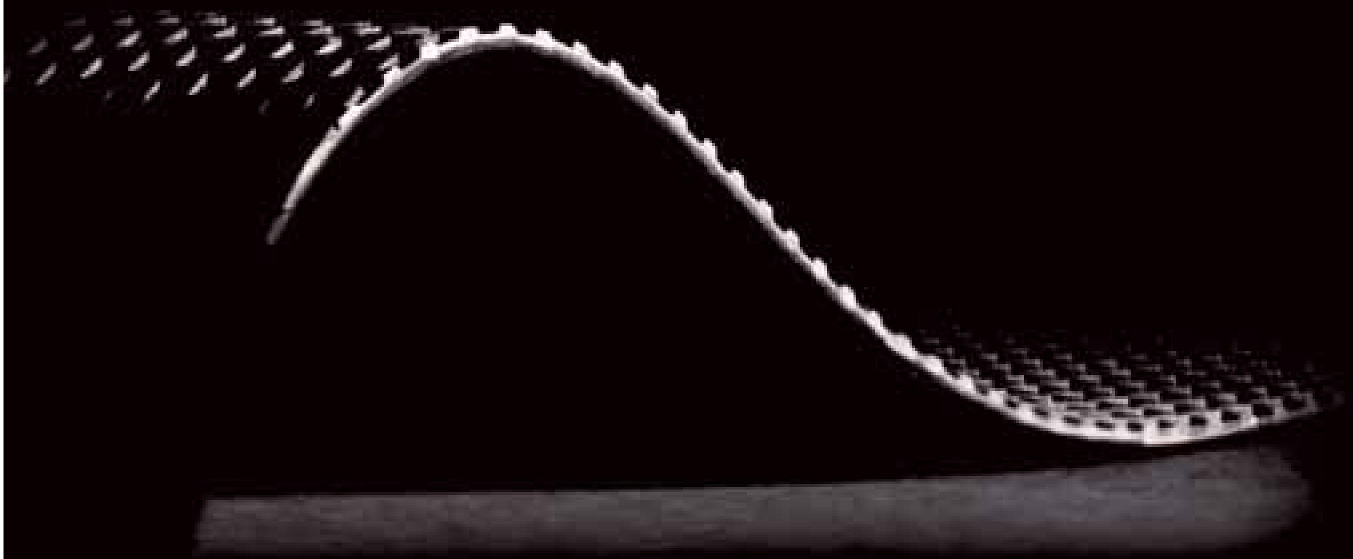
skellmax

WHEN RELIABILITY MATTERS



SKELLMAX INDUSTRIES LIMITED
ANNUAL REPORT 05

SURPLUS AFTER TAX	OPERATING REVENUE	FULL YEAR DIVIDEND
$12.548 MILLION	$118.543 MILLION	7.0 CENTS PER SHARE
8.4% ABOVE LAST YEAR	11.5% ABOVE LAST YEAR	THE SAME AS LAST YEAR

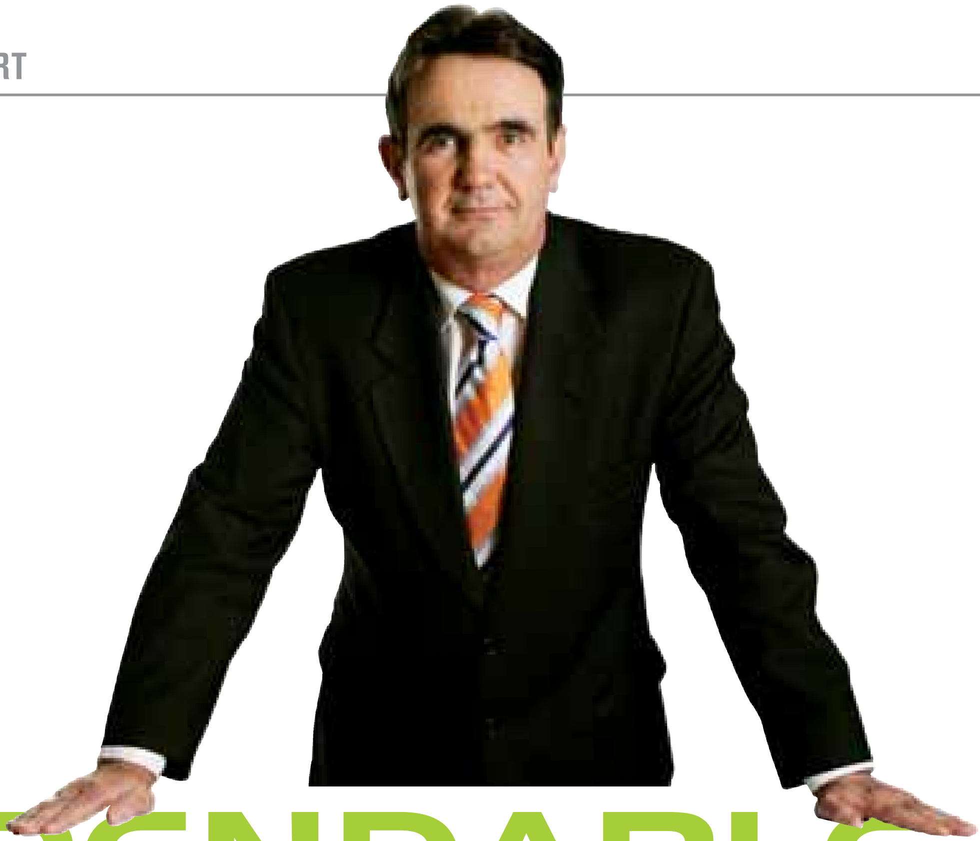
+ FINANCIAL RESULTS SUMMARY

Year to 30 June NZ$	2005 $000's	2004 $000's	% Change
Operating Revenue	118, 543	106,361	11.5
EBITDA	24, 469	22,366	9.4
EBIT	21,217	19,550	8.5
Surplus before tax	18,834	17,794	5.8
Taxation	6,286	6,221	1.0
Surplus after tax	12,548	11,573	8.4
Total Assets	90,768	78,147	16.2
Total Liabilitites	57,711	49,777	15.9
Net Assets	33,057	28,370	16.5
Earnings per share	12.52c	11.54c	-
Dividend per share (full year)	7.0c	7.0c	-

SINCE 1910, WE HAVE SUPPLIED FARMERS AND INDUSTRIES WITH RELIABLE PRODUCTS THAT PROVIDE HIGH QUALITY SOLUTIONS FOR AN EXTRAORDINARY RANGE OF APPLICATIONS.

TODAY, OUR PRODUCTS ARE MAINSTAYS FOR INDUSTRIES ALL OVER THE WORLD – FROM OUR ICONIC DAIRY RUBBERWARE, TO LINERS FOR WASTE CONTAINMENT, MINING PRODUCTS, VACUUM PUMPS, AND ROOFING APPLICATIONS.

+ CONTENTS



DEPENDABLE

THE 2005 FINANCIAL YEAR HAS SEEN SKELLMAX ACHIEVE A SOLID PERFORMANCE IN LINE WITH OUR FORECASTS. THIS REFLECTS THE SUCCESSFUL COMPLETION OF AN INITIAL PHASE OF THE GROWTH STRATEGY THAT HAS BEEN ADOPTED BY YOUR DIRECTORS.

Group revenue rose to $118.54 million, an increase of 11% over our 2004 result. Earnings before interest tax, depreciation and amortisation (EBITDA) at $24.46m, was ahead of last year by 9.4%; and while interest costs were higher by approximately $0.63m, net profit after tax (NPAT) at $12.55m was ahead by 8.4%.

Our result last year included a final before-tax indemnity payment from the initial listing vendor (Viking Pacific) of $1.1 million. When the 2004 result is normalised to exclude this factor, this year's EBITDA shows an increase of 15.1%; and an NPAT increase of 15.8%.

The increases in group revenues and profits reflect the effects of a full year's trading from DEKS and Bisleys, our significant acquisitions in 2004; together with sound trading results from other members of the group.

DIVIDEND

We have declared a fully imputed dividend of four cents per share, which will be paid on 14 October to shareholders registered at 5 pm on 7 October 2005.

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

ORGANIC GROWTH

Skellmax products continue to gain market share, and we are now well positioned to take advantage of opportunities for further expansion into the United States and European markets in several product niches.

While there will always be strong domestic and international demand for our traditional core products, the range and depth of products manufactured within the Group continues to grow. Skellmax products are being utilised in a growing range of applications within a wide variety of industries throughout the world.

ACQUISITIONS

With integration complete, the performance of the acquisitions we made in the 2004 year has been pleasing. Post year end, we completed the acquisitions of Thorndon Rubber, and Rubber Services - both suppliers of rubber products complementary to our existing ranges.

QUALITY

On 1 August 2005 we also purchased Jenco Products, an Australian supplier of rubber products to the plumbing industry which will be integrated into DEKS Industries - the Company's main operating subsidiary in Australia.

Ambic Equipment was also acquired in August. Ambic is a UK-based company recognised as the world's leading supplier of dairy hygiene equipment that assists in the prevention and detection of mastitis in dairy cattle. The Ambic products extend our existing product offering to the global dairy industry.

With the prospect of an added contribution from these companies, combined with solid organic growth, we anticipate a commensurate lift in our financial results for the year ahead.

As we continue to add capabilities and intellectual property to the Skellmax Group, both through acquisition and through organic development, we are increasingly able to take advantage of synergies in manufacturing technologies, distribution networks, and supply chain management, to the benefit of the Group.

