visible to company employees. Health and Safety committees and/or safety champions use the data collected to focus on the initiatives that will generate greatest benefit to make our working environments safer.

KEA H&S Audit Scores v/s Skellerup TIR: 2004 to 2009
(TIR = # of serious harm injuries + lost time injuries + medical treatment injuries per 200,000 hours worked)



Note: TIR results scaled to fit graph: multiply each point by 5 for actual TIR

ENVIRONMENTAL

We are conscious of our responsibility to maintain and enhance our environmental responsibility throughout the Group. Ultimately, this will not only prove a sound and responsible environmental programme, but will also save money through making best use of resources and reducing energy used.

Throughout the Group, we are committed to creating an environment where staff are motivated to develop ideas for minimising our impact on the environment. These have involved a variety of initiatives, such as:

- Monitoring and reducing electrical / power usage where possible, to reduce costs to the business as well as harmful effects on the environment
- Reducing landfill waste through re-using and recycling programmes
- Decreasing water usage, and ensuring that water returned to the environment after being used in our manufacturing processes is as clean as possible.
- Raising awareness of environmental responsibility programmes as they apply to all areas of our businesses, worldwide.

We set business targets in these areas for many of our businesses, and we continuously monitor our progress towards more sustainable environmental practices.

Our Woolston plant in Christchurch is well on the way to obtaining AS/NZS ISO 14001:2004 – Environmental Management Systems (EMS). We estimate that improved environmental management over the past three years at that site alone has saved an estimated $300,000 per year through energy savings, scrap reduction and efficiency gains.

Based on a full environmental audit conducted in 2006, we launched several initiatives, including

- A programme to replace electric motors with new soft-start motors that save energy on start-up;
- Fixing leaks and calibrating air compressors to save more than 4000 kW per week;
- Where possible, scheduling the mixing of batches of rubber that require high energy usage on night shift when there is lower overall peak loading; and
- Reduction of waste to landfill by 25 % - equivalent to a 9 cubic metre rubbish skip each week, through instigating recycling programmes.

At our Christchurch site, we have also initiated a programme to data-log a number of the electrical appliances used in our manufacturing processes. Our aim is to evaluate how much energy they are using, and assess if it is economic to turn the appliance off through part of the manufacturing cycle. The data gathered from this pilot programme will give us valuable information which can be extended in future to other relevant businesses across the Group.

We are also putting in place environmental awareness training for all staff at our Christchurch sites, which we aim to extend across the Group worldwide over the coming year.

This will aim to train our staff to be constantly on the alert for opportunities to reduce environmental impacts such as power consumption, water usage, water discharge, fuel usage, and waste to landfill; and encourage them to minimise these factors through innovative practices in their workplaces.

From left: Sir Selwyn Cushing, Donald Stewart, David Mair, John Thompson, Liz Coutts, Graham Fraser

BOARD OF DIRECTORS ▶

Sir Selwyn Cushing KNZM, CMG, FCA. CHAIRMAN

Sir Selwyn Cushing was appointed as Chairman during December 2007 following the retirement of Keith Smith who had been chairman from the time the Company listed on the NZSX in June 2002. Sir Selwyn has had a varied and broad-ranging career with many of New Zealand's highest-profile companies, including the chairmanship of Air New Zealand, Brierley Investments, Carter Holt Harvey, Electricity Corporation, Huttons Kiwi, Whitcoulls Group, and was a director of Skellerup Industries Limited (the original Skellerup listed company) in the nineteen eighties. He has also served as a government-appointed member of the Securities Commission and the N.Z.Apple and Pear Marketing Board. His other current directorships include NZ Rural Property Trust, PGG Wrightson and Rural Equities.

Donald Stewart B.COM, MANAGING DIRECTOR

Donald has been Managing Director for Skellerup since 1992, and was Chief Executive of Viking Pacific Holdings from 1999 – 2002. He previously held a number of management positions within Skellerup. Donald is a board member of Sport and Recreation New Zealand (SPARC), a former director of Lyttleton Port Company and is a past Chairman of the Canterbury Rugby Football Union.

David Mair B.E. MBA, DIRECTOR

David joined the Board at the end of November 2006. David's background of international operations management experience provides an excellent fit with the Company's expansion of manufacturing capability and market penetration particularly in Asia. David is Chairman of Stainless Design Limited and a Director of High Modulus International Limited and A2 Corporation Limited. He is a former Executive Director of Interlock Group and was a Vice President of Asia Pacific Operations and an Operational Council Member of ASSA ABLOY (Sweden).

John Thompson DIRECTOR

John was the founder of Gulf Rubber (Sydney and Auckland) which Skellerup purchased in January 2006. He has had over 35 years' experience in all aspects of the rubber industry globally, with particular expertise in sourcing highly technical polymer products from Asia. His experience also extends to the establishment of joint venture manufacturing relationships in Asia and Central America.

Liz Coutts B.MS.C.A., DIRECTOR

A former Chief Executive of Caxton Group, Elizabeth is a Director of EBOS Group Limited and Ravensdown Fertiliser Co-operative Limited. She has previously been Chairman of Meritec Group Limited, Industrial Research Limited and Life Pharmacy Limited; Deputy Chairman of the Public Trust; and a Commissioner of both the Commerce Commission and the Earthquake Commission. She has been a Director of the Health Funding Authority, PHARMAC; Air New Zealand Limited; Sport & Recreation New Zealand; and Trust Bank New Zealand; and a member of both the Financial Reporting Standards Board of the Institute of Chartered Accountants of New Zealand and the Monetary Policy Committee of the Reserve Bank of New Zealand.

Graham Fraser B.COM, DIRECTOR

Graham has an extensive background in the dairy and rural sector. He was Chairman of the NZ Dairy Board in 1999, having been a director of the NZ Cooperative Dairy Company since 1991. Graham was formerly New Zealand's Special Agricultural Trade Envoy.

CORPORATE GOVERNANCE POLICY

The Corporate Governance Practices adopted by the Company meet the requirements of the New Zealand Exchange's Corporate Governance Best Practice Code.

The Board of Directors is committed to maintaining the highest standards of corporate governance. This report outlines the policies and procedures under which Skellerup Holdings is governed:

CODE OF ETHICS

Skellerup's Code of Ethics governs its conduct. Its purpose is to:

- Set policy and provide guidance for ethical issues,
- Establish compliance standards and procedures,
- Provide mechanisms to report unethical behaviour, and
- Provide for disciplinary measures

ROLE OF BOARD OF DIRECTORS

The Board of Directors is elected by the Company's shareholders to direct and supervise the management of the Company.

The Board's role is to:

- Establish the strategic direction and objectives of the Company.
- Set the policy framework within which the Company will operate.
- Appoint the Managing Director.
- Delegate appropriate authority to the Managing Director for the day-to-day management of the Company.
- Monitor performance of the Managing Director and the Board Committees on a regular basis.
- Approve the Company's system of internal financial control, monitor and approve budgets, and monitor monthly financial performance.

BOARD SIZE AND STRUCTURE

The current policy is that the Board will comprise five non-executive Directors (three of whom are independent). The Managing Director is the only executive Director. Non-executive Directors are selected to ensure that a broad range of skills and experience are available. One of the non-executive Directors is appointed as Chairman.

Board procedures ensure that all Directors have the information needed to contribute to informed discussion on all monthly agenda items and effectively carry out their duties. Senior Managers make direct presentations to the Board on a regular basis to give the Directors a broad understanding of management philosophies and capabilities.

A formal system has been put in place to review the performance of the Board and the individual Directors.

BOARD COMMITTEES

The Board has three standing committees, described below. Special project committees are formed when required. The Board regularly reviews the performance of the standing committees against written charters specific to each committee.

1. Audit and Risk Management Committee

This committee comprises three non-executive Directors, one of whom is appointed as Chairman. The Managing Director and the Chief Financial Officer attend as ex-officio members; and the external auditors attend by invitation of the Chairman.

This committee meets a minimum of four times each year.
Its responsibilities are to:

- Ensure that the Company has adequate risk management controls in place;
- Advise the Board on accounting policies, practices and disclosure;
- Review the scope and outcome of the external audit, and
- Review the annual and half-yearly statements prior to approval by the Board.

The Audit and Risk Management Committee reports the proceedings of each of its meetings to the full Board.

The current composition of the committee is Liz Coutts (Chair), Sir Selwyn Cushing and Graham Fraser. The committee met four times during the current year.

2. Remuneration Committee

This committee comprises three non-executive Directors. It meets as required to:

- Review the remuneration packages of the Managing Director and Senior Managers.
- Make recommendations to shareholders in relation to non-executive Director remuneration packages.

Remuneration packages are reviewed annually. Independent external surveys are used as a basis for establishing competitive packages.

The current composition of the Remuneration Committee is Sir Selwyn Cushing (Chairman), David Mair and John Thompson.

3. Board Nomination Committee

This committee comprises three non-executive Directors. It meets as required to recommend Director appointments to the Board.

The current composition of the Board Nomination Committee is Sir Selwyn Cushing (Chairman), Liz Coutts and Graham Fraser.

ORGANISATIONAL STRUCTURE AND FINANCIAL REPORTING

The Board has delegated the management responsibilities of the Company to the Managing Director.

The financial progress of the Company's two divisions is reported separately to the Board each month to enable divisional financial performance to be analysed prior to consolidation of the accounts. Delegation of capital expenditure is limited and clearly defined with a Board-approved annual budget. This is monitored monthly.

INTERNAL FINANCIAL CONTROL AND RISK MANAGEMENT

The Board, advised by the Audit and Risk Management Committee, approves the Company's system of internal financial control. This system includes clearly defined policies controlling treasury operations and capital expenditure authorisation.

The Chief Financial Officer is responsible to the Managing Director for ensuring that all operations within the Company adhere to the Board approved financial control policies.

The Board has established a framework for the relationship between the Company and the external auditor. This framework ensures that:

- Recommendations made by the external auditor and other independent advisers are critically evaluated and, where appropriate, applied; and
- The Company has defined policies and procedures in place as appropriate internal controls to manage risk effectively.

The Board ensures that adequate external insurance cover is in place appropriate to the Company's size and risk profile.

The Company has a risk register that identifies the key risks facing the business, and the status of initiatives implemented to manage them. This risk register is reviewed and updated on a regular basis.

SHAREHOLDER RELATIONS

The Board aims to ensure that shareholders are kept informed of major developments affecting the Company. Information is communicated to shareholders primarily through the annual and interim reports.

Any material affecting the Company during the intervening period is immediately reported to the New Zealand Stock Exchange under the 'continuous disclosure' regime.

The Board encourages shareholders to attend and participate fully at the Annual Meeting to ensure a high level of accountability. Investors can obtain information on the Company from Skellerup Holding's website (www.skellerupholdings.co.nz).

SKELLERUP HOLDINGS LIMITED

FINANCIAL STATEMENTS

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AUDITOR'S REPORT

Chartered Accountants

ERNST & YOUNG

To the Shareholders of Skellerup Holdings Limited

We have audited the financial statements on pages 28 to 73. The financial statements provide information about the past financial performance of the company and group and their financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out on pages 32 to 39.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibilities

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 30 June 2009 and of their financial performance and cash flows for the year ended on that date.

Auditor's 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 judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. 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 give 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.

Ernst & Young provides other assurance services to the company and group.

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; and
- the financial statements on pages 28 to 73:
  - comply with generally accepted accounting practice in New Zealand; and
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of the company and group as at 30 June 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 August 2009 and our unqualified opinion is expressed as at that date.

Ernst & Young

Auckland

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Skellerup Holdings Limited and the Group as at 30 June 2009, and the results of their operations and cash flows for the year ended 30 June 2009.

The Directors consider that the financial statements of the Company and the Group have been prepared using accounting policies appropriate to the Company and Group circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of Skellerup Holdings Limited for the year ended 30 June 2009.

This Annual Report is dated 26 August 2009 and is signed in accordance with a resolution of the Directors made pursuant to section 211 of the Companies Act 1993.

For and on behalf of the Directors

Sir Selwyn Cushing

Chairman of the Board of Directors

D.J. Stewart

Managing Director

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

Continuing operations	NOTES	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Revenue					
Operating revenue from continuing operations	2	**180,857**	171,991	**8,234**	14,680
Less cost of sales		**113,249**	104,061	**-**	-
Gross profit		**67,608**	67,930	**8,234**	14,680
Plus other income	3	**2,369**	2,648	**106**	107
Less distribution expenses		**14,694**	13,009	**-**	-
Less marketing expenses		**17,406**	15,065	**-**	-
Less administration expenses		**18,830**	17,638	**1,809**	2,255
Profit for the year from continuing operations before tax and finance costs		**19,047**	24,866	**6,531**	12,532
Less finance costs	4	**5,873**	8,835	**1,773**	6,895
Profit for the year from continuing operations before tax		**13,174**	16,031	**4,758**	5,637
Less income tax expense/(credit)	5	**4,181**	5,358	**883**	(915)
Net profit for the year from continuing operations		**8,993**	10,673	**3,875**	6,552
Discontinued operations					
Profit for the year from discontinued operations	6	**182**	4,024	**-**	-
Net profit for the year		**9,175**	14,697	**3,875**	6,552
Earnings per share					
From continuing and discontinued operations:					
Basic earnings per share	21	**6.879**	13.090	**-**	-
Diluted earnings per share	21	**6.879**	13.090	**-**	-
From continuing operations:					
Basic earnings per share	21	**6.743**	9.506	**-**	-
Diluted earnings per share	21	**6.743**	9.506	**-**	-

The above Income Statement should be read in conjunction with the accompanying notes

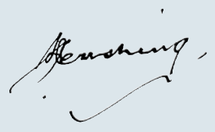
BALANCE SHEET

AS AT 30 JUNE 2009

	NOTES	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Current Assets					
Cash and cash equivalents	8	**6,853**	7,780	**3,078**	644
Trade and other receivables	9	**31,750**	43,721	**96**	66
Inventories	10	**35,029**	32,892	**-**	-
Tax refund	5	**-**	4,719	**48**	221
Derivative financial assets	22	**222**	-	**-**	-
Total Current Assets		**73,854**	89,112	**3,222**	931
Non-Current Assets					
Property, plant and equipment	12	**43,119**	43,168	**1**	1
Deferred tax assets	5	**2,698**	4,284	**124**	954
Goodwill	13	**49,336**	47,254	**-**	-
Intangible assets	13	**5,610**	6,217	**-**	-
Derivative financial assets	22	**193**	1,004	**-**	431
Investments and advances	14	**3,000**	3,000	**63,735**	84,186
Total Non-Current Assets		**103,956**	104,927	**63,860**	85,572
Total Assets		**177,810**	194,039	**67,082**	86,503
Current Liabilities					
Trade and other payables	15	**19,895**	28,680	**685**	1,135
Provisions	16	**6,361**	8,065	**153**	100
Borrowings	17	**246**	24	**-**	-
Income tax payable	5	**868**	1,588	**-**	-
Derivative financial liabilities	22	**3,402**	1,153	**175**	-
Total Current Liabilities		**30,772**	39,510	**1,013**	1,235
Non-Current Liabilities					
Provisions	16	**1,493**	501	**1**	23
Borrowings	17	**71,886**	81,857	**12,500**	25,500
Derivative financial liabilities	22	**1,178**	360	**-**	-
Deferred tax liabilities	5	**1,051**	13	**-**	129
Total Non-Current Liabilities		**75,608**	82,731	**12,501**	25,652
Total Liabilities		**106,380**	122,241	**13,514**	26,887
Net Assets		**71,430**	71,798	**53,568**	59,616
Equity					
Equity attributable to equity holders of the parent					
Share capital	18	**46,025**	44,254	**46,025**	44,254
Reserves	19	**(4,406)**	(4,351)	**(122)**	301
Retained earnings	20	**29,811**	31,895	**7,665**	15,061
Total Equity		**71,430**	71,798	**53,568**	59,616

The above Balance Sheet should be read in conjunction with the accompanying notes

For and on behalf of the Board, which authorised these Financial Statements on 26 August 2009.