INVESTING FOR OUR FUTURE

We have invested in setting up our new manufacturing facility in China to enable us to remain competitive in the manufacturing of certain products. We will continue to extend the range and volume of products manufactured by our increasing number of subsidiary companies, to meet current and future global demand for our products. We are also using our presence in China to build our ability to both market and source products, facilitating trade in both directions.

As the group grows, it becomes more and more important that we invest in our core centralised functions, to provide appropriate support and enable efficiencies to be achieved in administration and reporting. We also remain committed to best international practice in environmental and safety management, and we are pleased that safety initiatives we have undertaken this year have resulted in a significant reduction in accident rates.

DIRECTORS, MANAGEMENT AND STAFF

We are fortunate to have a very stable and experienced group of directors, and I acknowledge their efforts in providing astute corporate governance through this period of significant activity.

My fellow directors and I would like to take this opportunity to acknowledge the outstanding contributions made by our loyal staff and our very competent management team. Through their dedication, expertise, and vision, we have achieved a satisfying result for our shareholders and, perhaps more importantly, we are in a strong position to build the strength, capability, and market share of our group in the coming year.

Keith Smith
CHAIRMAN

THE 2005 FINANCIAL YEAR HAS SEEN OUR GROWTH STRATEGY – TARGETING BOTH ORGANIC AND ACQUISITIVE GROWTH – GAINING MOMENTUM.

Group revenue rose to $118.54 million, an increase of 11% over our 2004 result. Earnings before interest and tax (EBIT) increased by 8.5% to $21.22m and net profit after tax (NPAT) increased by a similar percentage to $12.55m.

When last year's results are normalised by eliminating the $1.1 million indemnity from Viking Pacific, EBIT increased by 15.0% and NPAT by 15.8%.

INDUSTRIAL OPERATIONS

Revenues in our Industrial division increased by 25.4% to $68.76 million, reflecting gains in market share as well as the added turnover from acquisitions made last year.

Our industrial businesses are continuing to generate increased profit contributions to the Group. In the domestic industrial market, we were able to gain market share through remaining competitive and increasing the range of heavy industrial and construction products supplied by Skellmax companies. The acquisition of DEKS increased our exposure in the Australian market and contributed significantly to our earnings in this sector.

Strong growth in the Australian mining sector saw good returns from mining products; and reinforced the strategic value in our decision to invest significantly in our manufacturing capacity in Christchurch. Sales of vacuum pumps to the truck-mounted liquid waste sector in the United States were particularly strong in the second half of the year, reflecting recovery within the general American economy.

AGRI OPERATIONS

The sale of our Rotomould division in December 2004 resulted from our assessment that this was continuing to prove a difficult industry for us to grow market share in. With adjustment for the reduced turnover contributed by the Rotomould business this year and currency translation, revenues increased by 5.2% for this division to $49.50m.

International dairy sales ahead 4.5% reflecting the improvement in the USA dairy industry (particularly in the second half) from its recent period of slow growth; together with an increase in sales volumes within Europe as our products begin to gain market share.

Australasian sales were not as buoyant, as Australia recovered from a severe drought and a number of New Zealand rural resellers were restructured and associated inventory levels reduced.

CHINA OPERATIONS

The low-cost manufacturing capability provided by our manufacturing facility in China is essential for us to remain cost-competitive in some sectors.

We will continue to invest in initiatives that leverage the strength of our contacts and relationships, which will help us to trade profitably in both directions with China.

During the ensuing year and beyond, this company will provide an increasing contribution to the Group's profitability.

GROUP REVENUE ROSE TO

$118.548 MILLION

11.5% INCREASE FROM 2004

EARNINGS BEFORE INTEREST & TAX

$21.217 MILLION

8.5% INCREASE FROM 2004

CAPITAL INVESTMENT

Over the year, we have made capital investments of $8 million to ensure our platform for future growth is in place, maintain our existing plant and upgrade where appropriate to gain further efficiencies to enable us to continue to build our global market share for our manufactured products.

Of this amount, $2.5 million was spent on new injection presses and tooling to create additional capacity for dairy liner manufacture at our Christchurch facility. A further $1.5 million was invested in our mining manufacturing capability as we centralised our mining manufacture in Christchurch.

We also invested $0.7m in plant and equipment for our China manufacturing facility, expanding our capability for gumboot manufacture, rubber processing and moulding and vacuum pump assembly.

In 2006, we will continue to invest in our manufacturing capability and efficiency, both within New Zealand and offshore.

ACQUISITIONS

Last year's acquisitions – Stevens Filterite, the major Australasian supplier of milk filters; DEKS Industries Pty, a manufacturer of flexible flashing products for the global construction industry; and Bisleys, a New Zealand supplier of geo-synthetic membrane lining systems for landfills and liquid containment - have now been successfully integrated into the Group, and have already contributed to our pleasing results.

Post year end, we acquired Thorndon Rubber, a Wellington company with a very successful track record of supplying New Zealand and Australian printing companies with a rubber roller recovery service. We also purchased Rubber Services, a well established Auckland-based manufacturer of rubber products, specialising in rubber roller recovery for industrial applications; and Jenco Products, an Australian supplier of plumbing products (primarily rubber) for the construction, renovation and maintenance of commercial and residential developments, which has now been integrated into DEKS Industries.

+Above Tony Pauwels, Jonas Walker, Electricians and Colin Burt, Engineer.

"In August 2005 we announced the acquisition of Ambic Equipment Limited, a UK dairy hygiene equipment manufacturer, recognised as the world's leading supplier of equipment for the prevention and detection of mastitis in dairy cattle.

All of these companies add strategic strength to our stable of companies, allowing us to leverage synergies in production technology, market penetration, distribution channels, research and development, and supply chain dynamics."

On an annualised basis the above acquisitions will contribute revenues of approx $17m, and EBITDA of $3.5 - $4.0m, at a total investment cost of approximately $20m.

The increasing momentum in the strength and range of products offered through Skellmax companies to the agricultural and the industrial sectors places the Group in a strong position to accrue future benefits from acquisitional, as well as organic growth over the next few years.

PLATFORM FOR GROWTH

Last year, we revised the management structure for the Group to provide strong operational leadership for our divisions including appointing dedicated teams to manage special projects and acquisitions. This will support the integration of our acquisitions, and assist in leveraging their capabilities and resources across the Group.

The prime objective of our growth strategy is to provide solid increasing returns for shareholders. To achieve this we will continue to target for acquisition companies that will provide a good cultural, operational and strategic fit with our existing portfolio of contributing companies.

To support further organic growth of our existing companies, we are continuing with a company-wide review of the financial and operational information systems currently employed. Our objective is to ensure our information systems best support and coordinate the activities of our component companies.

We aim to establish efficient, streamlined systems that enable our component companies to excel in their chosen specialty area, leverage the capabilities and resources across the Group, and reduce the duplication that can result from multiple, non-integrated administrative systems.

Hand-in-hand with this initiative, we are also reviewing the supply chain structure across the Group, with the aim of maximising the efficiencies of operations through leveraging supply and distribution networks.

Given the nature of our core business activities, we have a long-standing reputation for reliability across the Group. We continue to actively promote initiatives to increase that recognition.

+Above Rubber being extracted from the mill after mixing in the Primary Process Department.

STAFF

At Skellmax, we believe our staff are our most valuable resource. From the factory floor to management, in all our companies, the achievement of these results is testament to the abilities and dedication of Skellmax people.

We believe that a critical factor contributing to our success is the loyalty our staff give to their roles, and we are committed to working hard to maintain and strengthen their ties with our company.

We were delighted to learn from a recently conducted personnel survey that the vast majority of our staff are very satisfied with their jobs; and we will continue to listen, and invest in the welfare of our staff.

In the past year, we have invested in plant and equipment in several areas in order to improve health and safety as well as working conditions within our factories. It is pleasing to see a 28% reduction in accident rates year on year, which directly reflects the benefits of these initiatives.

OUTLOOK

Over the coming year, we will continue to implement the growth strategies we are committed to. We will investigate and exploit opportunities for product extensions. Our focus on working closely with our customers to develop products that create most effective and reliable solutions to their specific needs will remain.

To support our planned future growth, we aim to put into place a more centralised structure that will enable greater efficiencies and better coordination across the Group. In particular, recognising the inherent risks that accompany many of our manufacturing operations, we will drive further improvements in health and safety in the workplace.

We believe that a balanced approach to future growth will incorporate a combination of organic and acquisitive opportunities.

In conclusion I trust shareholders will be pleased with the continuing performance shown by Skellmax in this Annual Report. We are working towards achieving our objective of being a growing industrial operating company, with an efficient manufacturing base producing strong returns for shareholders. I look forward to a positive year to come.

Donald Stewart
MANAGING DIRECTOR

THE PRODUCTIVITY OF OUR DAIRY FARMERS' MILKING SYSTEMS RELIES ON SKELLERUP QUALITY.

OPERATING SURPLUS INCREASED BY 15.3%, AS A RESULT OF MANUFACTURING EFFICIENCIES SUPPORTED BY A REBOUND OF THE USA DAIRY MARKET.

Sales for our Agri division over the past financial year were down 3% as a result of currency translation and the sale of the Rotomould business. In spite of the sales decrease, EBIT increased by 15.3%, as a result of manufacturing efficiencies supported by a rebound of the USA dairy market. In Europe, we began to gain market share for Dairy Liners and we expect further growth in this market in the year ahead.

After adjusting for currency translation and the sale of the rotomoulding business in December 2004, total revenue for the Agri division increased by approximately 5.2%.

The decision to exit the rotomoulding industry arose from an assessment that this was continuing to prove a difficult industry in which to grow market share.

Sales to the NZ rural market were down slightly, with the retail sector under pressure to employ tighter stocking policies over the past 12 months.

We achieved some growth in sales across our other operations in both the Dairy and Footwear sectors. Over the year, we separated the sales operations of these two functional areas, to enable them to focus on their own markets and better support their respective customers.

DAIRY RUBBERWARE

Skellerup is the third largest manufacturer of dairy rubberware in the world, supplying these products to dairy markets in New Zealand, North and South America, Europe, the United Kingdom, Australia and Asia.

Skellerup supplies an extensive range of rubber products for the dairy shed, including tubing, milking liners, jetter cups, bends, sleeves and plugs.

Most of these products are consumables, insulated from economic cycles by the repetitive nature of dairying and the need for a regular replacement cycle.

Skellerup produces in excess of eight million liners annually, which equates to approximately 12% of the world market for dairy rubber liners. With a major market share in Australasia, and an established and building presence in the United States, we are now successfully growing our market share in Europe.

We have also invested $2.5 million to provide increased capacity at our dairy liner manufacturing plant in Christchurch to cater for additional volumes. At the same time we are growing our manufacturing capability in China to meet both current and anticipated demand for those products that are uneconomic to produce in New Zealand.

+Above Deborah Allan and Liz Blazey, Marketing Department, discuss the features of the Fire Chief gumboot.

TECHNICAL FOOTWEAR

We are the recognised NZ market leader for Agricultural footwear, with the iconic gumboot brands Red Band™ and Perth™, now available with ultra-comfortable in-built rubber insoles. Skellerup markets several styles of rural gumboot as well as an urban-styled range marketed through department store retail channels. In June this year, we celebrated 60 years of manufacturing Red Bands with a special function at the Mystery Creek field days.

Over the year, we have continued to invest in diversifying our footwear range, leveraging our established reputation and significant market share in Australasia to extend our product categories.

In the next year, we plan to target potential international customers with requirements for technical rubber footwear developed for specialised applications such as fire fighting and forestry. We believe that the combination of our own in-house research and development capabilities and our low-cost manufacturing in China gives us substantial potential to build a significant global market share with these products.

VACUUM PUMPS

The Skellerup vacuum pump manufacturing operation based in Auckland manufactures high quality vacuum pumps, milk pumps, plate heat exchangers and diaphragm pumps.

To remain cost-competitive, this year we began to move some vacuum pump manufacturing to our facility in China. This is enabling us to successfully compete for business with key European dairy industry suppliers; and we believe that this strategic move will enable us to further build our international presence.

THE FUTURE

International sales now account for more than 70% of total Agri revenue, and we expect this percentage to continue to rise as we build our market strength in new geographical markets.

Our Agri division continues to steadily gain world-wide market share. We aim to target complementary businesses for acquisition, especially where their core products and capabilities add strength to our growing product range and where there are opportunities to create synergies within the group. Organic growth remains healthy, and we believe we have a strong platform for achieving pleasing returns for shareholders over the coming year.

+ CASE STUDY | LINERS

+Above: Liners are trimmed of excess rubber before packing.

The Difference is in the Liner

New Zealand Dairy farmers are the world's experts in understanding the importance of treating a cow's teat with respect. After all, this is the channel through which their livelihood flows, and if a cow's teat is damaged, it not only lowers or eliminates the milking yield, but can also cause mastitis – which can have serious and sometimes long-term health implications for the cow concerned.

During milking, the only thing that touches a cow's teat is the liner, so Skellerup's research and development team work closely with farmers to make sure that the liners we produce are perfect for the purpose. They need a strong, but soft and supple rubber formulation to reduce splitting and wear, and ensure the rubber minimises reactions that could lead to mastitis.

The dairy industry has an extensive range of milking machines, and we manufacture liners that suit almost every known industry type. Our designers have an unrivalled library of designs which are constantly being updated. All our liners use formulations that ensure durable, high performance of the end product.

Our in-house product design and service capability, together with a recent investment in advanced manufacturing plant and trimming facilities, ensures our customers can rely on the quality of Skellerup's products for every application.

100% RELIABLE

+ CASE STUDY | FOOTWEAR

+Above: Schoen range of leather work boots for rural, industrial and recreational applications.

Past, Present and Future

Skellerup's Red Band™ gumboot is a Kiwi icon. As every farmer's friend, Red Band™ gumboots have been celebrated in song and worn by generations of New Zealanders, since its first production run sixty years ago.

With this foundation, Skellerup has now developed a range of high-quality leather and rubber boots for construction and agriculture workers, firemen and forestry workers. Each of these products has specific needs for safety, comfort, strength, protection, durability, insulation against heat or cold, grip, and, of course, waterproofing.

Skellerup's rubber fire-fighting boots have been the standard in New Zealand for many years. Our chainsaw protection forestry boots not only have the highest safety rating achievable, they are also fire resistant. We're even producing children's novelty boots in the range to keep the 'nippers' happy!

To complement the footwear range, we are supplying technical socks, often made from high-wicking Merino, ensuring just the right level of comfort for a variety of work applications.

With Skellerup's major market share for rubber gumboots in New Zealand, there's a great opportunity for us to leverage our technical expertise, manufacturing capability, and distribution networks to grow sales in new product categories, and increase market share within the global industrial footwear sector.

Initially, we plan to target the international fire fighting and forestry markets.

SPECIALTY PRODUCTS DESIGNED FOR PRACTICAL, STYLISH, LONG-LASTING ARCHITECTURAL SOLUTIONS.

SKELLMAX INDUSTRIAL DIVISION REVENUES GREW BY 25.4%, BENEFITING FROM SYNERGISTIC ACQUISITIONS AND THE STRONG NZ ECONOMY. THE INDUSTRIAL DIVISION NOW CONTRIBUTES 58% TO OUR OVERALL REVENUES.

Operating surplus increased by 15.1% reflecting a full year's trading from DEKS and Bisley's - our major acquisitions last year - together with market share gains within both domestic and international markets.

CONSTRUCTION

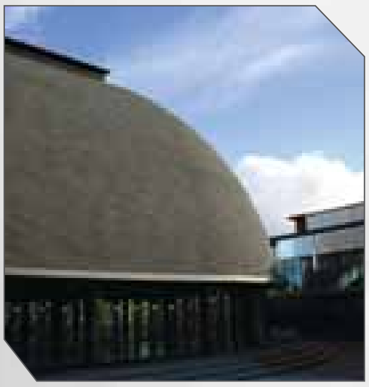
Construction activity remained strong in the domestic economy over the year, boosting sales of Skellmax cladding, roofing, and containment products, and enabling us to meet our targets for both sales and margin budgets.

We were awarded several major roofing contracts over the year. CertainTeed roof tiles were used not only on the iconic Fale Pasifika at Auckland University (profiled in this section), but also for The Sheraton Royale in Nadi and The Council of Chiefs Building in Suva, Fiji. Skellerup roofing and waterproofing membrane products were employed in the construction of the Fisher and Paykel new Healthcare Building and the Humes Finger Jointing Building in Rotorua.

Last year we completed the acquisition of Alucobond, which has been integrated into Skellerup and is now trading as Skellerup Alucobond. This business imports, manufactures and installs aluminium composite exterior cladding panels ideal in the construction of commercial, high-end residential and high-rise apartment buildings.

A result in line with expectations was achieved by recently acquired DEKS Building Products, despite exchange rates that were unfavourable for Australian exporters.

Over the past twelve months Bisley Environmental, a company specialising in the installation of geo-synthetic liners, was successfully integrated into the Skellerup Containment business, and made an important contribution to the financial result. This business unit exceeded both sales and margin expectations for the year under review.



+ CASE STUDY | ROOFING - WATERPROOFING

Translating a time-old Pacific Tradition

Creating the Fale Pasifika as the focal point for the world's largest complex for Pacific Island studies was a major task for architects Jasmax. Finding a roofing solution that was adaptable to the convex shape needed to represent the shape and function of a traditional fale, while also meeting the structural criteria of the NZ building code - and also being robust enough to stand up to Auckland's wet and windy winter climate and harsh summer sun was a challenge.

In Skellerup's CertainTeed, the architects and builders of this high profile facility found the perfect solution. The asphalt shingles are built on a fiber glass-base for strength and durability, ensuring high wind weathering and tear resistance. They are impervious to ultra-violet rays and salt atmosphere, and the product's solar-activated, self-sealing strips form a tight seal against driving rain and wind.

While tough, CertainTeed is also flexible enough to resist damage from handling and installation, which was a key factor in helping the installation team work with the challenging shape of this iconic building.

Skellerup's Roofing & Waterproofing team worked closely with the building designers and construction crew to ensure the product chosen would have everything it takes to ensure a great looking practical solution that would provide roofing protection for decades to come.

Fale Pasifika was completed in 2004, and now provides Pasifika students with an ideal facility for numerous uses - academic, social and also a spiritual haven for the Pasifika Fellowship to hold its meetings.

+Left: 1. Fale Pasifika's roof curves - perfect for Skellmax's CertainTeed.
2. CertainTeed looks great on roofs of traditional buildings, too.