Sir Selwyn Cushing Chairman

D.J. Stewart Managing Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

GROUP	NOTES	FULLY PAID ORDINARY SHARES $000	CASH FLOW HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	RETAINED EARNINGS $000	TOTAL $000
Balance at 1 July 2007		23,613	574	(6,789)	17,198	34,596
Movement in cash flow hedges	19	-	(1,081)	-	-	(1,081)
Income tax on items taken directly to equity	5	-	360	77	-	437
Foreign currency translations		-	-	2,508	-	2,508
Net income/(expense) recognised directly in equity	19	-	(721)	2,585	-	1,864
Net profit for the year		-	-	-	14,697	14,697
Total recognised income and expense for the year		-	(721)	2,585	14,697	16,561
Issue of share capital	18	21,134	-	-	-	21,134
Transactions costs	18	(493)	-	-	-	(493)
Balance at 30 June 2008		44,254	(147)	(4,204)	31,895	71,798
Movement in cash flow hedges	**19**	**-**	**(3,705)**	**-**	**-**	**(3,705)**
Income tax on items taken directly to equity	**5**	**-**	**1,112**	**(251)**	**-**	**861**
Foreign currency translations		**-**	**-**	**2,789**	**-**	**2,789**
Net income/(expense) recognised directly in equity	**19**	**-**	**(2,593)**	**2,538**	**-**	**(55)**
Net profit for the year		**-**	**-**	**-**	**9,175**	**9,175**
Total recognised income and expense for the year		**-**	**(2,593)**	**2,538**	**9,175**	**9,120**
Issue of share capital	**18**	**1,771**	**-**	**-**	**-**	**1,771**
Dividends	**20**	**-**	**-**	**-**	**(11,259)**	**(11,259)**
Balance at 30 June 2009		**46,025**	**(2,740)**	**(1,666)**	**29,811**	**71,430**

PARENT	NOTES	FULLY PAID ORDINARY SHARES $000	CASH FLOW HEDGE RESERVE $000	RETAINED EARNINGS $000	TOTAL $000
Balance at 1 July 2007		23,613	1,430	8,509	33,552
Movement in cash flow hedges	19	-	(1,703)	-	(1,703)
Income tax on items taken directly to equity	5	-	574	-	574
Net income/(expense) recognised directly in equity	19	-	(1,129)	-	(1,129)
Net profit for the year		-	-	6,552	6,552
Total recognised income and expense for the year		-	(1,129)	6,552	5,423
Issue of share capital	18	21,134	-	-	21,134
Transaction costs	18	(493)	-	-	(493)
Balance at 30 June 2008		44,254	301	15,061	59,616
Movement in cash flow hedges	**19**	**-**	**(605)**	**-**	**(605)**
Income tax on items taken directly to equity	**5**	**-**	**182**	**-**	**182**
Net income/(expense) recognised directly in equity	**19**	**-**	**(423)**	**-**	**(423)**
Net profit for the year		**-**	**-**	**3,875**	**3,875**
Total recognised income and expense for the year		**-**	**(423)**	**3,875**	**3,452**
Issue of share capital	**18**	**1,771**	**-**	**-**	**1,771**
Dividends	**20**	**-**	**-**	**(11,271)**	**(11,271)**
Balance at 30 June 2009		**46,025**	**(122)**	**7,665**	**53,568**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Cash flows from operating activities					
Receipts from customers		**197,710**	212,529	**-**	-
Interest received		**1,014**	547	**106**	107
Dividends received		**-**	4	**4,200**	8,700
Payments to suppliers and employees		**(170,677)**	(187,870)	**(2,228)**	(2,794)
Income tax refund (paid)		**806**	(6,608)	**173**	(96)
Interest paid		**(5,900)**	(9,353)	**(1,801)**	(7,415)
Management fees received		**-**	-	**4,034**	5,980
Net cash flows from / (used in) operating activities	27	**22,953**	9,249	**4,484**	4,482
Cash flows from investing activities					
Proceeds from sale of discontinued operations	6	**1,432**	9,462	**-**	-
Proceeds from sale of property, plant and equipment		**221**	45	**-**	-
Payments for property, plant and equipment	12	**(6,778)**	(7,293)	**(1)**	-
Payments for intangible assets	13	**(333)**	(29)	**-**	-
Proceeds from related parties	24	**-**	-	**20,451**	48,568
Net cash flows from / (used in) investing activities		**(5,458)**	2,185	**20,450**	48,568
Cash flows from financing activities					
Proceeds from issue of equity shares	18	**-**	21,134	**-**	21,134
Transaction cost of equity shares issued		**-**	(493)	**-**	(493)
Proceeds from borrowings		**-**	37,625	**-**	-
Repayment of borrowings		**(9,749)**	(72,500)	**(13,000)**	(72,500)
Dividends paid to equity holders of parent		**(9,488)**	-	**(9,500)**	-
Net cash flows from / (used in) financing activities		**(19,237)**	(14,234)	**(22,500)**	(51,859)
Net increase / (decrease) in cash and cash equivalents		**(1,742)**	(2,800)	**2,434**	1,191
Cash and cash equivalents at the beginning of the year		**7,780**	10,631	**644**	(547)
Effect of exchange rate fluctuations		**815**	(51)	**-**	-
Cash and cash equivalents at the end of the year	8	**6,853**	7,780	**3,078**	644

The above Cash Flow Statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. CORPORATE INFORMATION

The financial statements of Skellerup Holdings Limited for the year ended 30 June 2009 were authorised for issue in accordance with a resolution of the directors on 26 August 2009.

Skellerup Holdings Limited is registered under the Companies Act 1993 incorporated in New Zealand and listed on the New Zealand Exchange. Skellerup Holdings Limited is an issuer for the purposes of the Financial Reporting Act 1993.

The nature of the operations and principal activities of the Group are described in the Segment Information under Note 26.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have also been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

The consolidated financial statements for the year ended 30 June 2009 have been prepared in accordance with New Zealand Generally Accepted Accounting Practices (NZGAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other applicable Financial Reporting Standards as appropriate for profit oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

The Group is a profit oriented entity and the operational results may fluctuate with movements in the international markets.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Skellerup Holdings Limited and its subsidiaries as at 30 June 2009 ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

When subsidiaries are initially consolidated, adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all Intercompany balances, income and expense transactions, and profit and losses resulting from intra-group activities, have been eliminated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which Skellerup Holdings Limited has control.

(c) New accounting standards and interpretations

NZ IFRS Standards which have been issued but not yet effective and have not been adopted for the Annual Report ending 30 June 2009, are as follows:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL STATEMENTS	APPLICATION DATE FOR GROUP
NZ IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	The Group does hedge the foreign exchange risk of the net investment in foreign operations. Therefore, this interpretation will be applicable, but is not expected to alter current treatment.	1 July 2009
NZ IFRS 8	Operating Segments and consequential amendments to other New Zealand Accounting Standards	New standard replacing NZ IAS 14 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	NZ IFRS 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements.	1 July 2009
NZ IAS 23 (revised)	Borrowing Costs and consequential amendments to other New Zealand Accounting Standards	The amendments to NZ IAS 23 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The amendments to NZ IAS 23 require all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial statements.	1 July 2009
NZ IAS 1 (Revised)	Presentation of Financial Statements and consequential amendments to other New Zealand Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	The amendments are expected to only affect the presentation of the Group's financial statements and will not have a direct impact on the measurement and recognition of amounts under the current NZ IAS	1 July 2009
NZ IFRS 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into, to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	With this standard applying prospectively, consideration will be given when the next business combination opportunity arises.	1 July 2009
NZ IAS 27 (Revised)	Consolidated and Separate Financial Statements (Revised)	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	No change in ownership of subsidiaries is contemplated.	1 July 2009

(d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets acquired, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(f) Foreign currency translation

Functional and Presentation Currency

Both the functional and presentation currency of Skellerup Holdings Limited and its New Zealand subsidiaries is New Zealand dollars.

The functional currency of the foreign subsidiaries is the currency relating to the country where the subsidiary is domiciled.

Transactions and Balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the financial statements are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised directly in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Skellerup Holdings Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average month end exchange rates for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

(g) Property, plant and equipment

All classes of Property, plant and equipment are initially recorded at deemed cost, including costs directly attributable in bringing the asset to the working condition and ready for its intended use.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	– 40 years
Plant and Equipment	– 2 to 20 years
Furniture, Fittings and Other	– 5 to 10 years

Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement.

Disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

(h) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised are not subsequently reversed.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(i) Intangible assets

Intangible assets acquired separately or in a business combination, are capitalised at cost at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any impairment losses.

The useful lives of these separately acquired intangible assets are assessed to be finite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets with finite lives, excluding development costs, created within the business are not capitalised and expenditure is charged to the income statement in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of intangibles with indefinite lives, annually, either individually or at the cash generating unit level where an intangible asset is impaired, the carrying amount, less any recoverable amount as defined in Note 1(j) is charged to the income statement. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The Group's intangible assets mainly consist of software and development costs. A 10-year straight line amortisation rate is currently used.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The amortisation period and amortisation method for development costs is reviewed at each financial year-end. If the useful life or method of consumption is different from the previous assessment, changes are made accordingly. The carrying value of development costs is reviewed for indicators of impairment annually.

(j) Recoverable amount of non-current assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(k) Investments

All investments in subsidiaries are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Investments will continue to be measured at cost in the parent's Financial Statements.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Included in inventory work in progress are construction contracts in progress. The work in progress represents the progress claims made to customers less costs incurred in completing the contract on a percentage complete basis.

(m) Trade and other receivables

Trade receivables, which generally have 30-120 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. A debt is considered to be uncollectible when the debtor files for receivership or liquidation.

(n) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(o) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(p) Investments and other financial assets

Financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Recognition and derecognition

All regular purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred. Gains and losses on financial assets are exclusive of interest and dividends which are recognised separately.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Borrowing costs are recognised as an expense when incurred.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

(r) Trade and other payables

Trade and other payables are carried at amortised cost, and due to their short term nature, are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid, and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 to 60 days of recognition.

(s) Provisions and employee benefits

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the balance date.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Where certain businesses within New Zealand, who qualify to be under the Accident Compensation Commission Partnership Program, a provision is made for the future liability of work related incident medical costs. Such costs are determined by actuarial calculation and discounted to present values.

Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using a probability calculation of the employee reaching the future service milestones. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution scheme

The Group contributes to post employment schemes for its employees. Under these schemes the benefits received by the employee are determined by the amount of the contribution paid by the Group, together with any investment returns and hence the actuarial and investment risk is borne entirely by the employee. Therefore, because the Group's obligations are determined by the amount paid during each period, no actuarial assumptions are required to measure the obligation or the expense.

(t) Employee share purchase scheme

The Group provides benefits to the New Zealand based employees in the form of a share ownership scheme, whereby employees are invited to purchase shares. The share ownership scheme conforms with the provisions of Section DC11 of the Income Tax Act 1994, whereby the company provides an interest free loan to employees to purchase the shares at market price. The employee loan is repayable over a maximum of three years.

The interest free loan is recorded on the balance sheet as a current asset.

The shares issued to the employees are held in trust by the Skellerup Holdings Employee Share Trustee Company Limited for a period of three years from date of issue.

(u) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Where the leased item is capitalised, the item is depreciated over its economic useful life.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the income statement as finance costs.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Revenue from rendering services is recognised by reference to the stage of completion.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue is recognised as the interest accrues (using the effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental income

Rental income is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

(x) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as a liability initially, and released as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(y) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except for a deferred income tax liability arising from the initial recognition of goodwill;
- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- when the deductible temporary difference is associated with investment in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current assets against current liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

(z) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

- where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

(aa) Earnings per share

Earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

(ab) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(ac) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Certain derivative instruments are also held for trading for the purpose of making short term gains. These derivatives do not qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in other revenue and expenses. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flows hedges, are taken directly to profit or loss for the year.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swap and commodity contracts are determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is remeasured to fair value. Gains and losses from both are recognised in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(ii) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (sales or inventory purchases) when the forecast transaction occurs.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognised in the profit and loss.