WHEN RUGGED RELIABILITY IS THE KEY TO LONG-TERM EFFICIENT OPERATION OF YOUR PLANT AND MACHINERY

MINING

Our acquisition and integration of DEKS mining division into the existing Skellerup mining manufacturing operations enabled us to make best use of our enhanced collective presence especially in the Australian goldfields area. Our overall sales growth of 14% in the mining sector was very pleasing, and stemmed primarily from two product areas: mill lining systems and FLEXIFLO®.

Both products have significantly boosted volumes of rubber through the Christchurch plant and our investment of $1.5m in new plant at this facility will see our capacity increase in line with expected growth in market share in Australia.

In the next 12 months, we will explore opportunities to take these products into the wider International market.

VACUUM PUMPS

Our market share for vacuum pumps continues to build for the USA truck mounted liquid waste industry. Masport Inc (our wholly owned distributor) had a record sales year -15% ahead of last year as the general US economy improved.

This demand has placed increased pressure on our manufacturing operations as we move them to China. The move to China has opened up new markets for our pumps and protected some of our existing markets threatened by lower cost producers, and we consider that substantial further growth potential will become available as we build additional capacity for cost-efficient, high-quality production out of China.

INDUSTRIAL PRODUCTS

Our Ultralon closed cell foam business had a demanding year, with Asian importers becoming active in some of our less technically demanding traditional markets. Sales held up well compared to last year, but the combination of increased raw material costs and increased competition reduced margins. To mitigate future competitive pressures we are now pursuing a sourcing strategy out of China ourselves, and also prospecting for new international business with our more technical products.

The strength of the NZ dollar buoyed sales for Batavian over the year, leading to particularly pleasing growth. This company supplies predominantly imported dipped latex products.

+ CASE STUDY | DEKS

Purchased by Skellmax in December 2003, DEKS is a Melbourne-based company with a track record of over 50 years specialising in the development of innovative rubber products for the construction, industrial and mining industries. DEKS offered natural synergies with Skellerup which made it an attractive acquisition target.

Over the past 18 months since the purchase was completed, the divisions within DEKS have been re-organised, with DEKS mining business now being managed by Skellerup's Steve Frew. This has enabled Skellerup to further develop its operations in the Australian Mining sector and offer improved service to its broad customer base.

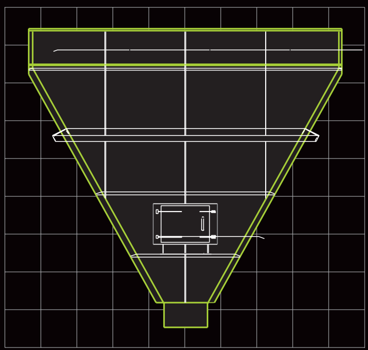
DEKS General Manager Sarah Houseman, whose family has been involved in the business since its early days, says the purchase has been beneficial for both companies: "We're now enjoying the support and guidance of being part of a corporate structure; while sales of our products have already added to Skellerup's market presence in Australia and contributed significant revenue to the Group. Its been especially good for DEKS to have input from the dedicated research and development resources based in Christchurch, and the wide range of experience held by the Skellerup technical team."

Administrative and reporting systems have been reviewed and integrated, where appropriate, to facilitate economies of scale and smooth reporting channels.

With integration now complete, DEKS Building Products business unit is now a significant contributor to Group revenues and earnings.

+Left: 1. DEKS General Manager Sarah Houseman.
2. DEKS warehouse stocks innovative rubber products used in industrial, mining and construction sectors.

+ Above: Stripping rubber from the mill - Primary Processing Department



+Above: FLEXIFLO® was developed through close cooperation between the Skellerup design team and key customers.

+ CASE STUDY | FLEXIFLO®

Machinery and processing equipment for the mining industry takes a pounding – literally – to reduce boulders into chip-sized pieces for further refinement and movement of the ore from one part of the plant to another.

In this industry, the 24/7 reliable operation of the plant is crucial for cost-efficient processing operations. If the moving ore gets stuck or clogged in chutes or feed points in the processing plant – especially when processing slurries, corrosive compounds, cements, waste materials or other wet, sticky materials, there can be major set-backs for plant operations.

Not only can blockages cause major internal damage, but the plant must inevitably be closed down to repair and reinstate the equipment – a very costly exercise for mining operators.

Skellerup's Australian mining division has come up with an innovative solution to these problems. The development team has designed a system of overlapping individual rubber 'slats' to line chutes and transfer points – rather like an internal Venetian Blind.

The vibration and movement between the rubber slats is a key factor in keeping the ore moving freely through or out of the plant – significantly reducing the incidence of clogging.

Because each rubber slat is separately mounted and bolted, the damaged areas can be rapidly and cost-effectively replaced, which reduces the repair time needed. FLEXIFLO® can often be swapped around to ensure the damaged areas are not in critical locations, reducing repair costs even further.

The FLEXIFLO® system has proven very successful in plants processing sticky iron ore in the Pilbarra region of W.A. and has potential in other mining, industrial and food processing applications.

+ PROFILE | IAN BORLEY GENERAL MANAGER, INDUSTRIAL

As an Engineer with the added bonus of business qualifications, Ian first began working for Skellerup in 1989. From a Sales Representative role, he was promoted quickly to become Sales and Marketing Manager of Rotomould, and then took on management of that business unit in the early 1990s.

As Rural Divisional Manager through the mid 1990s, Ian undertook to reposition Skellerup's footwear and apparel products in the marketplace, boosting profit performance and building market share in an increasingly competitive sector.

Although he was lured away from Skellerup for a brief period to work in other roles, mainly in Australia, Ian returned to head our Industrial Division in 2003: "It was great to 'come home' to the Skellerup company culture. The company's strength is based on solid, reliable products, backed by dedicated, stable staff and healthy, long-term financial performance."

"It seems to me that we've got the formula right for the future. Skellerup is an unbelievably powerful brand, and with the foundation we have, we can apply it to all kinds of products to build our overall capability, leveraging even better growth going forward. I am proud to be able to do my bit towards creating this phase of Skellerup's history!"

+Above: "It's great to 'come home' to the Skellerup company culture... solid, reliable products backed by dedicated, stable staff and healthy long-term financial performance."

OUR SUCCESS

WE BELIEVE THE OUTLOOK FOR 2006 IS POSITIVE, BUILDING GROUP STRENGTH, CAPABILITIES AND SHAREHOLDER RETURNS.

INFRASTRUCTURE PROJECTS

Our pleasing results this year reflected benefits from our involvement in a number of infrastructure projects across New Zealand.

Development of conveyor belts for Genesis and Solid Energy to improve coal handling facilities; producing rubber bearings and expansion joints for numerous bridge and roading projects; and manufacturing conveyor belts for quarries were some of the varied projects worked on by different businesses within this division.

ACQUISITIONS

Post year end, we completed the acquisitions of Thorndon Rubber and Rubber Services, complementing our existing rubber roller recovering business and enabling us to extend our service to cover both industrial and print industry rollers.

On 1 August 2005 we also purchased Jenco Products, an Australian supplier of rubber products to the plumbing industry, which has been integrated into DEKS Industries in Australia.

LOOKING TO THE FUTURE

Through balanced organic and acquisitive growth, both in New Zealand and overseas, we have been able to meet an increasing market need for our industrial products.

As more companies are added to the group, we expect our ability to leverage exposure of Skellmax products across the group will continue to increase, enabling us to use established distribution and sales channels to promote products covering an increasing range of commercial and industrial applications for the global market.

+Above Left to Right: Rose Kensell, Lee Hemara, Sarita N. Devi, Lorraine Drabble, Lyn Browne, Jill Brierton, Bella Brooker, Amra Mudaliar.

OUR PEOPLE

SKELLMAX IS FORTUNATE TO HAVE STAFF AT ALL LEVELS WITH A VERY STRONG SENSE OF COMMITMENT AND LOYALTY TO THE COMPANY – GROWING FROM LONG-STANDING EMPLOYMENT AND THE DEDICATION OF OUR STAFF.

The company has experienced significant growth over the past 12 months, which has also seen a commensurate increase in employee numbers for the business, both through organic growth and acquisitions. An increase in our dairy rubber manufacturing at Woolston has meant an increase of team members in both the manufacturing and trimming areas.

We also welcome new team members from the businesses that we have acquired last year and in July and August 2005: Alucobond, Bisleys, Thorndon Rubber, Rubber Services, Jenco Products and Ambic Equipment. It is satisfying to see the competencies held by these people adding to the knowledge base at Skellmax, and there are already very tangible benefits resulting from the exchange of ideas and expertise across these, and existing Skellmax companies.

We are also proud to welcome staff based at our facility in China to the Skellmax team. We have continued our investment this year in ensuring that these staff have excellent and safe working conditions and sound training in our manufacturing methods and standards. Our aims are to ensure our Chinese staff fully understand and support the Skellmax culture and values; and to make sure that our products produced there are made to the same exacting standards as NZ-manufactured Skellmax goods.

The development of a Skellerup Leadership model is underway, which will drive our people development, succession planning and performance management processes in the future. This will be aligned to competencies that we recognise as being critical to our success. We recognise that leadership is critical, given both current and future diversity and growth across the Group.

OUR LOYALTY TO OUR STAFF IS REFLECTED IN THEIR TRUST IN US.

The company has continued to drive change in the health and safety strategy over the past 12 months, focusing on employee involvement and a 'safety first' philosophy.

HEALTH AND SAFETY

Our initiatives have included introducing an internal auditing tool to each site, which has involved training our people to audit our sites against international standards. Health and Safety improvement plans are then developed from the audit results.