(iii) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

(ad) Significant accounting judgements and assumptions

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Details of the material accounting judgements and assumptions are as follows:

(i) Impairment of goodwill

The Group determines whether goodwill with indefinite useful lives are impaired at least on an annual basis. This requires certain assumptions being made in determining the recoverable amount of the cash generation units, using a value in use discounted cash flow methodology, to which the goodwill has been allocated. The assumptions used in determining the recoverable amount and the carrying amount of goodwill are disclosed in Note 13.

(ii) Warranty provisions

In determining the level of provision required for warranties, the Group has made judgements in respect of the expected performance of products and the costs of rectifying any products that do not meet the customers' quality standards. Historical experience and trends of past expenditure have been used by management in determining the appropriate provision required. The related carrying amount of provisions is disclosed in Note 16.

(iii) Inventory obsolescence

The Group applies an inventory valuation policy of valuing at the lower of original cost, or net realisable value. Where inventory is written down below cost, estimates are made of the realisable value less cost to sell to determine the net realisable value. The estimated write down is disclosed in Note 10.

(iv) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience, manufacturers' warranties, lease terms and management's judgement on the performance of the asset. Adjustments to useful lives are made when considered necessary.

The depreciation changes are disclosed in Note 12.

(v) Recovery of the deferred tax asset

The deferred tax asset represents the temporary differences that arise where expenditure recognised by the Group can be claimed in a future period, when the expenditure is considered to be an allowable deduction for tax purposes. The assumption made is that it is probable that sufficient taxable profits will be available in future periods in each tax jurisdiction that the deferred tax relates, to utilise the tax benefit represented by the deferred tax asset.

The deferred tax asset is disclosed in Note 5.

(vi) Impairment of non financial sssets other than goodwill

The Group assesses impairment of all assets at each reporting date, by evaluating conditions specific to the group and to the particular assets held. The assessment made includes product and manufacturing performances, technology, economic and political environments and future product expectations. If an impairment exists the recoverable amount is determined and the asset written down to the recoverable amount. Management have determined there are no material impairments of non financial assets, other than what has been disclosed in the financial statements under Note 12.

(vii) Management's expectation of future payments

Management closely monitor the cash needs of the Group so that adequate financial resources are available to meet the immediate cash commitments.

A balanced view of cash inflows and outflows are considered when determining the cash resources available, in addition to ensuring appropriate credit lines are available from the Group's bankers to cover short and long term cash demands. Under Note 22, management has disclosed their estimates of the timing of future cash commitments from the realisation of financial assets and financial liabilities.

(ae) Changes to accounting policies

There have been no changes to accounting policies during the reported period.

(af) Comparatives

Certain prior year balances have been reclassified to reflect the Group's discontinued operations.

2. OPERATING REVENUE

An analysis of the revenue for the year, for both continuing and discontinued operations is as follows:

	NOTE	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Continuing operations:					
Sale of goods		**180,630**	171,796	**-**	-
Management fees from subsidiaries	24	**-**	-	**4,034**	5,980
Rental revenue	25	**227**	195	**-**	-
Dividends from subsidiaries		**-**	-	**4,200**	8,700
Continuing operations – Operating revenue		**180,857**	171,991	**8,234**	14,680
Discontinued operations:					
Sale of goods	6	**3,227**	33,426	**-**	-
Total operating revenue		**184,084**	205,417	**8,234**	14,680

3. OTHER INCOME

	NOTE	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Continuing operations					
Interest income		**1,014**	547	**106**	107
Government Grants received		**362**	458	**-**	-
Gain on disposal of property, plant and equipment		**275**	21	**-**	-
Dividends received		**-**	4	**-**	-
Foreign currency gains		**524**	1,394	**-**	-
Other sundry income		**194**	224	**-**	-
Continuing operations – Other income		**2,369**	2,648	**106**	107
Discontinuing operations:					
Gain on divestment	6	**39**	1,914	**-**	-
Total other income		**2,408**	4,562	**106**	107

4. FINANCE COSTS

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Interest on bank overdrafts and borrowings	**5,523**	7,918	**1,423**	5,985
Bank facility fees	**350**	910	**350**	910
Interest on finance leases	**-**	7	**-**	-
Total finance costs	**5,873**	8,835	**1,773**	6,895

NOTES TO FINANCIAL STATEMENTS

5. TAXATION

(a) Income statement

	NOTE	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Current income tax					
Current income tax charge/(credit)		**3,719**	3,921	**-**	(1,011)
Prior year adjustments		**(672)**	432	**-**	-
Deferred income tax					
Relating to origination and reversal of temporary differences		**808**	3,001	**594**	-
Due to change in tax rates		**-**	174	**-**	96
Prior year adjustments		**556**	(687)	**289**	-
Effect of movements in foreign currencies		**(146)**	(589)	**-**	-
Income tax as per income statement		**4,265**	6,252	**883**	(915)
Continuing operations		**4,181**	5,358	**883**	(915)
Discontinued operations	6	**84**	894	**-**	-
Income tax as per income statement		**4,265**	6,252	**883**	(915)

(b) Amounts charged to equity

	NOTE	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Reserves					
Deferred tax on forward exchange and interest rate swap derivatives taken to the hedge reserve	19	**1,112**	360	**182**	574
Deferred tax on unrealised foreign exchange gains in year taken to foreign currency revaluation reserve	19	**(251)**	77	**-**	-
Total income tax to reserves		**861**	437	**182**	574

5. TAXATION (continued)

(c) Reconciliation

	NOTE	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Profit from continuing operations		**13,174**	16,031	**4,758**	5,637
Profit from discontinued operations	6	**266**	4,918	**-**	-
Total profit		**13,440**	20,949	**4,758**	5,637
Total profit as reported		**13,440**	20,949	**4,758**	5,637
Less tax charge/(credit)		**4,265**	6,252	**883**	(915)
Tax percentage		**31.7%**	29.8%	**18.6%**	(16.2%)
Net profit after tax		**9,175**	14,697	**3,875**	6,552
Tax % at parent company rate		**30%**	33%	**30%**	33%
Tax at parent company rate		**4,032**	6,914	**1,427**	1,860
Due to change in tax rates		**-**	174	**-**	96
Adjustments for prior years		**(116)**	(256)	**289**	-
Non deductibles/(non taxables)		**132**	(673)	**(1,260)**	(2,871)
Effect of different foreign tax rates		**91**	132	**-**	-
Tax benefit from utilising losses not previously recognised / (loss of benefit from transferring losses to other group companies)		**-**	(84)	**427**	-
Effect of movements in foreign currencies		**126**	45	**-**	-
Income tax as per income statement		**4,265**	6,252	**883**	(915)
Continuing operations		**4,181**	5,358	**883**	(915)
Discontinued operations	6	**84**	894	**-**	-
Income tax as per income statement		**4,265**	6,252	**883**	(915)

5. TAXATION (continued)

(d) Recognised deferred tax assets and liabilities

	NOTE	GROUP			
		2009 Current Income Tax $000	2009 Deferred Income Tax $000	2008 Current Income Tax $000	2008 Deferred Income Tax $000
Opening balance		**3,131**	**4,271**	633	6,303
Charged to income					
Current year charge/(credit)		**(3,719)**	**(808)**	(3,921)	(3,001)
Prior year adjustments		**672**	**(556)**	(432)	687
Deferred tax benefit not available		**-**	**-**	-	(15)
Payments/(refunds)		**(806)**	**-**	6,608	-
Effect of change in future tax rates		**-**	**-**	-	(174)
Charged to equity					
Deferred tax on forward exchange and interest rate swap derivatives taken to the hedge reserve	19	**-**	**1,112**	-	360
Deferred tax on unrealised foreign exchange gains in year taken to foreign currency revaluation reserve	19	**-**	**(251)**	-	77
Adjustment to goodwill due to the fair valuing of assets acquired in the purchase of companies	13	**-**	**(2,101)**	-	-
Effect of movements in foreign currencies		**(146)**	**(20)**	243	34
Closing balance		**(868)**	**1,647**	3,131	4,271
Amounts recognised in the balance sheet:					
- Tax asset		**-**	**2,698**	4,719	4,284
- Tax liability		**(868)**	**(1,051)**	(1,588)	(13)
Net tax asset/(liability)		**(868)**	**1,647**	3,131	4,271

	GROUP	
	2009 Deferred Income Tax $000	2008 Deferred Income Tax $000
(i) Deferred Tax Liabilities		
Accelerated depreciation	**(3,953)**	(1,312)
Gross deferred tax liabilities	**(3,953)**	(1,312)
(ii) Deferred Tax Assets		
Inventory	**538**	409
Restructuring	**119**	211
Annual leave, long service leave (incl. sick leave)	**1,375**	1,441
Doubtful debts	**208**	222
Warranty	**493**	424
General	**1,229**	1,255
Derivatives	**1,174**	368
Loss available for future offset	**464**	1,253
Gross deferred tax assets	**5,600**	5,583
Set-off deferred tax liabilities	**(3,953)**	(1,312)
Net deferred tax assets	**1,647**	4,271

The deferred tax asset and liabilities can only be offset if in the same tax jurisdiction.

5. TAXATION (continued)

	NOTE	PARENT 2009 Current Income Tax $000	2009 Deferred Income Tax $000	2008 Current Income Tax $000	2008 Deferred Income Tax $000
Opening balance		**221**	**825**	129	(669)
Credited to income due to future tax benefit of loss		**-**	**-**	-	1,011
Charged to income		**-**	**(594)**	-	-
Charged to income – previous year		**-**	**(289)**	(4)	5
Payments		**(173)**	**-**	96	-
Effect of change in future tax rates		**-**	**-**	-	(96)
Charged to equity					
Deferred tax on interest rate swap derivatives taken to the hedge reserve	19	**-**	**182**	-	574
Closing balance		**48**	**124**	221	825
Amounts recognised in the balance sheet:					
- Tax asset		**48**	**124**	221	954
- Tax liability		**-**	**-**	-	(129)
Net tax asset		**48**	**124**	221	825

	PARENT 2009 Deferred Income Tax $000	2008 Deferred Income Tax $000
(i) Deferred Tax Liabilities		
Derivatives	**-**	(129)
Gross deferred tax liabilities	**-**	(129)
(ii) Deferred Tax Assets		
Provisions:		
Annual leave, long service leave (incl. sick leave)	**71**	37
Loss available for future off set	**-**	827
Other	**53**	90
Gross deferred tax assets	**124**	954

IMPUTATION CREDIT ACCOUNT

	GROUP 2009 $000	2008 $000	PARENT 2009 $000	2008 $000
Balance at beginning of year	**14,901**	13,007	**8,236**	3,855
Attached to dividends received	**-**	-	**2,019**	4,285
Attached to dividends paid	**(5,511)**	-	**(5,511)**	-
Income tax paid/(refunds) in New Zealand	**(4,069)**	1,894	**(213)**	96
Total imputation credits	**5,321**	14,901	**4,531**	8,236

6. DISCONTINUED OPERATIONS

(a) Detail of discontinued operations

During the current period, the Group divested the Alucobond distribution and contracting business unit. A Sale and Purchase Agreement dated 3 December 2008 was executed to define the terms of reference for this divestment, with the settlement date being 30 January 2009.

During the previous year on 18 April 2008, the Group entered into a Sale and Purchase Agreement to dispose of non core businesses that formed part of Skellerup's NZ based operations. These businesses related to Skellerup's Roofing, Conveyor and Containment business units, as well as Batavian Rubber, a distribution business operating from Featherston. The settlement date when the assets and liabilities transferred to the purchaser was 30 April 2008.

In addition, the distribution operation of supplying mining mill lining systems in Australia was closed down with disposal of Plant and Equipment relating to this business being realised during the previous year.

(b) Financial performance of discontinued operations

	NOTE	2009 $000	2008 $000
Revenue	2	**3,227**	33,426
Less cost of sales		**2,423**	23,161
Gross profit		**804**	10,265
Plus sundry income		**-**	27
Less overheads		**577**	7,288
Plus gain on disposal		**39**	1,914
Profit before tax		**266**	4,918
Less attributable income tax	5	**84**	894
Net profit from discontinued operations		**182**	4,024

Obligations under the Sale and Purchase Agreement, related to businesses divested in April 2008, required Skellerup continuing to manufacture products and supply the roofing business until the divested business could arrange an independent manufacturing source for roofing products. This has resulted in the divested roofing business continuing to trade in the 2009 year. Sales of $711,000 are included in the divested business results from this trading activity. The remaining discontinued operations relate to the divested Alucobond business.

(c) Assets and liabilities

	2009 $000	2008 $000
Assets		
- Trade and other debtors	**41**	2,524
- Inventory	**665**	542
Liabilities		
- Trade and other creditors	**-**	1,727
Net assets attributable to discontinued operations	**706**	1,339

The net assets are included in the Group's balance sheet at 30 June 2009. The Group retained responsibility to collect debtors and realise payables as part of the terms and conditions of sale of the divested businesses.

Due to the obligation to provide manufacturing facilities for roofing products, inventory relating to finished goods of roofing products held was $426,000 at 2009 year end. The remaining inventory of $239,000 related to Alucobond products held as a deferred settlement arrangement under the Sale and Purchase Agreement dated 3 December 2008.

The Trade and other debtors balance is retentions relating to contracts completed which will be realised during the next reporting period.

(d) Assets and liabilities and cash flows from divestments

Details of assets and liabilities disposed of are as follows:

	2009 $000	2008 $000
Assets		
- Property plant and equipment	**275**	632
- Goodwill	**-**	540
- Trade and other debtors	**-**	9,046
- Inventory	**1,032**	5,306
Liabilities		
- Trade and other payables	**-**	(4,645)
Net assets disposed attributable to discontinued operations	**1,307**	10,879

	NOTE	2009 $000	2008 $000
Net Consideration received or receivable:			
- Proceeds received		**1,432**	9,462
- Proceeds receivable		**-**	1,328
- Plus debenture note	14	**-**	3,000
- Less cost of divestments		**86**	997
Net proceeds		**1,346**	12,793
Trading cashflow from discontinued operations is disclosed in Note 26			
Net gain on divestments		**39**	1,914
Less tax benefit on deductible expenditure		**12**	(150)
Net profit after tax of divestments		**27**	2,064

The net profit after tax of divestments is included in the net profit from discontinued operations disclosed above.