The focus is on continuous improvement, and the internal audits are completed annually at each site. This has driven an improvement in commitment to health and safety, and individual ownership and responsibility for health and safety across our businesses.

We are pleased to have an improvement in our recordable injury statistics of over 28% against the previous year's results.

We have also introduced a half-day health and safety workshop for all Skellerup employees, which has now been attended by over 80% of our employees in New Zealand and Australia. This focuses on hazard management, health and safety knowledge, health and well being, and continuous improvement.

+ PROFILE | JAMES MCKAY APPRENTICE

"Joining Skellerup has given me a heap of options and lots of support for building my long-term career!"

Like many of his friends, James McKay had no fixed ideas about what he wanted in his working career when he left school. Some early work experiences helped him to decide what he wasn't keen on, however; and when a friend of a friend talked about working for Skellerup, James decided he should investigate.

First, he took a pre-apprenticeship course in machining and toolmaking, involving work experience at Skellerup and course work at his local Polytechnic. Over four months, he gained skills and an understanding of what a career in maintenance and diagnostics would involve – and decided this would be an interesting next step.

Armed with his course completion certificate, James successfully applied for a permanent position at Skellerup in February 2003 as an apprentice Machinist and Toolmaker. He found that there is a high level of support for workplace learning at Skellerup: "As apprentices, we're really well looked after. Not only are the tuition fees paid for us, we're also issued with a full tool kit which becomes ours when we complete the apprenticeship. That's a major incentive to complete the course."

Now James can't wait to finish his apprenticeship. "It's been an amazing opportunity to take part in the Skellerup apprentice programme, and I have awesome workmates and mentors here at Skellerup. I can ask anyone anything, and I'm encouraged to take on new challenges with their support."

James aims to complete his apprenticeship by next year, and is thinking about going on to complete a Bachelor in Mechanical Engineering. "One of the best things about working here is that there seem to be a lot of different career opportunities. At the moment, it's hard to decide what I'll end up doing, but I know that at Skellerup I'll have the choice of a lot of different possibilities, and I'll be supported in achieving the goals I set."

+Above: Victoria Johansen, Shipping department.

+ PROFILE | BRIAN MCFALL LONG STANDING STAFF MEMBER

For nearly 50 years, Brian McFall's work at Skellerup has given him an unbelievable range of experiences, skills, and – above all – companionship.

In June, 1958, he started work at the factory in Woolston, Christchurch. During his first three years in the factory, Brian's skill and potential stood out. In 1961, he was promoted to become a Pattern Cutter / Designer, and has never looked back.

Brian moved on to become Chief Designer before being promoted to Assistant General Manager of Skellerup Footwear, a role he held for 12 years from 1984 – 1996. As the company developed and changed, so did Brian's role. Since 1996, Brian has continued to ensure gumboots are made in the traditional way and to the quality standard expected at Skellerup.

Brian has travelled extensively for Skellerup working in Taiwan, Sri Lanka, Thailand, Philippines, India, Puerto Rico, USA, Italy, and more recently China, where he has been involved in staff training at the new Skellerup Factory in Jiangsu. He still flies to China every six to eight weeks to continue this role.

Forty-seven years on, Brian is still passionate, enthusiastic, and excited to be part of this continuing gumboot success story. "I've seen so many changes in my time at Skellerup – it's been an amazing career, with new challenges constantly coming my way – and all the time it's been great to be a part of the Skellerup family. I'm looking forward to seeing the new China facility grow – and seeing our new products being used all over the world."

+Above: Brian McFall with the first gumboot made in New Zealand 9 September 1943.

WHAT WE DO FOR OUR ENVIRONMENT TODAY WILL DETERMINE OUR PLANET'S VIABILITY AND HEALTH... TO THE NEXT MILLENNIUM

Public concern and media attention in New Zealand and all over the world continues to focus on preserving our environment for future generations.

In particular, industrial manufacturers like Skellmax are in the spotlight. We need not only to show that our resource utilisation and waste management practices are flawless, but also that our energy usage is minimised, our recycling practices well developed, and our working environments and practices are designed and conscientiously maintained to promote environmental sustainability.

At Skellmax, we demonstrate our commitment to environmentally responsible practices by,:

- Monitoring the environmental impact of all our companies' operations
- Taking all reasonable steps to eliminate the release of pollutants
- Promoting recycling strategies
- Investing to preserve scarce resources
- Getting involved in local conservation projects on or near our companies' sites.

In March we were awarded the EnviroMark® Bronze level certificate for the Woolston site. This programme recognises enhancements in environmental management undertaken by businesses. We aim to gain our silver level certification in September 2005.

We have invested in upgrading a second artesian water bore on the Woolston site. It is to be capped with a control valve, to ensure that we only take water from the ground that is essential to our requirements. This process should be completed by the end of August 2005.

The Ministry of Agriculture and Fisheries have recently introduced new regulations to control receiving and unloading shipping containers. We have acted promptly to set up new procedures and train our staff to meet the new MAF regulations. All Skellerup sites are now certified to, meet the requirements of the Biosecurity Act.

We are conscious of our responsibility at Skellmax to ensure our commitment to maintaining and preserving our environment is translated into effective working practices in all our companies. Many Skellmax products (such as waste containment systems) are constantly being improved to ensure they provide the most effective solutions to environmental problems.

We will ensure that our focus on environmental sustainability is maintained for the future.

+ CASE STUDY | LANDFILLS

Environmental Solutions for the Future

The level of environmental engineering needed to design and construct waste facilities today is extensive. With widespread public concern focused on land contaminated by wastes dumped decades ago, public authorities are under increasing pressure to deliver sustainable solutions for containment and de-contamination of wastes.

Skellerup Containment Systems works closely with environmental planners, construction companies and engineers to develop and deliver landfill lining solutions to meet these long-term needs.

In Kate Valley, Canterbury, New Zealand's largest landfill has now been completed and is open for business. More than 1.5 million cubic metres of soil and rock were shifted to create a four-hectare area for landfill. The liners were designed with a three-layer system. The base layer consisted of 45,000 m^2 of black High Density Polyethelene (HDPE) plastic sheeting. Over this layer, Bentomat Geosynthetic Clay (a self-sealing natural product) was laid, with another heavy layer of black HDPE plastic sheeting on top, covered by geotextile protection and a drainage layer.

Skellerup products were also installed on the well-known Hampton Downs Landfill project, completed in April this year. Fulton Hogan's Project Manager Tony Dickens was delighted with the dedication and performance of the Skellerup installation team: "Their efforts helped us to accelerate the construction schedule, which led to major cost savings overall for the project – as well as allowing the facility to be available for use at an earlier date."

+Left: 1. Deploying HDPE sheet at Kate Valley landfill.
2. Hampton Downs landfill under construction.

During the year the Board of Directors reviewed the Company's corporate governance policies and confirmed the following principles:

CODE OF ETHICS

Skellmax has formulated a Code of Ethics to govern its conduct. This:

- Addresses ethical issues,
- Establishes compliance standards and procedures,
- Provides mechanisms to report unethical behaviour, and
- Provides for disciplinary measures

ROLE OF BOARD OF DIRECTORS

The Board of Directors of Skellmax Industries Limited is elected by 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 (independent) Directors. 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 will be appointed as Chairman.

The Board meets monthly, and follows procedures that ensure that all directors have the necessary information to participate in an informed discussion on all agenda items and effectively carry out their duties. Senior managers make direct presentations to the board on a rotational basis to give the directors a broad exposure to management philosophies and capabilities.

The Board has instituted a formal system to review annually the performance of the board and of the individual directors. Directors undertake appropriate training to remain current on how to best perform their duties as directors.

BOARD COMMITTEES

The board has two standing committees, described below. Special project committees are formed as required. The Board regularly reviews the performance of the standing committees against the written charters for 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 and internal risk management auditors attend by invitation of the Chairman.

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

- To ensure that adequate risk management controls are in place
- To advise the board regarding accounting policies, practices and disclosure
- To review the scope and outcome of the external audit
- To review the annual and half-yearly statements prior to approval by the Board and
- To report the proceedings of each meeting to the Board.

The current composition of the committee is Elizabeth Coutts (Chair), Keith Smith and Graham Fraser.

2. Remuneration and Board Nomination Committee

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

- Review the remuneration packages of the Managing Director and the Senior Management Team
- Make recommendations to shareholders for non-executive director remuneration packages
- Recommend Director appointments to the Board.

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

The current composition of the Remuneration and Board Nomination Committee is Keith Smith (Chairman), Leigh Davis and Arthur Young.

ORGANISATIONAL STRUCTURE AND FINANCIAL REPORTING

The Board has delegated to the Managing Director the management responsibilities of the Company. He is supported by the Chief Operating Officer, who coordinates the activities of the two operating divisions (which are each led by a Divisional Manager).

The financial progress of each operating division is reported separately to the Board each month to enable analysis of divisional financial performance prior to consolidation. Capital expenditure delegation is limited and clearly defined with a Board-approved annual budget; and 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, which 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. It ensures that:

- Recommendations made by the external auditor and other independent advisers are critically evaluated and, where appropriate, applied
- Action is taken to ensure that the Company has an appropriate internal control environment in place to manage risk.

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

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 full participation by shareholders at the Annual Meeting to ensure a high level of accountability. Investors can obtain information on the Company from its website www.skellmax.co.nz.