The debenture note relates to vendor finance provided to the purchaser. The debenture is secured across all the assets owned by the purchaser including the assets divested and is not considered to be a credit risk.

7. EXPENDITURE INCLUDED IN NET PROFIT FOR THE YEAR

Net profit for the year has been arrived at after charging / (crediting):

	NOTE	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Remuneration of auditors:					
Audit of the financial statements by parent company auditor		**299**	254	**69**	53
Other services provided by parent company auditor (NZ IFRS & IT assurance services and statutory audits performed for foreign subsidiaries)		**88**	44	**-**	-
Other auditors fees for the audit of the financial statements in foreign jurisdictions		**156**	78	**-**	-
Total remuneration of auditors		**543**	376	**69**	53
Employee benefits expense:					
Wages and salaries (including annual leave, long service and sick leave)		**40,674**	48,053	**785**	1,163
Termination benefits		**550**	245	**-**	-
Defined contribution expense		**2,401**	1,933	**5**	-
Total employee benefits expense		**43,625**	50,231	**790**	1,163
Depreciation and amortisation expense:					
Depreciation of property, plant and equipment	12	**6,117**	4,853	**1**	2
Amortisation of intangible assets	13	**736**	652	**-**	-
Total depreciation and amortisation expense		**6,853**	5,505	**1**	2
Restructuring expenses					
Restructuring expenses are reported as distribution expenses		**503**	-	**-**	-
Product development costs		**742**	774	**-**	-
Rentals and operating lease costs					
- Property, vehicles and plant and equipment		**5,721**	5,194	**35**	35
Foreign currency losses		**182**	-	**-**	-
Ineffective portion of cashflow hedges:					
- Interest rate swaps		**150**	95	**-**	-
- Foreign currency contract		**8**	98	**-**	-
Total ineffective portion of cash flow hedges		**158**	193	**-**	-

8. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

In New Zealand, some companies operate bank accounts in overdraft. Under the Group bank facility overdrafts have a legal right of set off against bank accounts in funds. Therefore, only the net in funds position has been disclosed. Cash and cash equivalents at the end of the year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Cash and bank balances	**6,853**	7,780	**3,078**	644
Total cash and bank balances	**6,853**	7,780	**3,078**	644

9. TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Trade receivables	**29,401**	40,877	**-**	-
Less allowance for doubtful debts	**769**	904	**-**	-
	28,632	39,973	**-**	-
GST/VAT receivable	**307**	858	**-**	-
Other	**2,811**	2,890	**96**	66
Total trade and other receivables	**31,750**	43,721	**96**	66

The average credit period for sales of goods is 64 days (2008: 66 days). No interest is charged on the trade receivables.

An allowance for doubtful debts has been determined for specific balances based on management's assessment of the recoverability of trade and other receivables.

Before accepting a new customer, the Group verifies the potential customer's credit quality and defines credit limits by customer. Limits and the credit performance of the customers are reviewed monthly. Of the trade receivables balance at the end of the year, $3.2 million representing 11.1 % of the trade receivables are due from the Group's three largest customers. The balances due from these customers are current and are considered to be a low credit risk to the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of $7.3 million (2008:$15.5 million) which are past due but not impaired at the reporting date for which the Group has not provided since there has not been a significant change in credit quality and the amounts are still considered recoverable. Apart from retention of title, and in some cases, registration of NZ overdue debts on the Personal Property Securities Register, the Group does not hold any other collateral over these balances.

Ageing of past due trade receivables:

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
01-30 days	**5,293**	10,076	**-**	-
31-60 days	**1,107**	4,947	**-**	-
61 days plus	**843**	494	**-**	-
Total past due trade receivables	**7,243**	15,517	**-**	-
Movement in the allowance for doubtful debts:				
Balance at the beginning of year	**904**	833	**-**	-
Impaired losses recognised	**223**	176	**-**	-
Amounts written off as uncollectable	**(73)**	(91)	**-**	-
Impairment losses reversed	**(237)**	(14)	**-**	-
Net foreign currency exchange differences	**(48)**	-	**-**	-
Balance at the end of year	**769**	904	**-**	-

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances. The net carrying amount is considered to approximate their fair value.

10. INVENTORIES

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Raw materials at cost	**7,235**	5,564	-	-
Work in progress at cost	**2,311**	5,315	-	-
Finished goods at cost	**25,483**	22,013	-	-
Total inventories	**35,029**	32,892	-	-

The cost of inventories is net of $2.1 million (2008: $1.3 million) in respect of write downs across all categories of inventory to net realisable value. All inventory write down movements are included in the cost of sales.

Certain inventories are subject to retention of title clauses where the inventory has not been paid for.

11. CONSTRUCTION CONTRACTS

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Recognised and included in the financial statements as amounts due:				
Construction projects in progress	**-**	1,009	-	-
Profits recognised on projects in progress	**-**	300	-	-
Progress claims made to customers	**-**	(1,267)	-	-
Contracts in progress	**-**	42	-	-

With the divestment of the Containment business unit during the 2008 year, and the Alucobond business unit during the 2009 year, the Group has no construction contracts outstanding at the end of the 2009 year.

Retentions held for contract work undertaken and completed, which are included in Trade Receivables, are $163,811 (2008: $340,069).

The net contract balance forms part of inventory work in progress defined in Note 10.

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land (at cost) $000	Freehold buildings (at cost) $000	Plant and Equipment (at cost) $000	Furniture, fittings and other (at cost) $000	Total $000
Cost					
Balance 1 July 2007	182	1,851	44,393	3,774	50,200
Additions	-	185	6,577	531	7,293
Disposals	-	-	(430)	(400)	(830)
Disposals through businesses sold	-	-	(782)	(321)	(1,103)
Impaired assets disposed	-	(310)	(10,750)	-	(11,060)
Net fair value adjustment to goodwill	-	-	5,512	-	5,512
Net foreign currency exchange differences	-	2	5,185	81	5,268
Balance 30 June 2008	182	1,728	49,705	3,665	55,280
Additions	**-**	**-**	**5,408**	**1,370**	**6,778**
Disposals	**-**	**-**	**(1,803)**	**(405)**	**(2,208)**
Disposals through businesses sold	**-**	**-**	**(163)**	**(320)**	**(483)**
Net foreign currency exchange differences	**1**	**4**	**1,166**	**(426)**	**745**
Balance 30 June 2009	**183**	**1,732**	**54,313**	**3,884**	**60,112**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	Note	Freehold land $000	Freehold buildings $000	Plant and Equipment $000	Furniture, fittings and other $000	Total $000
Accumulated depreciation and impairment						
Balance 1 July 2007		-	180	5,820	2,578	8,578
Depreciation expense	7	-	29	3,971	853	4,853
Disposals		-	-	(423)	(352)	(775)
Disposals through businesses sold		-	-	(202)	(269)	(471)
Impaired assets disposed	7	-	-	(1,852)	-	(1,852)
Net foreign currency exchange differences		-	-	1,747	32	1,779
Balance 30 June 2008		-	209	9,061	2,842	12,112
Depreciation expense	7	-	**32**	**5,441**	**644**	**6,117**
Disposals		-	**-**	**(719)**	**(101)**	**(820)**
Disposals through businesses sold		-	**-**	**(32)**	**(216)**	**(248)**
Impairment expense		-	**-**	**1,062**	**-**	**1,062**
Net foreign currency exchange differences		-	**13**	**(546)**	**(697)**	**(1,230)**
Balance 30 June 2009		**-**	**254**	**14,267**	**2,472**	**16,993**
Carrying value						
As at 30 June 2008		182	1,519	40,644	823	43,168
As at 30 June 2009		**183**	**1,478**	**40,046**	**1,412**	**43,119**

Capital expenditure in progress at balance date was $1,530,000 (2008: $296,388), which is included in plant and equipment.

PARENT	Note	Furniture, fittings and other (at cost) $000
Cost		
Balance 1 July 2007		33
Additions		-
Balance 30 June 2008		33
Addtions		**1**
Disposals		**(16)**
Balance 30 June 2009		**18**
Accumulated depreciation and impairment		
Balance 1 July 2007		30
Depreciation expense	7	2
Balance 30 June 2008		32
Depreciation expense	7	**1**
Disposals		**(16)**
Balance 30 June 2009		**17**
Carrying value		
As at 30 June 2008		1
As at 30 June 2009		**1**

13. GOODWILL AND INTANGIBLE ASSETS

(a) Reconciliation of carrying amounts at beginning and end of the period

YEAR ENDING 30 JUNE 2009	NOTE	GROUP GOODWILL $000	GROUP SOFTWARE $000	GROUP TOTAL $000	PARENT TOTAL $000
Balance 1 July 2008		47,254	6,217	53,471	-
Deferred tax adjustment to fair value accounting		**2,101**	**-**	**2,101**	-
Reclassification		**(159)**	**159**	**-**	-
Acquired		**-**	**333**	**333**	-
Disposals:					
- Continuing operations		**-**	**(26)**	**(26)**	-
Amortisation	7	**-**	**(736)**	**(736)**	-
Net foreign currency differences		**140**	**(337)**	**(197)**	-
Balance 30 June 2009		**49,336**	**5,610**	**54,946**	**-**
Cost (gross carrying amount)		**49,336**	**7,408**	**56,744**	-
Accumulated impairment losses		**-**	**-**	**-**	-
Accumulated amortisation		**-**	**(1,798)**	**(1,798)**	-
Net carrying amount		**49,336**	**5,610**	**54,946**	**-**

YEAR ENDING 30 JUNE 2008	NOTE	GROUP GOODWILL $000	GROUP SOFTWARE $000	GROUP TOTAL $000	PARENT TOTAL $000
Balance 1 July 2007		51,807	7,707	59,514	-
Adjustments to provisional fair value accounting		(6,507)	-	(6,507)	-
Acquired		-	29	29	-
Disposals:					
- Discontinued operations		(540)	-	(540)	-
- Continuing operations		-	(894)	(894)	-
Impairment		(799)	-	(799)	-
Amortisation	7	-	(652)	(652)	-
Net foreign currency differences		3,293	27	3,320	-
Balance 30 June 2008		47,254	6,217	53,471	-
Cost (gross carrying amount)		48,053	7,087	55,140	-
Accumulated impairment losses		(799)	-	(799)	-
Accumulated amortisation		-	(870)	(870)	-
Net carrying amount		47,254	6,217	53,471	-

The amortisation expensed above is included in the income statement under administration expenses. All goodwill has arisen from business combinations.

(b) Goodwill disposals and impairment

(i) Discontinued operations

Goodwill relating to the Alucobond business divested during the current year, was totally impaired in the year ending 30 June 2008.

(ii) Impairment

There has been no impairment of goodwill in the current year. Goodwill totaling $799,000 relating to the Alucobond business was impaired in the year ending 30 June 2008.

13. GOODWILL AND INTANGIBLE ASSETS (continued)

(c) Impairment tests for goodwill

(i) Description of cash generating units

Goodwill acquired through business combinations has been allocated to the business units acquired. Subsequent business reorganisations within the Group has resulted in the original cash generating unit being combined with other Group businesses.

In such circumstances the original goodwill has been allocated across the combined cash generating unit to fairly determine the recoverable amount against the value in use.

The goodwill allocated to each cash generating unit is as follows:

Cash Generating Unit	2009 $000	2008 $000
- Gulf Rubber / Tumedei / Skellerup Rubber Services	**34,084**	**31,696**
- Ambic Equipment	**8,655**	**8,930**
- Deks Industries	**4,416**	**4,447**
- Thorndon Rubber	**1,750**	**1,750**
- Stevens Filterite	**431**	**431**
Total goodwill	**49,336**	**47,254**

The net present value of future estimated cashflows exceed the recoverable amount of goodwill allocated to each cash generating unit based on a value in use calculation. A discount rate of 12.2% has been applied to discount future cashflows to their present value.

The Gulf Rubber/Tumedei/Skellerup Rubber Services Goodwill makes up 69% of the total Group Goodwill. Although this cash generating unit carries a significant portion of the total Group Goodwill, it does reflect the value attached to these operations and the opportunities available for this cash generating unit to produce consistent growth in operating cash flows.

Currently, the Net Present Value of future cash flows being the value in use exceeds the carrying value by 31.5%.

The remaining cash generating units which hold 31% of the Goodwill, collectively report their net present value of future cash flows above their carrying value by 92.1%.

(ii) Assumptions used to determine the recoverable amount

The future cashflows generated have been determined from the strategic quantifications and detailed budgets undertaken by management as part of the annual business planning that is reviewed and accepted by the Board of Directors. Such forecasts analyse and quantify a range of growth objectives which form the basis for determining the business growth and direction over the next five years.

The global recession has been taken into account in determining future cash flow generations with any significant growth being delayed until the 2011 year onwards.

The cash flow in perpetuity is represented by the realisation value of the net assets at book value in the fifth year. A check for reasonableness has been made by determining the price earnings ratio on EBITDA to ensure this supports a conservative valuation.

A number of attributes contribute to the overall growth of these businesses over the future five year period under review. The Revenue growth percentages range from approximately -2.4% to +15.4% per annum over the five years across the various business units.

Key assumptions used in the value in use calculations are as follows:

Revenues assumptions

For the subsequent year, revenues have been held relatively constant to allow for the global markets to recover from the recession. Beyond this period we anticipate growth opportunities arising which will allow us to achieve our strategic business plans.

Discount rate assumptions

The discount rate is intended to reflect the time value of money and the risks specific to each cash generating unit achieving their forecasted cash flows. In determining the appropriate discount rate regard has been given to the weighted average cost of capital of the Group, which has been updated as at 30 June 2009, to reflect the additional market interest rates and cost of capital applicable in the current risk averse environment.

Commodity cost pricing assumptions

With the base raw material component being synthetic and natural rubbers sourced from Asia, the pricing of these raw materials can fluctuate with many of the synthetics being a by-product of the petrochemical industry, and natural rubbers being influenced by global supply and demand influences. Pricing assumptions have been made in our forecasts that any cost increases driven by commodity price changes will be passed through to the market.

Market share assumptions

In preparing our forecasts, our business plans show no loss of market share. Our strategy is to expand into global markets particularly in Europe and United States of America. Through the Gulf Rubber/Tumedei/Skellerup Rubber Services cash generating unit, we have in our business plans opportunities to expand into these new markets and increase our market share.

Growth rate assumptions

The growth rates have been based on business plan assumptions applied in preparation of the annual budgets for the new financial year and the following four years. This is based on key strategies that have been quantified at a product and customer level, reviewed by senior management, and signed off by the Board of Directors.

(iii) Sensitivity to assumption changes

Estimates made of future cash flows are based on current market conditions. With trading across a number of different products covering a wide industry base, and through a number of international markets, the risk of significant change to cash flow projections is mitigated. Any change in future cash flow projections, which is influenced by price changes, foreign currency movements and competitor activities, will only have minimal impact, and is unlikely to cause an impairment risk of the Goodwill allocated to the various cash generating units.

14. INVESTMENTS AND ADVANCES

	NOTE	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Debenture note (secured)		**3,000**	3,000	**-**	-
Investment in subsidiaries	24	**-**	-	**46,633**	46,633
Advance to subsidiaries	24	**-**	-	**17,102**	37,553
Total investment and advances		**3,000**	3,000	**63,735**	84,186

The debenture note relates to vendor finance provided to Tiri Group Limted on divestment of the non core business. The note is interest bearing with a fixed rate and for a term of three years. The interest rate applicable at balance date was 12.3% per annum.

15. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Trade payables	**9,784**	15,962	**-**	-
Employee entitlements	**2,284**	1,534	**83**	300
ACC partnership accrual	**201**	198	**-**	-
Sundry payables and accruals	**7,034**	9,757	**114**	106
Goods and services tax	**592**	1,229	**488**	729
Total trade and other payables	**19,895**	28,680	**685**	1,135

The average credit period on purchases of all goods and services represents an average of 41 days' credit (2008: 56 days' credit). The Group has financial risk management policies in place to ensure that all payables are met within acceptable terms and conditions of purchase.

ACC Partnership Programme:

The liability for the ACC Partnership Programme is measured at the present value of anticipated future payments to be made in respect of the employee injuries and claims in New Zealand up to the reporting date using actuarial techniques. Consideration is given to expected future wage and salary levels, and experience of employee claims and injuries.

Expected future payments are discounted using year end market yields on government bonds with terms to maturity that match, as closely to possible, the estimated future cash outflows.

The Group manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies;
- induction training on health and safety;
- actively managing work place injuries to ensure employees return to work as soon as practical;
- recording and monitoring work place injuries and near misses to identify risk areas and implementing mitigating actions; and
- identification of work place hazards and implementation of appropriate safety procedures.

A stop loss limit of 250% of the industry premium has been chosen to limit the exposure to all claims in New Zealand to a total of $884,000. In addition, a high claim cost cover has been introduced to limit any single claim, in any year, to $250,000 in New Zealand.

The Group is not exposed to any significant concentrations of insurance risk as work related injuries are generally the result of an isolated event to an individual employee.

An external independent actuarial valuer, Mark Weaver [B.A. (Econometrics) FIAA, FINZA)] of Melville, Jessup and Weaver, has calculated the Group's liability, and the valuation is effective 30 June 2009. There are no qualifications contained in the actuarial valuer's report. The value of the liability at 30 June 2009, which has been recognised on the Balance Sheet, is $201,000 (2008: $198,000).

There have been no changes to the assumptions applied, from the 2008 year, for determining this valuation.

The value of this liability has been classified as a current liability on the Balance Sheet.

16. PROVISIONS

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Provisions				
Employee entitlements	**5,734**	5,922	**154**	123
Warranties	**1,643**	1,371	**-**	-
Restructuring costs	**477**	1,273	**-**	-
Total provisions	**7,854**	8,566	**154**	123
Current	**6,361**	8,065	**153**	100
Non-current	**1,493**	501	**1**	23
Total provisions	**7,854**	8,566	**154**	123

GROUP	WARRANTIES $000	RESTRUCTURING COSTS $000
Balance 1 July 2007	1,634	16,812
Additional provisions recognised	606	-
Reductions arising from payments / sacrifices of economic benefits	(869)	(15,539)
Balance 30 June 2008	1,371	1,273
Additional provisions recognised	**260**	**503**
Reductions arising from payments / sacrifices of economic benefits	**(63)**	**(1,259)**
Reductions arising from remeasurement or settlement without cost	**70**	**-**
Net foreign currency exchange differences	**5**	**(40)**
Balance 30 June 2009	**1,643**	**477**

(i) The provision for employee benefits represents annual leave, sick leave and long service leave entitlements accrued and compensation claims made by employees. Long service leave is based on the various subsidiaries' company policies.

(ii) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's various product warranty programmes. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

(iii) The provision for restructuring costs represents the present value of the directors' best estimate of the direct costs of the restructuring the business which are not associated with the ongoing activities of the Group. The restructuring is expected to be completed during the next 12 months, and will relate mainly to employment benefits and plant impairment.

17. INTEREST BEARING LOANS AND BORROWINGS

		NOTE		GROUP	PARENT
			EFFECTIVE INTEREST RATE	CARRYING AMOUNT	CARRYING AMOUNT
Balance 30 June 2009					
Current Liabilities					
Secured					
Obligations under Finance Leases		25	8.06 %	**246**	-
Total current liabilities				**246**	-
Non-current Liabilities					
Secured					
- at amortised cost					
BANK LOANS					
NZD Term Loans	NZD 12,500		3.18 %	**12,500**	**12,500**
AUD Term Loans	AUD 18,520		3.54 %	**23,138**	**-**
GBP Term Loan	GBP 3,900		1.74 %	**9,944**	**-**
USD Term Loan	USD 5,000		0.96 %	**7,746**	**-**
EUR Term Loan	EUR 8,400		1.46 %	**18,269**	**-**
				71,597	**12,500**
Obligations under Finance Leases		25	8.06 %	**289**	**-**
Total non-current liabilities				**71,886**	**12,500**
Balance 30 June 2008					
Current Liabilities					
Secured					
Obligations under finance leases		25	8.06 %	24	-
Total current liabilities				24	-
Non-current Liabilities					
Secured					
- at amortised cost					
BANK LOANS					
NZD Term Loans	NZD 25,500		8.24 %	25,500	25,500
AUD Term Loans	AUD 22,820		7.53 %	28,726	-
GBP Term Loan	GBP 3,900		6.40 %	10,199	-
EUR Term Loans	EUR 8,400		5.38 %	17,366	-
				81,791	25,500
Obligations under Finance Leases		25	8.06 %	66	-
Total non-current liabilities				81,857	25,500

The carrying amounts disclosed above approximate fair value.

The bank loans are under a multi currency facility agreement with ANZ National Bank Limited which has a review date maturing in July 2010.

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates. Details of these derivatives are included in Note 22.

Apart from the assets held by Skellerup Rubber Products Jiangsu Limited and some of the assets held by Tumedei SpA, the carrying amount of all cash, current and non-current assets are pledged as security to the bank to secure the above term loans.

18. CONTRIBUTED EQUITY

	GROUP & PARENT	
	NUMBER OF SHARES	VALUE $000
Balance 30 June 2009		
Balance at beginning of year	**132,084,729**	**44,254**
Ordinary shares issued under the dividend reinvestment plan relating to dividends paid in October 2008 and April 2009	**2,512,495**	**1,771**
Transaction costs	**-**	**-**
Balance at end of year	**134,597,224**	**46,025**
Balance 30 June 2008		
Balance at beginning of year	105,667,783	23,613
Ordinary shares issued under the renounceable rights issue on 31 March 2008	26,416,946	21,134
Transaction costs	-	(493)
Balance at end of year	132,084,729	44,254

All shares are fully paid, carry one vote per share, carry equal rights to dividends and have no par value.

Capital Management

When managing capital, the directors' objective is to ensure the entity continues as a going concern, as well as maintaining optimal returns to shareholders and benefits for other stakeholders.

The directors aim to provide a capital structure which:

- Provides an efficient and cost effective source of funds;
- Is balanced with external debt to provide a secure structure to support the short and long term funding of the group;
- The ratio of funds sourced from shareholders and external debt is maintained proportionately at a level which does not create a credit and liquidity risk to the Group.

With the parent being listed on the NZ Stock Exchange, there are continuous disclosure obligations to inform shareholders and the market of any matters which affect the capital of the parent company. This includes changes to the capital structure, new share issues, dividend payments, and any other significant matter which affects the credit worthiness or liquidity of the Group.

The Group is not subject to any externally imposed capital requirements.

19. RESERVES

	NOTE	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Reserve balances					
Cash flow hedge reserve		**(2,740)**	(147)	**(122)**	301
Foreign currency translation reserve		**(1,666)**	(4,204)	**-**	-
Total reserves		**(4,406)**	(4,351)	**(122)**	301

		GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Cash flow hedge reserve					
Balance at beginning of year		**(147)**	574	**301**	1,430
Gain/(loss) recognised on cash flow hedges:					
- Forward foreign exchange contracts		**240**	49	**-**	-
- Interest rate swaps		**(3,945)**	(1,130)	**(605)**	(1,703)
- Income tax related to gains /(losses) recognised in equity	5	**1,112**	360	**182**	574
Movement for the year		**(2,593)**	(721)	**(423)**	(1,129)
Balance at end of year		**(2,740)**	(147)	**(122)**	301
Foreign currency revaluation reserve					
Balance at beginning of year		**(4,204)**	(6,789)	**-**	-
Gain/(loss) on translation of net investments		**2,416**	1,947	**-**	-
Gain/(loss) on translation of foreign operations		**373**	561	**-**	-
Income tax related to gains/(losses) recognised in equity	5	**(251)**	77	**-**	-
Movement for the year		**2,538**	2,585	**-**	-
Balance at end of year		**(1,666)**	(4,204)	**-**	-

The cash flow hedge reserve is intended to recognise the fair value movements of the effective derivatives held to hedge interest rate and foreign currency risk.

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into New Zealand dollars are brought to account by entries made directly to the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations, are also included in the foreign currency translation reserve.

20. RETAINED EARNINGS

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Balance at beginning of year	**31,895**	17,198	**15,061**	8,509
Net profit for the year	**9,175**	14,697	**3,875**	6,552
Payment of dividends	**(11,259)**	-	**(11,271)**	-
Balance at end of year	**29,811**	31,895	**7,665**	15,061

During the reported period a dividend of 6 cents per share was paid in October 2008 and an additional dividend of 2.5 cents per share was paid in April 2009. All dividends paid were fully imputed with imputation tax credits totaling $5,510,556.

The Group dividend for 2009 is less than the Parent due to dividends retained by the Group on shares held by the Employee Share Trustee Company.

The Group provided a dividend reinvestment plan for all the dividends paid during the current reporting period. The value of the shares issued are noted in the table below.

	2009						2008	
DIVIDENDS	CENTS PER SHARE	TOTAL $000	IMPUTATION CREDITS $000	SHARES ISSUED DIVIDEND REINVESTMENT PLAN	% OF TOTAL SHARES	TOTAL $000	CENTS PER SHARE	TOTAL $000
Fully paid ordinary shares								
- Final – prior year	6.00	**7,925**	**3,875**	**1,731,941**	**1.31%**	**1,371**	-	-
- Interim – current year	2.50	**3,346**	**1,636**	**780,554**	**0.58%**	**400**	-	-
		11,271	**5,511**	**2,512,495**		**1,771**		-

21. EARNINGS PER SHARE

	GROUP	
BASIC AND DILUTED	2009 CENTS PER SHARE	2008 CENTS PER SHARE
Earnings per share:		
From continuing operations	**6.743**	9.506
From discontinued operations	**0.136**	3.584
Total earnings per share	**6.879**	13.090
The net tangible asset per share	**14.25**	12.52

The earnings and weighted average number of ordinary shares used in the calculation of earnings per share are as follows:

	GROUP	
	2009 $000	2008 $000
Net profit for the year	**9,175**	14,697
Less profit for the year from discontinued operations used in the calculation of earnings per share from discontinued operations	**182**	4,024
Earnings used in the calculation of earnings per share from continuing operations	**8,993**	10,673
Weighted average number of ordinary shares for the purposes of earnings per share	**133,369,449**	112,272,020

22. FINANCIAL INSTRUMENTS

Detail of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis in which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the Statement of Accounting Policies.

Categories of financial instruments

GROUP	CASH & BANK BALANCES $000	TRADE & OTHER RECEIVABLES $000	DERIVATIVES $000	DEBENTURE NOTE $000	TOTAL FINANCIAL ASSETS $000
2009					
Fair value through profit and loss	**6,853**	**-**	**415**	**-**	**7,268**
Loans and Receivables	**-**	**31,750**	**-**	**-**	**31,750**
Held to maturity	**-**	**-**	**-**	**3,000**	**3,000**
Total financial assets	**6,853**	**31,750**	**415**	**3,000**	**42,018**
2008					
Fair value through profit and loss	7,780	-	1,004	-	8,784
Loans and Receivables	-	43,721	-	-	43,721
Held to maturity	-	-	-	3,000	3,000
Total financial assets	7,780	43,721	1,004	3,000	55,505
PARENT					
2009					
Fair value through profit and loss	**3,078**	**-**	**-**	**-**	**3,078**
Loans and Receivables	**-**	**96**	**-**	**-**	**96**
Total financial assets	**3,078**	**96**	**-**	**-**	**3,174**
2008					
Fair value through profit and loss	644	-	431	-	1,075
Loans and Receivables	-	66	-	-	66
Total financial assets	644	66	431	-	1,141

GROUP	TRADE & OTHER PAYABLES $000	DERIVATIVES $000	BORROWINGS $000	TOTAL FINANCIAL LIABILITIES $000
2009				
Fair value through profit and loss	**-**	**4,580**	**-**	**4,580**
Other financial liabilities	**19,895**	**-**	**72,132**	**92,027**
Total financial liabilities	**19,895**	**4,580**	**72,132**	**96,607**
2008				
Fair value through profit and loss	-	1,513	-	1,513
Other financial liabilities	28,680	-	81,881	110,561
Total financial liabilities	28,680	1,513	81,881	112,074
PARENT				
2009				
Fair value through profit and loss	**-**	**175**	**-**	**175**
Other financial liabilities	**684**	**-**	**12,500**	**13,184**
Total financial liabilities	**684**	**175**	**12,500**	**13,359**
2008				
Other financial liabilities	1,135	-	25,500	26,635
Total financial liabilities	1,135	-	25,500	26,635

Where the financial assets and financial liabilities are shown at amortised cost, their cost would approximate fair value.