+ KEITH SMITH | CHAIRMAN B.COM, F.C.A

Keith Smith is currently Chairman of NZX-listed companies The Warehouse Group, Tourism Holdings, and Wrightson; He is Deputy Chairman of Genesis Power and a director of Macquarie Goodman (NZ) Limited. He is a partner in BDO Spicers New Zealand Ltd specialising in professional directorships and is a director of and advisor to companies in a diverse range of industries, including printing, media, meat by-products, tannery processing and exporting. He is a past president of the Institute of Chartered Accountants of New Zealand. He has been Chairman of Skellmax since our public launch in 2002.

+ ARTHUR YOUNG | DEPUTY CHAIRMAN LLB

Senior partner and board chairman of law firm Chapman Tripp, Arthur is also Deputy Chairman of AFFCO Holdings Limited, and is currently chairman or a director of various unlisted or privately controlled companies including Dresden Equities Limited, the Equitable Group, McConnell Limited, the Southpark Group, Haydn & Rollett Limited and Direct Property Fund Limited.

+ DONALD STEWART | MANAGING DIRECTOR B.COM

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.

A director of Lyttleton Port Company, Donald is also past Chairman of the Canterbury Rugby Football Union.

+ ELIZABETH COUTTS | DIRECTOR B.MS, C.A.

Elizabeth is currently Chair of Industrial Research Limited and Life Pharmacy Limited, Deputy Chairman of Public Trust, and a director of Ebos Group Limited and Sport and Recreation New Zealand. She has previously been Chairman of Meritec Group; a director of Air New Zealand, Viking Pacific Holdings, and Trust Bank NZ; and a commissioner for the Commerce Commission and the Earthquake Commission. A former Chief Executive of the Caxton Group of companies and Carters Building Supplies, Elizabeth is also a member of the Financial Reporting Standards Board of the Institute of Chartered Accountants of New Zealand.

+ LEIGH DAVIS | DIRECTOR M.A. (HONS)

An investment banker, Leigh was instrumental in establishing Fay Richwhite Investment Banking, and maintained a role as co-head of this firm from 1985 to 1995. He then continued his association within Fay Richwhite, specialising in private capital investment.

In 1999, Leigh set up Jump Capital, a private equity investment company. He is also a director of Crown Castle Australia.

+ GRAHAM FRASER | DIRECTOR B.COM

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 is a director of Live Stock Improvements and AgResearch; and was formerly New Zealand's Special Agricultural Trade Envoy.

FINANCIAL STATEMENTS

+ CONTENTS

ERNST & YOUNG ■ Chartered Accountants

To the Shareholders of Skellmax Industries Limited

We have audited the financial statements on pages 25 to 41. The financial statements provide information about the past financial performance of the company and group and their financial positions and cash flows as at 30 June 2005. This information is stated in accordance with the accounting policies set out on pages 28 to 30.

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 2005 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 taxation 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 25 to 41:
  - 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 2005 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 17 August 2005 and our unqualified opinion is expressed as at that date.

Ernst + Young

Auckland

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Revenue					
Continuing activities	2	**118,543**	106,361	**10,542**	10,475
Operating Surplus Before Tax from continuing activities	3	**18,834**	17,794	**6,486**	7,116
Income Tax	5	**6,286**	6,221	**96**	246
Net Surplus Attributable to the Shareholders of the Parent Company		**12,548**	**11,573**	**6,390**	**6,870**

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Net Surplus for the Year		**12,548**	11,573	**6,390**	6,870
Other recognised revenues & expenses					
- Movement in Foreign Currency Translation Reserve	9	**(858)**	(2,128)	**-**	-
Total Recognised Revenues and Expenses		**11,690**	9,445	**6,390**	6,870
Distribution to Owners					
- Interim & Final Dividend Paid		**(7,003)**	(7,018)	**(7,003)**	(7,018)
Movement in Equity for the year		**4,687**	2,427	**(613)**	(148)
Equity at the beginning of the year		**28,370**	25,943	**27,412**	27,560
Equity as at 30 June	8	**33,057**	**28,370**	**26,799**	**27,412**

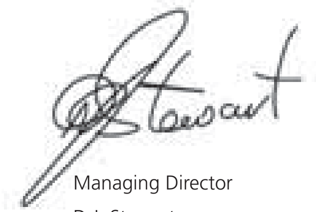
The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Total Equity	8	**33,057**	**28,370**	**26,799**	**27,412**
Current Assets					
Cash		**5,412**	4,230	**8,372**	8,253
Receivables and prepayments	11	**25,114**	21,717	**17**	12
Inventories	12	**27,609**	24,014	**-**	-
Total Current Assets		**58,135**	49,961	**8,389**	8,265
Non-Current Assets					
Property, plant and equipment	13	**30,003**	26,363	**13**	15
Intangibles	14	**2,630**	1,823	-	-
Investments & advances	15	-	-	**53,673**	47,344
Total Non-Current Assets		**32,633**	28,186	**53,686**	47,359
Total Assets		**90,768**	78,147	**62,075**	55,624
Current Liabilities					
Bank overdraft	17	-	-	-	-
Payables	18	**19,067**	18,108	**1,276**	1,212
Total Current Liabilities		**19,067**	18,108	**1,276**	1,212
Non-Current Liabilities					
Term liabilities	19	**38,644**	31,669	**34,000**	27,000
Total Non-Current Liabilities		**38,644**	31,669	**34,000**	27,000
Total Liabilities		**57,711**	49,777	**35,276**	28,212
Net Assets		**33,057**	**28,370**	**26,799**	**27,412**

For and on behalf of the Board, which authorised these financial statements on 17 August 2005.

Chairman
K.R. Smith



Managing Director
D.J. Stewart

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Cash Flows from Operating Activities					
Cash was provided from:					
- Receipts from customers		**119,517**	101,899	**-**	-
- Interest Received		**100**	64	**67**	44
- Management Fees		**-**	-	**4,150**	4,441
- Dividends received from subsidiaries		**-**	-	**6,325**	6,170
		119,617	101,963	**10,542**	10,655
Cash was disbursed to:					
- Payments to suppliers and employees		**(100,789)**	(81,325)	**(1,854)**	(1,847)
- Interest		**(2,257)**	(1,685)	**(1,953)**	(1,419)
- Rent		**(3,096)**	(2,755)	**(35)**	(30)
- Taxation paid		**(6,265)**	(6,224)	**(234)**	(71)
- GST net		**(185)**	(874)	**(11)**	123
		(112,592)	(92,863)	**(4,087)**	(3,244)
Net Cash Inflow(Outflow) from Operating Activities	25	**7,025**	9,100	**6,455**	7,411
Cash Flows from Investing Activities					
Cash was provided from:					
- Sale of property, plant and equipment		**686**	153	**-**	-
- Disposal of business assets & liabilities	16	**2,210**	-	**-**	-
		2,896	153	**-**	-
Cash was disbursed to:					
- Purchase of property, plant and equipment		**(7,076)**	(2,243)	**(4)**	(14)
- Acquisitions of business assets & liabilities	16	**(1,591)**	(9,560)	**-**	-
		(8,667)	(11,803)	**(4)**	(14)
Net Cash Outflow from Investing Activities		**(5,771)**	(11,650)	**(4)**	(14)
Cash Flows from Financing Activities					
Cash was provided from:					
- Draw-down of term facility		**7,000**	9,669	**7,000**	5,000
		7,000	9,669	**7,000**	5,000
Cash was disbursed to:					
Dividends paid to shareholders		**(7,003)**	(7,018)	**(7,003)**	(7,018)
Advance to subsidiaries		**-**	-	**(6,329)**	-
		(7,003)	(7,018)	**(13,332)**	(7,018)
Net Cash Inflow(Outflow) from Financing Activities		**(3)**	2,651	**(6,332)**	(2,018)
Effect of exchange rate changes		**(69)**	176	**-**	-
Net Increase in Cash Held		**1,182**	277	**119**	5,379
Add opening cash brought forward		**4,230**	3,953	**8,253**	2,874
Ending Cash Carried Forward		**5,412**	**4,230**	**8,372**	**8,253**

The accompanying notes form part of these financial statements

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Skellmax Industries Limited (the "Company") is a company registered under the Companies Act 1993 and listed on the New Zealand Exchange.

The Skellmax Group consists of the Company and its subsidiaries.

The Company is an issuer for the purposes of the Financial Reporting Act 1993.

The financial statements of the Company and the Skellmax Group have been prepared in accordance with the Financial Reporting Act 1993.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the Skellmax Group.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied.

(a) Basis of Consolidation - Purchase method

The consolidated financial statements include the parent company and its subsidiaries accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation. In the Company's financial statements, investments in subsidiaries are stated at cost.

(b) Property, Plant and Equipment

The Group has four classes of property, plant and equipment:

- Freehold land
- Freehold buildings
- Plant and equipment
- Furniture, fittings and other

All property, plant and equipment are initially recorded at cost.

When property, plant and equipment is disposed of, the gain or loss recognised in the Statement of Financial Performance is calculated as the difference between the sale price and the carrying value of the property, plant and equipment.

Depreciation is provided on a straight line basis on all tangible assets other than freehold land, at rates calculated to allocate the assets' cost, or valuation less estimated residual value, over their estimated useful lives.

Leased assets are depreciated over the shorter of the unexpired period of the lease and estimated useful life of the assets.