22. FINANCIAL INSTRUMENTS (continued)

Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates.

Details of the derivatives held and their fair value at balance date was as follows:

Derivative financial instruments

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Current assets				
- Forward currency contract – cash flow hedge	**222**	-	**-**	-
Non-current assets				
- Forward currency contract – cash flow hedge	**193**	-	**-**	-
- Interest rate swaps – cash flow hedge	**-**	1,004	**-**	431
Current liabilities				
- Forward currency contracts – cash flow hedge	**1,385**	1,153	**-**	-
- Forward currency contract – held for trading	**8**	-	**-**	-
- Interest rate swaps – cash flow hedge	**2,009**	-	**175**	-
Non-current liabilities				
- Forward currency contracts – cash flow hedge	**-**	360	**-**	-
- Interest rate swaps – cash flow hedge	**1,178**	-	**-**	-

(i) forward exchange contracts

The Group imports a large proportion of its raw materials and finished goods, and has exports sales to a number of customers. As a result, the Group has both inward and outward foreign currency cash flows. Both the inward cash flows and the outward cash flows are tested and hedged against highly probable forecasted sales and purchases. The main currency exposures are in US dollars, Euros and Australian dollars.

At balance date, details of outstanding foreign currency contracts are as follows:

	NOTIONAL AMOUNT		AVERAGE EXCHANGE RATES	
	2009 NZ$000	2008 NZ$000	2009	2008
BUY USD / SELL NZD	**16,413**	13,487	**0.6093**	0.6677
Maturing 1-16 months (2008: 2-28 months)				
BUY NZD / SELL AUD	**-**	1,164	**-**	0.8587
Maturing N/A (2008: 1-2 months)				
BUY NZD / SELL EUR	**1,178**	482	**0.4752**	0.5190
Maturing 1-3 months (2008: 1-10 months)				
BUY USD / SELL AUD	**-**	2,340	**-**	0.8069
Maturing N/A (2008: 1-24 months)				
BUY AUD / SELL USD	**666**	-	**0.7847**	-
Maturing 1-2 months (2008: N/A)				

The forward currency contracts are considered to be highly effective hedges as they are matched against forecasted inventory purchases and export sales, and any gain or loss on the contracts attributable to the hedge risk is taken directly to equity.

The following forward exchange contracts held were not designated as a cash flow hedge.

BUY AUD / SELL NZD	**200**	-	**0.7742**	-
Maturing 1-3 months (2008: N/A)				
BUY GBP / SELL EUR	**957**	-	**1.1765**	-
Maturing 1-12 months (2008: N/A)				

Movements in the cash flow hedge reserve are recorded in the Statement of Changes in Equity.

22. FINANCIAL INSTRUMENTS (continued)

(ii) interest rate swaps - cash flow hedges

Interest bearing loans of the Group bear an average variable interest rate of 5.91 % (2008: 7.89 %). In order to protect against interest rate volatility, the Group entered into interest rate swap contracts under which it has the right to receive interest at variable rates and pay interest at fixed rates. Swaps in place cover approximately 94 % (2008: 78 %) of the principal outstanding. The fixed interest rates range between 4.25 % and 7.39 % (2008: 4.27 % and 7.39 %).

At 30 June 2009, the notional principal amounts and period of expiry of the interest rate swaps are as follows:

		GROUP		PARENT	
	MATURITY DATE	2009 $000	2008 $000	2009 $000	2008 $000
		NZD	NZD	NZD	NZD
NZD Swap 5.58 %	30-Dec-09	**12,500**	-	**12,500**	-
NZD Swap 6.15 %	30-Dec-10	**-**	12,500	**-**	12,500
		AUD	AUD	AUD	AUD
AUD Swap 6.14 %	4-Jul-08	**-**	4,000	**-**	-
AUD Swap 7.26 %	4-Jul-13	**4,000**	4,000	**-**	-
AUD Swap 7.39 %	30-Jan-12	**6,500**	6,500	**-**	-
AUD Swap 7.33 %	27-Jun-11	**5,000**	5,000	**-**	-
		EUR	EUR	EUR	EUR
EUR Swap 4.27 %	30-Jun-10	**8,000**	8,000	**-**	-
		GBP	GBP	GBP	GBP
GBP Swap 5.85 %	4-Oct-10	**3,900**	3,900	**-**	-
		USD	USD	USD	USD
USD Swap 4.25 %	28-Feb-11	**5,000**	5,000	**-**	-

The interest rate swaps require settlement of net interest receivable each 120 days. Swaps which are matched directly against the appropriate loans and interest expense are considered highly effective. These swaps are measured at fair value and all gains attributable to the hedge risk are taken directly to equity and reclassified to the Income Statement when the interest expense is recognised.

The USD swap was partially ineffective during 2009. The ineffective amount of $150,785 (2008: $94,585) has been charged directly to the Income Statement.

Movement in the Cashflow Hedge Reserve is recorded in the Statement of Changes in Equity.

(iii) hedge of net investment in foreign operations

As at June 2009, the following foreign currency loans were held as a designated hedge of the net investment in foreign subsidiaries in Australia, United Kingdom, United States and Italy:

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Australian Dollar	**AUD 15,520**	AUD 19,820	**-**	-
Great British Pound	**GBP 3,900**	GBP 3,900	**-**	-
Euro	**EUR 8,400**	EUR 8,400	**-**	-
United States Dollar	**USD 5,000**	-	**-**	-

Credit risk

Credit Risk arises from potential failure of counter parties to meet their obligations at maturity of contracts. Because the counterparty of the above financial derivatives is the ANZ National Bank Ltd, there is minimal credit risk.

22. FINANCIAL INSTRUMENTS (continued)

Foreign currency denominated monetary assets and monetary liabilities

The group, through its foreign subsidiaries, holds monetary assets and liabilities that are in a currency other than the parent's base currency. These foreign currency values provide a translation risk to the Group. The monetary assets and liabilities consist primarily of trade receivables, trade creditors and cash as follows:

	2009			2008		
	$000 Current Assets	$000 Current Liabilities	$000 Net Monetary Assets	$000 Current Assets	$000 Current Liabilities	$000 Net Monetary Assets
USD	**2,400**	**1,479**	**921**	4,845	4,008	837
AUD	**8,762**	**3,647**	**5,115**	9,787	5,556	4,231
CNY	**12,579**	**3,477**	**9,102**	9,196	1,030	8,166
GBP	**675**	**539**	**136**	1,075	159	916
EUR	**1,419**	**806**	**613**	2,934	1,550	1,384
	NZD	NZD	NZD	NZD	NZD	NZD
NZD equivalent	**21,289**	**9,221**	**12,068**	29,322	16,075	13,247

Maturity analysis of financial assets and liabilities

The following table represents both the expected and contractual maturity of receipts and payments. There is a further analysis of future operating lease commitments under Note 25 which are not included in this analysis.

Balance 30 June 2009	<6 Months $000	6-12 Months $000	1-5 Years $000	>5 Years $000	Total $000
GROUP					
Financial assets					
Cash and cash equivalents	**6,853**	**-**	**-**	**-**	**6,853**
Trade and other receivables	**30,536**	**1,214**	**-**	**-**	**31,750**
Derivatives	**120**	**102**	**193**	**-**	**415**
Debenture note	**184**	**184**	**3,737**	**-**	**4,105**
	37,693	**1,500**	**3,930**	**-**	**43,123**
Financial liabilities					
Trade and other payables	**18,712**	**1,161**	**-**	**-**	**19,873**
Interest bearing loans	**2,092**	**2,092**	**72,235**	**-**	**76,419**
Derivatives	**2,485**	**917**	**1,178**	**-**	**4,580**
	23,289	**4,170**	**73,413**	**-**	**100,872**
Net total	**14,404**	**(2,670)**	**(69,483)**	**-**	**(57,749)**

The negative cash position in years 1-5 is the result of the term debt expiring in July 2010. Discussions are underway with our bankers to extend the expiry date of the term debt.

Balance 30 June 2008	<6 Months $000	6-12 Months $000	1-5 Years $000	>5 Years $000	Total $000
GROUP					
Financial asseets					
Cash and cash equivalents	7,780	-	-	-	7,780
Trade and other receivables	39,404	3,317	1,000	-	43,721
Derivatives	254	250	500	-	1,004
Debenture note	188	375	3,562	-	4,125
	47,626	3,942	5,062	-	56,630
Financial liabilities					
Trade and other payables	27,246	1,434	-	-	28,680
Interest bearing loans	3,105	6,200	88,081	-	97,386
Derivatives	513	500	500	-	1,513
	30,864	8,134	88,581	-	127,579
Net total	16,762	(4,192)	(83,519)	-	(70,949)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instrument comprises receivables, payables, bank loans and overdrafts, cash and derivatives. Because of these financial instruments, the principle financial risks to the Group are movements in foreign currency and interest rates. Credit risk and liquidity risk are also considered to be risk areas and therefore closely managed.

The Group enters into derivative transactions, principally interest rate swaps and forward foreign currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk by reviewing trading forecasts that impact on these areas.

Credit risk is managed through regular review of aged analysis of receivable ledgers. The exposure to credit risk and how this is managed is explained in Note 9.

Liquidity risk is monitored through the review of future rolling cash flow forecasts.

These cash flow forecasts are updated on a weekly basis with particular emphasis placed on the prospective four week period. These forecasts are constantly monitored against limitations of the entire debt facility.

The Board reviews and agrees policies for managing financial risk.

Risk exposures and responses

(i) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long term debt obligations.

The level of debt is disclosed in Note 17.

At Balance Date the Group had the following mix of financial assets and liabilities exposed to variable interest rates that are not designated in cash flow hedges:

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Financial assets				
- Cash and cash equivalents	**6,853**	7,780	**3,078**	644
Financial liabilities				
- Bank loans	**4,643**	18,006	**-**	13,000
Net exposure	**2,210**	(10,226)	**3,078**	(12,356)

Interest rate swap contracts in Note 22, with a fair value of ($3,187,000), (2008: $1,004,000), are exposed to fair value movements if interest rates change.

The Group's policy is to constantly monitor its interest rate exposure and to hedge the volatility arising from interest rate changes by entering into interest rate swap contracts that cover a minimum of 50 % of the variable interest rate debt. At 30 June 2009, the Group held interest rate swaps which covered 94 % of the variable interest rate debt.

The following sensitivity analysis is based on the interest rate risk exposure in existence at balance date. With all other variables held constant, post tax profit and equity would be affected as follows:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2009 $000	2008 $000	2009 $000	2008 $000
GROUP				
+1 % (100 basis points)	**(33)**	(121)	**609**	1,471
-0.5 % (50 basis points)	**16**	60	**(305)**	(736)
PARENT				
+1 % (100 basis points)	**-**	(87)	**51**	115
-0.5 % (50 basis points)	**-**	44	**(25)**	(57)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk

The Group imports raw materials and finished goods, and exports finished goods to a number of foreign customers. The main foreign currencies traded are US dollars, Euro, Australian dollars, and Great British pounds.

The Group seeks to cover 80 % to 100 % of the foreign currency cash flow forecast, for the next 12 month period with foreign currency contracts. Where the foreign currency cash flows can be reliably forecasted beyond the future 12 months period, such cash flows are also covered by foreign currency contracts to 80 % of the forecast cash flows.

The Group also has translational currency exposures. Such exposures arise from subsidiary operating entities who transact in currencies other than the Group's functional currency. The Group has hedged the Net Investment in these foreign subsidiaries by converting some of the external borrowings into same denominated currencies as the functional currency of the foreign subsidiary.

As at 30 June 2009 the Group has the following foreign currency exposures relating to transactions which will revalue either through the income statement and equity:

	Cash & Cash Equivalents $000	Receivables $000	Payables $000	Net Monetary Assets $000
30 June 2009				
USD	**343**	**5,361**	**3,058**	**2,646**
AUD	**134**	**670**	**78**	**726**
GBP	**102**	**343**	**113**	**332**
EUR	**35**	**839**	**213**	**661**
NZD	**-**	**63**	**238**	**(175)**
30 June 2008				
USD	681	6,196	3,676	3,201
AUD	125	1,031	338	818
GBP	147	543	233	457
EUR	120	1,723	603	1,240
NZD	-	-	853	(853)

As at 30 June 2009 the Group has the following monetary assets and liabilities which are stated in a currency other than New Zealand Dollars which will revalue through the income statement and equity.

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Financial assets				
- Cash and cash equivalents	**1,035**	1,685	**-**	-
- Trade and other receivables	**11,904**	14,418	**33**	29
	12,939	16,103	**33**	29
Financial liabilities				
- Trade and other payables	**5,824**	7,961	**-**	-
Net exposure	**7,115**	8,142	**33**	29

As at 30 June 2009, had the New Zealand Dollar moved, as illustrated by the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT Higher / (Lower)		EQUITY Higher / (Lower)	
	2009 $000	2008 $000	2009 $000	2008 $000
Group				
Foreign currency rates				
- Increase +10 %	**(442)**	(505)	**(442)**	(505)
- Decrease -5 %	**256**	293	**256**	293
Parent				
Foreign currency rates				
- Increase +10 %	**(3)**	(3)	**(3)**	(3)
- Decrease -5 %	**2**	2	**2**	2

(iii) Credit risk

All customers who trade with any Group subsidiary on credit terms are subject to credit verification procedures including an assessment of their independent credit rating and financial position. Risk limits are set for individual customers according to their risk profile and where it is considered appropriate, registrations are made on the Personal Property Security Register for debts outstanding in New Zealand to record a secured interest in the products supplied.