Major depreciation periods are:

• Freehold buildings	40 years
• Plant and equipment	2 to 20 years
• Furniture, fittings and other	5 to 10 years

(c) Impairment

If the recoverable amount of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount. The write down of property, plant and equipment recorded at historical cost is recognised as an expense in the Statement of Financial Performance. When a re-valued item of property, plant and equipment is written down to the recoverable amount, the write down is recognised as a downwards revaluation. This is limited to the amount of revaluation, with the remainder a debit to the Statement of Financial Performance.

(d) Intangible Assets

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible assets, acquired at the time of acquisition of a business or equity in a subsidiary company.

Goodwill is amortised by the straight line method over a 20 year period, which is considered to be the period during which benefits are expected to be received.

(e) Receivables

Receivables are stated at their estimated realisable value.

(f) Research & Development Costs

Research expenditure is recognised in the Statement of Financial Performance in the period that it is incurred. Development costs are deferred where future benefits are expected to exceed those costs, otherwise such costs are recognised in the Statement of Financial Performance in the period that they are incurred. Deferred development costs are amortised over future periods (not exceeding ten years) in relation to expected future revenue in each period. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount so identified is written off.

(g) Taxation

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using principles that values the inventory in its final location and condition. Using a first in first out methodology raw materials and finished goods are valued at average cost.

Cost of work in progress and finished goods inventories includes the cost of direct material, direct labour and a proportion of the manufacturing overhead, based on the normal capacity of the facilities, expended in putting the inventories in their present location and condition.

The bank loan is secured by a floating charge across all assets of the Group including all inventories held.

(i) Leases

Group entities lease certain plant and equipment and land and buildings.

Finance leases, which effectively transfer to the entity substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are disclosed and the leased assets are depreciated over the period the entity is expected to benefit from their use.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the lease term.

(j) Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Short term transactions covered by foreign currency forward exchange contracts are measured and reported at the forward rates specified in those contracts.

The assets and liabilities of independent foreign operations are translated at the closing rate. Revenue and expense items are translated at the spot rate at the transaction date or a rate approximating that rate. Exchange differences are taken to the foreign currency translation reserve.

The exchange differences on hedging transactions undertaken to establish the price of particular sales or purchases, together with any costs associated with the hedge transactions, are deferred and included in the measurement of the purchase or sale transaction.

(k) Financial Instruments

Financial instruments recognised in the Statement of Financial Position include cash balances, bank overdrafts, receivables, payables, investments and loans to others, and term borrowings. In addition members of the Skellmax Group are party to financial instruments with off-balance sheet risk to meet financing needs and to reduce exposure to fluctuations in foreign currency exchange rates. These financial instruments include guarantees of other bank overdraft facilities, swaps, options, forward rate agreements and foreign currency forward exchange contracts.

Losses from financial guarantees are recognised by the Company when it becomes liable for the outstanding balances. Skellmax Group enters into foreign currency forward exchange contracts to hedge trading transactions, including anticipated transactions, denominated in foreign currencies. Gains and losses on contracts which hedge specific short-term foreign currency denominated transactions are recognised as a component of the related transaction in the period in which the transaction is completed.

Where the hedge of an anticipated transaction is terminated early, but the anticipated transaction is still expected to occur, the gain or loss that arose prior to termination of the hedge continues to be deferred and is recognised as a component of the transaction when it is completed. If the trading transaction is no longer expected to occur, the gain or loss on the terminated hedge is recognised in the Statement of Financial Performance immediately.

The net differential paid or received on interest swaps is recognised as a component of interest expense or interest revenue over the period of the agreement.

Premiums paid on interest rate options, and net settlements on forward rate agreements are amortised to the Statement of Financial Performance over the life of the hedged item or the period hedged.

Any financial instruments that do not qualify as hedges are stated at market value and any gain or loss is recognised in the Statement of Financial Performance.

(l) Cash Flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand, deposits on call with banks and investments in money market instruments, net of bank overdrafts.

(m) Employee Entitlements

A liability for annual leave and long service leave is accrued and recognised in the Statement of Financial Position. The liability is equal to the estimated future cash outflows as a result of the employee services provided at balance date.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the prior year.

2. OPERATING REVENUE

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Sales	**118,259**	106,117	**-**	-
Rent Revenue	**182**	182	**-**	-
Interest Revenue	**100**	62	**67**	44
Management Fees	**-**	-	**4,150**	4,261
Dividends Received	**2**	-	**6,325**	6,170
Total Operating Revenue	**118,543**	**106,361**	**10,542**	**10,475**

3. OPERATING SURPLUS BEFORE TAXATION, AFTER CHARGING:

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Bad Debts written off	**230**	56	**-**	-
Change in provision for doubtful debts	**(45)**	108	**-**	-
Foreign currency losses/(gains)	**(955)**	(818)	**-**	-
Interest expense and interest charges	**2,383**	1,756	**2,069**	1,419
Rental and operating lease costs	**3,096**	2,755	**35**	30
Directors fees	**280**	280	**280**	280
Loss on sale of property, plant and equipment	**166**	31	**-**	-
Research & development costs	**123**	95	**-**	-
Amortisation of goodwill	**95**	40	**-**	-
Depreciation:				
- Freehold buildings	**22**	21	**-**	-
- Plant & equipment	**2,532**	2,338	**-**	-
- Furniture, fittings & other	**603**	417	**6**	6

4. AUDITORS' REMUNERATION

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Amounts paid or due and payable to auditors for:				
Auditing the financial statements				
- Parent company auditor	**112**	122	**34**	55
- Other auditors	**76**	52	-	-
	188	174	**34**	55
Other Services				
- Parent company auditor	**41**	44	**4**	-

5. INCOME TAX EXPENSE

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Operating surplus before tax	**18,834**	17,794	**6,486**	7,116
Prima facie tax	**6,215**	5,872	**2,140**	2,348
Tax effect of permanent differences	**61**	113	**(2,086)**	(2,022)
	6,276	5,985	**54**	326
Tax effect of timing differences	**604**	358	**18**	(80)
Tax credits and prior period adjustments	**(594)**	(122)	**24**	-
Tax expense	**6,286**	6,221	**96**	246
The tax charge is represented by:				
Current tax	**6,286**	6,221	**96**	246
Deferred tax	**-**	-	**-**	-
	6,286	**6,221**	**96**	**246**

The Group has asset depreciation and other timing differences through the consolidation of the subsidiary companies, which give rise to a $3,323,647 (2004, $2,967,044) net deferred tax asset. This asset has not been recognised, in accordance with the Group's accounting policy, as there is no virtual certainty of realisation.

6. IMPUTATION CREDIT ACCOUNT

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Balance at beginning of year	**8,765**	6,373	**4,607**	4,953
Imputation credits attached to dividends received	**-**	-	**3,115**	3,039
Imputation credits attached to dividends paid	**(3,413)**	(3,385)	**(3,413)**	(3,385)
Income tax paid	**5,831**	5,777	**172**	-
Total Imputation Credits	**11,183**	**8,765**	**4,481**	**4,607**

7. SHARE CAPITAL

	NOTE	GROUP AND PARENT 2005 $000	GROUP AND PARENT 2004 $000
Ordinary Shares			
Opening Balance		**16,881**	16,881
Closing Balance	8	**16,881**	**16,881**

There are 100,259,200 ordinary shares issued (2004, 100,259,200).

All ordinary shares have equal voting rights and share equally in dividends and surpluses on winding up.

8. EQUITY

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Share capital	7	**16,881**	16,881	**16,881**	16,881
Reserves	9	**(4,575)**	(3,717)	**-**	-
Retained earnings	10	**20,751**	15,206	**9,918**	10,531
Total Equity		**33,057**	**28,370**	**26,799**	**27,412**

9. RESERVES

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Balance at beginning of year		**(3,717)**	(1,589)	**-**	-
Revaluation of foreign subsidiary investments and net assets due to changes in exchange rates		**(858)**	(2,128)	**-**	-
Total Reserves	8	**(4,575)**	**(3,717)**	**-**	**-**

10. RETAINED EARNINGS

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Balance at beginning of year		**15,206**	10,651	**10,531**	10,679
Net surplus/(deficit) attributable to the shareholders of the parent company		**12,548**	11,573	**65**	700
Dividends received from subsidiary companies		**-**	-	**6,325**	6,170
Interim & final dividend paid		**(7,003)**	(7,018)	**(7,003)**	(7,018)
Total Retained Earnings	8	**20,751**	**15,206**	**9,918**	**10,531**

11. RECEIVABLES AND PREPAYMENTS

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Trade receivables	**22,934**	20,937	**-**	-
Less: Doubtful debt provision	**(746)**	(791)	**-**	-
Net trade receivables	**22,188**	20,146	**-**	-
GST recoverable	**512**	392	**-**	-
Prepayments	**2,414**	1,179	**17**	12
Total Receivables and Prepayments	**25,114**	**21,717**	**17**	**12**

12. INVENTORIES

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Raw materials	**7,241**	6,823	**-**	-
Work in progress	**3,038**	2,139	**-**	-
Finished goods	**17,330**	15,052	**-**	-
Total Inventory	**27,609**	**24,014**	**-**	**-**

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

13. PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Freehold land	**175**	175	**-**	-
Freehold buildings	**1,682**	1,682	**-**	-
Accumulated depreciation	**(129)**	(107)	**-**	-
	1,553	1,575	**-**	-
Plant and equipment	**35,464**	32,030	**-**	-
Accumulated depreciation	**(9,674)**	(8,499)	**-**	-
	25,790	23,531	**-**	-
Furniture, fittings and other	**5,477**	3,317	**30**	25
Accumulated depreciation	**(2,992)**	(2,235)	**(17)**	(10)
	2,485	1,082	**13**	15
Total property, plant and equipment	**30,003**	**26,363**	**13**	**15**

There is no restriction on the use, disposal or legal title to, any property, plant or equipment.