Receivable balances are monitored on an ongoing basis with appropriate provisions held for doubtful debts.

The counter party who hold the debenture note and cash are considered a low credit risk. Refer to Note 14.

(iv) Liquidity risk

The Group monitors its future cash requirements through rolling cashflow forecasts.

At balance date the liquidity risk is considered to be low with the bank facility not fully drawn, compliance with bank covenants, and forecasted cashflows reporting positive operating cash generation for the Group over the next financial year. The maturity analysis in Note 22 provides a profile of future payment commitments.

24. RELATED PARTIES

The consolidated financial statements incorporate the following significant companies :-

a) Subsidiary Companies	Country of Incorporation	Holding		Balance Date
		2009	2008	
Skellerup Industries Limited	New Zealand	100 %	100 %	30 June
Ultralon Products (NZ) Limited	New Zealand	100 %	100 %	30 June
Skellerup BRC Limited	New Zealand	100 %	100 %	30 June
Skellerup Footwear Limited	New Zealand	100 %	100 %	30 June
Flomax International Limited	New Zealand	100 %	100 %	30 June
*Conewango Products Corp	United States	100 %	100 %	30 June
*Masport Inc.	United States	100 %	100 %	30 June
*Deks Industries Pty Limited	Australia	100 %	100 %	30 June
*Skellerup Industrial Pty Limited	Australia	100 %	100 %	30 June
*Skellerup Rubber Products Jiangsu Limited	China	100 %	100 %	30 June
*Stevens Filterite Limited	New Zealand	100 %	100 %	30 June
*Thorndon Rubber Co. Limited	New Zealand	100 %	100 %	30 June
*Rubber Services Limited	New Zealand	100 %	100 %	30 June
*Jenco Products Pty Limited	Australia	100 %	100 %	30 June
*Ambic Equipment Limited	United Kingdom	100 %	100 %	30 June
*Gulf Rubber Australia Pty Limited	Australia	100 %	100 %	30 June
*Skellerup Rubber Services Limited (formerly Gulf Rubber NZ Limited)	New Zealand	100 %	100 %	30 June
*Tumedei SpA	Italy	100 %	100 %	30 June

Skellerup Industries Limited is involved in the manufacture and distribution of dairy rubber products, industrial rubber products and rural supplies in New Zealand and internationally.

Ultralon Products (NZ) Limited is involved in the manufacture and distribution of closed cell polyethylene and ethyl vinyl acetate foam products in New Zealand and internationally.

Skellerup BRC Limited is non trading.

Skellerup Footwear Limited is a property owning company.

Flomax International Limited is involved in the manufacture and distribution of vacuum pumps and associated equipment in New Zealand and internationally.

*Held indirectly by the parent company through its direct subsidiaries:

Conewango Products Corp. distributes dairy rubberware in the North American market.

Masport Inc. distributes vacuum pumps and associated equipment in the North American market.

Deks Industries Pty Limited manufactures, distributes and markets rubber products for the building, plumbing and construction markets in New Zealand, Australia, North America and Europe.

Skellerup Industrial Pty Limited is non trading.

Skellerup Rubber Products Jiangsu Limited manufactures rubber footwear and vacuum pumps in China for the New Zealand, Australian and North American markets.

Stevens Filterite Limited manufactures milk filters for distribution in New Zealand and Australia.

Thorndon Rubber Co. Limited specialises in the recovering of rubber rollers for the printing industry.

Rubber Services Limited is non trading.

Jenco Products Pty Limited is non trading, with the products now distributed to the Australian plumbing industry through Deks Industries Pty Limited.

Ambic Equipment Limited is a marketer and distributor of products for dairy cattle teat hygiene in the United Kingdom, North America, Australia and New Zealand markets.

Gulf Rubber Australia Pty Limited is involved in the design and manufacture of highly technical rubber and associated polymer products for the Australian and North American markets.

Skellerup Rubber Services Limited (formerly Gulf Rubber NZ Limited), manufactures and distributes moulded and extruded technical polymer products for the New Zealand market.

Tumedei SpA manufactures, markets and distributes highly technical polymer products in European markets.

24. RELATED PARTIES (continued)

(b) Transactions with Related Parties

	PARENT	
	2009 $000	2008 $000
Advances to subsidiaries		
- Balance 1 July 2008	**37,553**	86,121
- Plus funds advanced to subsidiaries	**-**	-
- Less funds repaid by subsidiaries	**20,451**	48,568
Balance 30 June 2009	**17,102**	37,553
Investment in subsidiaries	**46,633**	46,633
Investment and advances	**63,735**	84,186

The parent company provides a treasury service to all subsidiary companies. Funds are advanced and banking facilities arranged to ensure each subsidiary has sufficient funds available for trading. There are no maturity dates for these advances and interest is charged to foreign subsidiaries. Interest rates charged range from 2%-10% per annum. The advances are unsecured. There has been no forgiveness of debt.

The parent company receives management fees and dividends from its subsidiaries. Management fees and dividends received were as follows:

	2009 $000	2008 $000
Management fees	**4,034**	5,980
Dividends	**4,200**	8,700
Total management fees and dividends	**8,234**	14,680

The above are eliminated on consolidation with the Group.

(c) Loans to related parties

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Loans to employees under the share purchase scheme (refer Note 28)	**-**	54	**-**	-

In March 2009, the three year term was completed which allowed the employee loans to be repaid under Section DC11 of the Income Tax Act 1994.

(d) Compensation of key management

The remuneration of directors and senior management during the year was as follows:

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Short term benefits:				
- directors fees	**315**	346	**315**	346
- senior management remuneration	**2,710**	2,481	**977**	856
- termination benefits	**-**	292	**-**	292

25. LEASE COMMITMENTS

Group as lessee

Operating lease commitments

The Group has entered into commercial leases on properties, motor vehicles, and plant.
The motor vehicle leases, and plant leases, have an average life between 1 and 3 years.
The properties have a life ranging between 1 and 5 years. Some property leases have rights of renewal.

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Payments recognised as an expense				
- Minimum lease payments	**5,721**	5,194	**35**	35
Non-cancellable operating lease commitments				
- No later than 1 year	**5,103**	4,733	**35**	35
- Later than 1 yr and no later than 5 years	**7,333**	11,113	**-**	-
- Later than 5 years	-	1,145	**-**	-
Total non-cancellable operating lease commitments	**12,436**	16,991	**35**	35

Finance leases

The Group has entered into finance leases to purchase motor vehicles. These leases have terms ranging from 1 to 3 years.

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Minimum future lease payments	**575**	95	**-**	-
Present value of future lease payments	**535**	90	**-**	-
Reported as:				
- Current liability	**246**	24	**-**	-
- Term liability	**289**	66	**-**	-
Property, plant and equipment under finance leases	**535**	90	**-**	-

Group as lessor

The Group does sublease surplus areas of leased properties.
Sublease arrangements range from short terms to 2 year periods.

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Rentals receivable recognised as Revenue	**227**	195	**-**	-

Future rental receivable under lease contract terms is $113,826 (2008: $171,000).

26. SEGMENT INFORMATION

The Group's primary segment reporting format is by business segments as the Group's risks and returns are affected predominantly by differences in products and markets.

Secondary segment information is reported by geographic location of each subsidiary.

The operating businesses are organised and managed separately according to the nature of the products and the markets serviced.

The Agri segment manufactures and distributes dairy rubberware, related rural products and dairy vacuum pump equipment for the global agriculture market.

The Industrial segment manufactures and distributes technical polymer products across a number of industrial markets, together with industrial vacuum pump equipment for a variety of industrial applications worldwide.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Segment revenue, segment expenses and segment result includes transfers between business segments. These transfers are eliminated on consolidation.

The inter segment revenue for the year was $3,97M (2008: $3.70M) and relates to a range of Vacuum Pumps which the Industrial segment manufactures and transfers to the Agri segment to sell to external customers.

The following table represents the primary reporting segment analysis of the Group.

BUSINESS SEGMENT ANALYSIS

June 2009

	CONTINUING OPERATIONS				DISCONTINUED OPERATIONS	
	AGRI	INDUSTRIAL	ELIM	SUB TOTAL	INDUSTRIAL	TOTAL
REVENUE						
Sales to customers	**69,853**	**110,777**		**180,630**	**3,227**	**183,857**
Inter and intra segment revenue	**14,763**	**22,130**	**(36,893)**	**-**	**-**	**-**
Unallocated revenue				**227**	**-**	**227**
Total revenue	**84,616**	**132,907**	**(36,893)**	**180,857**	**3,227**	**184,084**
RESULT						
Segment EBIT	**15,479**	**6,195**		**21,674**	**266**	**21,940**
Less unallocated expenses				**2,627**	**-**	**2,627**
Profit before tax and finance costs				**19,047**	**266**	**19,313**
Less finance expenses				**5,873**	**-**	**5,873**
Profit before tax				**13,174**	**266**	**13,440**
Less taxation				**4,181**	**84**	**4,265**
Net profit after tax				**8,993**	**182**	**9,175**
ASSETS AND LIABILITIES						
Segment assets	**50,506**	**107,235**		**157,741**	**706**	**158,447**
Unallocated assets				**19,363**	**-**	**19,363**
Total Assets				**177,104**	**706**	**177,810**
Segment liabilities	**6,126**	**20,180**		**26,306**	**-**	**26,306**
Unallocated liabilities				**80,074**	**-**	**80,074**
Total Liabilities				**106,380**	**-**	**106,380**
Net assets	**44,380**	**87,055**		**70,724**	**706**	**71,430**
OTHER SEGMENT INFORMATION						
Capital Expenditure	**2,171**	**4,476**		**6,647**	**-**	**6,647**
Unallocated capital expenditure				**131**	**-**	**131**
Total capital expenditure				**6,778**	**-**	**6,778**
Impairment Losses		**1,062**		**1,062**	**-**	**1,062**
CASH FLOW						
Segment EBIT	**15,479**	**6,195**		**21,674**	**266**	**21,940**
Plus depreciation and amortisation	**2,835**	**3,627**		**6,462**	**37**	**6,499**
Unallocated depreciation				**354**	**-**	**354**
Total depreciation and amortisation				**6,816**	**37**	**6,853**
Movement in working capital	**854**	**2,484**		**3,338**	**2**	**3,340**
Finance expenses & tax				**(4,699)**	**(84)**	**(4,783)**
Unallocated operating cash flows				**(4,397)**	**-**	**(4,397)**
Net cash flow from operating activities	**19,168**	**12,306**		**22,732**	**221**	**22,953**

26. SEGMENT INFORMATION (continued)

BUSINESS SEGMENT ANALYSIS

June 2008

	CONTINUING OPERATIONS				DISCONTINUED OPERATIONS	
	AGRI	INDUSTRIAL	ELIM	SUB TOTAL	INDUSTRIAL	TOTAL
REVENUE						
Sales to customers	61,837	109,959		171,796	33,426	205,222
Inter and intra segment revenue	11,371	24,521	(35,892)	-	-	-
Unallocated revenue				195	-	195
Total revenue	73,208	134,480	(35,892)	171,991	33,426	205,417
RESULT						
Segment EBIT	15,354	12,495		27,849	3,005	30,854
Plus net divestment gain				-	1,914	1,914
Less unallocated expenses				2,984	-	2,984
Profit before tax and finance costs				24,865	4,919	29,784
Less finance expenses				8,835	-	8,835
Profit before tax				16,030	4,919	20,949
Less taxation				5,358	894	6,252
Net profit after tax				10,672	4,025	14,697
ASSETS AND LIABILITIES						
Segment assets	53,395	109,549		162,944	3,066	166,010
Unallocated assets				28,029	-	28,029
Total assets				190,973	3,066	194,039
Segment liabilities	8,929	21,990		30,919	1,727	32,646
Unallocated liabilities				89,595	-	89,595
Total liabilities				120,514	1,727	122,241
Net assets	44,466	87,559		70,459	1,339	71,798
OTHER SEGMENT INFORMATION						
Capital Expenditure	1,617	5,676		7,293	-	7,293
Impairment Losses	310	8,898		9,208	-	9,208
CASH FLOW						
Segment EBIT	15,354	12,495		27,849	4,919	32,768
Depreciation and amortisation	2,279	2,823		5,102	352	5,454
Unallocated depreciation				51	-	51
Total depreciation and amortisation				5,153	352	5,505
Movement in working capital	355	1,346		1,701	6,201	7,902
Finance expenses and tax				(15,726)	(1,035)	(16,761)
Unallocated operating cash flows				(20,165)	-	(20,165)
Net cash flow from operating activities	17,988	16,664		(1,188)	10,437	9,249

The geographical segments are determined based on the location of the Group's assets and represents the secondary reporting segment of the Group.

26. SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENT ANALYSIS — **June 2009**

	CONTINUING OPERATIONS						DISCONTINUED OPERATIONS	
	NZ	AUSTRALIA	USA	OTHER	ELIM	SUB TOTAL	NZ	TOTAL
REVENUE								
Sales to customers	**70,326**	**57,659**	**28,653**	**23,992**		**180,630**	**3,227**	**183,857**
Inter and intra segment revenue	**23,509**		**242**	**13,142**	**(36,893)**	**-**	**-**	**-**
Unallocated revenue						**227**	**-**	**227**
Total revenue	**93,835**	**57,659**	**28,895**	**37,134**	**(36,893)**	**180,857**	**3,227**	**184,084**
RESULT								
Segment EBIT	**14,906**	**3,059**	**2,688**	**1,021**		**21,674**	**266**	**21,940**
Less unallocated expenses						**(2,627)**	**-**	**(2,627)**
Profit before tax and finance costs						**19,047**	**266**	**19,313**
Less finance expenses						**5,873**	**-**	**5,873**
Profit before tax						**13,174**	**266**	**13,440**
Less taxation						**4,181**	**84**	**4,265**
Net profit after tax						**8,993**	**182**	**9,175**
ASSETS AND LIABILITIES								
Segment assets	**60,010**	**38,110**	**10,168**	**49,453**		**157,741**	**706**	**158,447**
Unallocated assets						**19,363**	**-**	**19,363**
Total assets						**177,104**	**706**	**177,810**
Segment liabilities	**6,081**	**8,833**	**2,884**	**8,508**		**26,306**	**-**	**26,306**
Unallocated liabilities						**80,074**	**-**	**80,074**
Total liabilities						**106,380**	**-**	**106,380**
Net assets	**53,929**	**29,277**	**7,284**	**40,945**		**70,724**	**706**	**71,430**
OTHER SEGMENT INFORMATION								
Capital expenditure	**2,122**	**1,627**	**35**	**2,994**		**6,778**	**-**	**6,778**

26. SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENT ANALYSIS — **June 2008**

	CONTINUING OPERATIONS						DISCONTINUED OPERATIONS	
	NZ	AUSTRALIA	USA	OTHER	ELIM	SUB TOTAL	NZ	TOTAL
REVENUE								
Sales to customers	70,056	54,626	24,651	22,463		171,796	33,426	205,222
Inter and intra segment revenue	26,750			9,142	(35,892)	-	-	-
Unallocated revenue						195	-	195
Total revenue	96,806	54,626	24,651	31,605	(35,892)	171,991	33,426	205,417
RESULT								
Segment EBIT	15,529	5,574	2,274	4,472		27,849	3,005	30,854
Plus net divestment gain						-	1,914	1,914
Less unallocated expenses						2,984	-	2,984
Profit before tax and finance costs						24,865	4,919	29,784
Less finance expenses						8,835	-	8,835
Profit before tax						16,030	4,919	20,949
Less taxation						5,358	894	6,252
Net profit after tax						10,672	4,025	14,697
ASSETS AND LIABILITIES								
Segment assets	66,999	40,554	8,511	46,880		162,944	3,066	166,010
Unallocated assets						28,029	-	28,029
Total assets						190,973	3,066	194,039
Segment liabilities	3,320	12,324	5,602	9,673		30,919	1,727	32,646
Unallocated liabilities						89,595	-	89,595
Total liabilities						120,514	1,727	122,241
Net assets	63,679	28,230	2,909	37,207		70,459	1,339	71,798
OTHER SEGMENT INFORMATION								
Capital expenditure	598	4,656	224	1,815		7,293	-	7,293

Impairment losses/(reversals) and other non cash expenses on financial assets are not attributable to any segment and therefore included in unallocated expenses

27. CASH FLOW RECONCILIATION

Reconciliation of net profit after tax to net cash flow from operations

	NOTE	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Net profit/(loss) after tax		**9,175**	14,697	**3,875**	6,552
Adjustments for:					
- Depreciation	12	**6,117**	4,853	**1**	2
- Amortisation	13	**736**	652	**-**	-
- Impaired assets		**1,062**	11,641	**-**	-
- Foreign currency movements on translating foreign assets and liabilities		**623**	(3,654)	**-**	-
- Bad debts written off		**248**	113	**-**	-
- Ineffective portion of cash flow hedges charged to Income Statement		**158**	193	**-**	-
- Loss on sale of assets		**1,040**	-	**-**	-
- Working capital items divested and reported as investment activity		**-**	(8,290)	**-**	-
- Net movement in working capital		**3,794**	(10,956)	**608**	(2,072)
Net cash inflow/(outflow) from operating activities		**22,953**	9,249	**4,484**	4,482

28. EMPLOYEE SHARE SCHEME

The Company has operated an employee share scheme for employees, other than Directors, to purchase ordinary shares in the Company. The Company has provided the employees with limited recourse loans on an interest free basis to assist employees' participation in the scheme. Repayment of the employee loan is over a maximum of three years. These shares are treated as treasury stock when purchased on market due to the features of the scheme.

The share purchase conforms with the provisions of Section DC11 of the Income Tax Act 1994.

On 31 March 2006 the Company issued shares under the Employee Ownership plan which entitles employees to purchase up to a maximum of 2,000 shares at $1.13 per share.

As a result of the offer to employees, 290,000 shares were issued at $1.13 per share on 31 March 2006 representing 0.277% of the total ordinary shares of the Company. At 30 June 2009 the outstanding loan to employees was nil (2008: $53,615) with the loans having been paid within three years. The shares issued to employees have been held in trust by the Skellerup Holdings Employee Share Trustee Company Ltd for a period of three years from the date of issue.

The shares have been eligible to participate in dividends which are payable to the employee, but all voting rights, which are the same as ordinary shares, remain with the trustee company during this restrictive period.

The directors of the trustee company are appointed and removed according to its constitution. At balance date the Directors are Donald Stewart and Guy Keogh.

Shares subject to this scheme have vested with each employee on 31 March 2009 being three years from the date of purchase.

29. CONTINGENT LIABILITIES

As at 30 June the Group provided the following guarantees:

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Bank guarantees	**75**	75	**75**	75
Performance bonds	**-**	560	**-**	-
Letters of credit	**18**	102	**-**	-
Lease guarantee	**-**	-	**-**	-
Total contingent liabilities	**93**	737	**75**	75

The Bank Guarantee is provided to the NZ Stock Exchange. The Performance Bonds relate to specific performance obligations under construction contracts entered into with customers. The Letter of Credit documents are provided to foreign suppliers, under our Group banking facility, to guarantee future payment obligations for purchases made under normal terms and conditions. The fair value of the guarantees is negligible.

30. SIGNIFICANT EVENTS AFTER BALANCE DATE

(i) On 26 August 2009, the Board approved a 2 for 5 renounceable rights issue of ordinary shares to shareholders, at 40 cents per share, which will raise approximately $21.5M. The proceeds will be used to reduce bank debt and provide the ability to grow the business further as the opportunities arise.

(ii) Subject to legal documentation, the parent company has agreed with the ANZ National to extend the term of the core debt for an additional 3 years to August 2012.

Apart from the above, no further events subsequent to balance date require disclosure.

DIRECTORS

(a) Directors holding office during the year

Sir Selwyn Cushing	(Non-Executive Director)
Donald Stewart	(Executive Director)
Elizabeth Coutts	(Independent Director)
Graham Fraser	(Independent Director)
David Mair	(Independent Director)
John Thompson	(Non-Executive Director)

(b) Remuneration of Directors

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Sir Selwyn Cushing	**90**	59	**90**	59
Donald Stewart	**801**	509	**801**	509
Elizabeth Coutts	**60**	60	**60**	60
Graham Fraser	**55**	55	**55**	55
David Mair	**55**	55	**55**	55
John Thompson	**55**	9	**55**	9
Leigh Davis	**-**	9	**-**	9
Keith Smith	**-**	45	**-**	45
Arthur Young	**-**	54	**-**	54
Total remuneration of directors	**1,116**	855	**1,116**	855

EMPLOYEE REMUNERATION

The number of employees whose remuneration and benefits are within defined bands are as follows:

Remuneration Range	No. of Employees	Remuneration Range	No. of Employees	Remuneration Range	No. of Employees
$100K-$110K	12	$190K-$200K	4	$310K-$320K	1
$110K-$120K	12	$200K-$210K	4	$340K-$350K	1
$120K-$130K	4	$210K-$220K	2	$350K-$360K	1
$130K-$140K	5	$220K-$230K	5	$410K-$420K	1
$140K-$150K	9	$230K-$240K	2	$420K-$430K	1
$150K-$160K	3	$240K-$250K	2	$450K-$460K	2
$160K-$170K	4	$250K-$260K	1	$490K-$500K	1
$170K-$180K	4	$260K-$270K	1	$510K-$520K	1
$180K-$190K	2	$280K-$290K	1	$800K-$810K	1

STATEMENT OF DIRECTORS' SHAREHOLDINGS

Directors held the following equity securities in the Company

	Non beneficial interest 30 June 2009	Held beneficially 30 June 2009	Held by associated persons 30 June 2009
Sir Selwyn Cushing	812,500		8,695,590
Elizabeth Coutts			331,448
Graham Fraser			51,995
Donald Stewart		376,085	305,661
David Mair			1,733,933
John Thompson			8,935,169

During the year the following directors (or associated persons) acquired or disposed of equity securities in the Company

	Number of shares acquired	Class of Shares	Consideration paid	Date of transaction
Sir Selwyn Cushing	126,722	Ordinary	100,300	24/10/2008
	479,065	Ordinary	354,508	28/11/2008
Elizabeth Coutts	20,925	Ordinary	16,562	24/10/2008
	20,000	Ordinary	14,800	28/11/2008
	14,461	Ordinary	7,424	30/04/2008
Donald Stewart	45,806	Ordinary	36,255	24/10/2008
	31,656	Ordinary	16,253	30/04/2008
David Mair	122,174	Ordinary	96,700	24/10/2008
John Thompson	75,000	Ordinary	61,500	10-21/07/2008

SHAREHOLDER INFORMATION

Substantial Security Holders

Pursuant to Section 26 of the Securities Amendment Act 1988, the substantial security holders as at 19 August 2009 were as follows:

AMP Capital Investors Limited	25,697,722	19.092 %
Balmain Trust and related entities	8,935,169	6.638 %
Sir Selwyn Cushing	8,695,590	6.460 %

Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at 19 August 2009

1	AMP Investment Strategic Equity Growth Fund	10,872,770	8.078 %
2	NZGT Nominees Limited - AIF Equity Fund	8,458,453	6.284 %
3	H & G Limited	7,582,978	5.634 %
4	N Z Superannuation Nominees Limited	6,303,334	4.683 %
5	Investment Custodial Services Limited (A/C 990018567)	5,865,169	4.358 %
6	S K Shares Limited	4,741,054	3.522 %
7	Gallagher Holdings Limited	5,040,323	3.745 %
8	Accident Compensation Corporation	3,413,573	2.536 %
9	Investment Custodial Services Limited (A/C 9900 22598)	2,975,000	2.210 %
10	Masfen Securities Limited	1,889,725	1.404 %
11	DM2 Investment Trust	1,733,933	1.288 %
12	Maxima Investments Limited	1,658,347	1.232 %
13	Custodial Services Limited	1,623,748	1.206 %
14	National Nominees New Zealand Limited	1,248,361	0.927 %
15	Investment Custodial Services Limited (A/C C)	1,082,716	0.804 %
16	Rotoruatrust Perpetual Capital Fund Limited	1,041,205	0.774 %
17	Seajay Securities Limited	1,041,173	0.774 %
18	PGG Wrightson Employee Benefits Plan Limited	812,500	0.604 %
19	TEA Custodians Limited (TEA C40)	657,099	0.488 %
20	AMP Custodians Services Limited	641,109	0.476 %
	Total principal shareholders	**68,682,570**	**51.028%**
	Total Shares on issue	**134,597,224**	

Distribution of Shareholding as at 27 August 2009

Size of shareholding		Total shares held %
1 - 4,999	5,252,646	3.90 %
5,000 - 9,999	8,649,421	6.43 %
10,000 - 49,999	30,240,642	22.47 %
50,000 - 99,999	7,943,936	5.90 %
100,000 - 499,999	13,623,492	10.12 %
500,000 - 999,999	4,716,697	3.50 %
1,000,000 and over	64,170,390	47.68 %
Total principal shareholders	**134,597,224**	**100.00%**

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual Meeting of Shareholders of Skellerup Holdings Limited will be held at

The Ellerslie Convention Centre,
Ellerslie Racecourse,
80-100 Ascot Avenue,
Auckland
On Wednesday, 28 October 2009 at 2.30 p.m.

BUSINESS

The business of the Annual Meeting will be:

1. To receive and consider the Annual Report including the financial statements for the year ended 30 June 2009 and the report of the auditor thereon.
2. To re-elect two directors.

   In accordance with Clause 26.1 of the Company's Constitution, Mr Graham Fraser and Mr David Mair retire by rotation. As they are eligible, they offer themselves for re-election.

   The Board has determined that both Graham Fraser and David Mair are independent directors, in terms of the NZSX Listing Rules.
3. To authorise the directors to fix the remuneration of the auditor for the ensuing year.

PROXIES

Any shareholder who is entitled to attend and vote at the meeting may instead appoint a proxy, to attend and vote on his or her behalf.

If you wish to appoint a proxy please complete the enclosed proxy form and mail to:

Computershare Investor Services Limited
Private Bag 92119
AUCKLAND 1142

The proxy form must be received by 26 October 2009.

NOTE

Tea and coffee will be served at the conclusion of the meeting.

For and on behalf of the Board

Jim Greenwood
Company Secretary

Auckland
14 September 2009

CORPORATE INFORMATION

BOARD OF DIRECTORS
Sir Selwyn Cushing, KNZM, CMG, FCA
CHAIRMAN
E.M. Coutts, B.MS, C.A.
G.A. Fraser, B.Com
D.W. Mair, B.E., M.B.A
J.C. Thompson
MANAGING DIRECTOR
D.J. Stewart

MANAGEMENT
D.J. Stewart, B.Com
MANAGING DIRECTOR
G.P. Keogh, C.A.
CHIEF FINANCIAL OFFICER
J.H. Greenwood, B.Com F.C.A.
COMPANY SECRETARY

REGISTERED OFFICE
1–37 Mt Wellington Highway
Mt Wellington
Auckland
New Zealand

PO Box 14-537
Panmure,
Auckland 1741
New Zealand

Telephone +64 9 571 1208
Facsimile +64 9 571 5896
Email info@skellerupholdings.co.nz
Website www.skellerupholdings.co.nz

SHARE REGISTRAR
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
North Shore City 1142
New Zealand
Telephone: +64 9 488 8777

LEGAL ADVISORS
Chapman Tripp
23-29 Albert Street
Auckland
New Zealand

BANKERS
ANZ National Limited
23-29 Albert Street
Auckland
New Zealand

AUDITORS
Ernst & Young
41 Shortland Street
Auckland
New Zealand

REGISTERED OFFICE
Skellerup Holdings Limited
1–37 Mt Wellington Highway
Mt Wellington

PO Box 14-537, Panmure
Auckland 1741, New Zealand

Telephone: +64 9 571 1208
Facsimile: +64 9 571 5896
Email: info@skellerupholdings.co.nz
Website: www.skellerupholdings.co.nz