14. INTANGIBLES

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Goodwill - cost	**2,765**	1,863	**-**	-
Accumulated amortisation	**(135)**	(40)	**-**	-
	2,630	**1,823**	**-**	**-**

15. INVESTMENTS AND ADVANCES

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Investments in subsidiaries	**-**	-	**46,633**	46,633
Advance to subsidiary	**-**	-	**7,040**	711
	-	**-**	**53,673**	**47,344**

SIGNIFICANT SUBSIDIARIES:	PERCENT HELD 2005	PERCENT HELD 2004	BALANCE DATE
Skellerup Industries Limited	100%	100%	30 June
Ultralon Products (NZ) Limited	100%	100%	30 June
Batavian Rubber Co Limited	100%	100%	30 June
Skellerup Footwear Limited	100%	100%	30 June
Flomax International Limited	100%	100%	30 June
*Skellerup USA Inc.	100%	100%	30 June
*Masport Inc.	100%	100%	30 June
*DEKS Industries Pty Limited	100%	100%	30 June
*Skellerup Industrial Pty Limited	100%	100%	30 June
*Skellerup Rubber Products Jiangsu Limited	100%	100%	30 June
*Stevens Filterite Limited	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.

Batavian Rubber Company Limited is involved in the importation and distribution of latex rubber products.

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:

Skellerup USA Inc. distributes dairy rubberware to the North American market.

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

DEKS Industries Pty Limited manufactures, distributes and markets rubber products for the building and construction markets in New Zealand, Australia, North America and Europe. In addition some manufacturing is performed for the Australian mining markets.

Skellerup Industrial Pty Limited markets and distributes rubberware to Australian mining operators.

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.

16. ACQUISITION AND DISPOSAL OF BUSINESS ASSETS AND LIABILITIES

Included in the financial statements of the Group for the year ending June 2005 is the effect of acquiring the business assets of Architectural Composites Limited.

During the year Skellerup Industries Limited disposed of the business assets and liabilities relating to its plastic rotomoulding business.

In the previous year, the Group acquired, through its subsidiaries, the shares of Stevens Filterite Limited and the business assets of DEKS Industries Pty Limited.

In addition the operating assets of businesses involved in the marketing and distribution of CertainTeed rubber roofing tiles, and the marketing and installation of polyethylene for Containment Systems, were also acquired in the previous year.

The fair value of the assets and liabilities acquired are as follows:

CONSIDERATION	2005 $000	2004 $000
Cash	**1,591**	9,560
Net assets acquired:		
Goodwill	**900**	1,863
Current assets	**291**	3,293
Current liabilities	**(24)**	(910)
Property, plant and equipment	**424**	5,314
	1,591	**9,560**

The decrease in assets and liabilities arising from the sale of the plastic rotomoulding business was as follows:

CONSIDERATION	2005	2004
Cash	**2,210**	-
Net assets disposed:		
Current assets	**976**	-
Current liabilities	**(16)**	-
Property, plant & equipment	**817**	-
	1,777	-
Profit on Sale	**433**	**-**

17. BANK OVERDRAFT

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Bank Overdraft	-	-	-	-

The Group has a bank overdraft facility and is subject to a deed of charge and guarantee in favour of the Group's bankers.
The average interest rate during the 2005 year was 9.89% per annum inclusive of fees and margins applied by the Group's bankers (2004, 8.73% per annum).

Group and subsidiary bank accounts within New Zealand and Australia operated within the overall bank facility have a right of set off. Bank accounts held by United States of America and China subsidiaries total NZ$1,880,000 in funds (2004, NZ$1,018,000) are outside the right of set off.

18. PAYABLES

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Current				
Accounts payable - trade	**5,297**	5,489	**-**	-
Sundry payables and accruals	**9,069**	8,564	**690**	472
Employee entitlements	**2,869**	2,516	**75**	68
GST payable	**516**	631	**487**	510
Tax payable	**268**	234	**24**	162
Warranty provision	**1,048**	674	**-**	-
Total Payables	**19,067**	**18,108**	**1,276**	**1,212**

The Warranty Provision covers product performance obligations provided at the time of sale, under the company's terms and conditions of sale.

19. TERM LIABILITIES

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Bank loans (secured)	**38,644**	31,669	**34,000**	27,000
Total Term Liabilities	**38,644**	**31,669**	**34,000**	**27,000**

The bank loan is secured by floating charges and guarantees over the assets of the Company and the Group. The bank loan is under a revolving credit facility and is repayable on 30 September 2007. The interest rate is floating and set by reference to benchmark interest rates and includes a margin agreed between the Company and its bank. During the period the average rate was 7.07% per annum (2004, 6.61% per annum).

20. CONTINGENT LIABILITIES

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Bank guarantee	**107**	88	**75**	75
Letters of credit	**596**	7,085	**-**	5,218
Total Contingent Liabilities	**703**	**7,173**	**75**	**5,293**

The Bank Guarantee relates to indemnities for product performance warranties, and also obligations to the New Zealand Exchange.

The Letters of Credit are provided to foreign suppliers under our Group banking facility, as a guarantee that payment obligations for imported products purchased under normal terms and conditions, will be met at a future date.

21. COMMITMENTS

(a) Capital Commitments

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Estimated capital expenditure contracted for at balance date but not provided for	**817**	**1,380**	**-**	**-**

(b) Operating Lease Commitments

	GROUP		PARENT	
	2005 $000	**2004 $000**	**2005 $000**	**2004 $000**
Lease commitments under non cancellable operating leases:				
- Not later than one year	**2,482**	1,945	**-**	8
- Later than one year and not later than two years	**1,674**	1,249	**-**	-
- Later than two years and not later than five years	**3,586**	2,252	**-**	-
- Later than five years	**289**	725	**-**	-
Total Operating Lease Commitments	**8,031**	**6,171**	**-**	**8**

22. TRANSACTIONS WITH RELATED PARTIES

FOR THE YEAR ENDED 30 JUNE

Mr Young, deputy chairman, is a partner at Chapman Tripp, the parent company's legal advisors. Chapman Tripp have received fees during the year amounting to $16,433 (2004, $46,445). The fees were charged on normal terms and conditions. There were no amounts outstanding at balance date relating to these transactions.

No related party debts have been forgiven or written off during the year.

Other than disclosed elsewhere there have been no other transactions with related parties.

23. EARNINGS PER SHARE

FOR THE YEAR ENDED 30 JUNE

	GROUP	
	2005	**2004**
Earnings per share (cents)	**12.516**	11.543

Earnings per share is based on the total number of ordinary shares issued and the net after tax operating surplus attributable to the shareholders for the 12 months ended June 2005.

24. FINANCIAL INSTRUMENTS

FOR THE YEAR ENDED 30 JUNE

Credit Risk

Financial instruments, which potentially subject the Group to credit risk, principally consist of bank balances, receivables and forward exchange contracts.

The Group has a credit policy that is used to manage its exposure to credit risk. As part of this policy, limits on exposures with counter parties are monitored on a regular basis.

The Group policy is to perform credit evaluations on all customers requiring credit but generally does not require overall collateral. Where necessary customers are registered on the Personal Property Securities Register to record the priority status of the security interest in the goods supplied on credit.

The Group continuously monitors the credit quality of major financial institutions that are counter parties to its off-balance sheet financial instruments, and does not anticipate non-performance by the counter parties. The Group further minimises its credit exposure by limiting the amount of surplus funds placed with any one financial institution at any one time.

Group and subsidiary bank accounts operated within the overall bank facility have a right of set off.

Maximum exposures to credit risk as at balance date are:

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Bank balances	**5,412**	4,230	**8,372**	8,253
Receivables	**25,114**	21,717	**17**	12
Foreign exchange contracts				
– amount receivable	**7,198**	8,742	**7,198**	8,742
– amount payable	**405**	-	**405**	-
Foreign exchange options				
– put options receivable	**-**	96	**-**	96
– call options payable	**43**	(176)	**43**	(176)
Interest Rate Swaps				
– amount receivable	**61**	185	**61**	185
Interest Rate Swap Options				
– amount receivable	**-**	35	**-**	35

Concentration of Credit Risk
Concentration of credit risk with respect to trade receivables is limited by a diversified customer base.

Currency Risk
The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading activities. Where exposures are certain, or able to be forecasted with reasonable accuracy, it is the Group's policy to hedge these risks as they arise.

The Group uses foreign exchange forward contracts to manage these exposures. At balance date the Group had entered into foreign exchange forward contracts maturing over the years ending 30 June 2006 to June 2008 to purchase the net equivalent of NZ$39,146,179 and to sell the net equivalent of NZ$30,616,878 in foreign currency. At the previous year end, NZ$61,105,352 was held in purchase foreign currency contracts.

Unhedged Foreign Currency Monetary Assets and Liabilities

Unhedged foreign currency monetary assets less liabilities are NZ$1,745,000 (2004, NZ$2,801,000). These net assets consist primarily of trade receivables, trade creditors and cash as follows:

	2005						2004					
$000	**$USD**	$NZD	**$AUD**	$NZD	**CNY**	$NZD	**$USD**	$NZD	**$AUD**	$NZD	**CNY**	$NZD
Current Assets	**3,717**	**5,351**	**4,175**	**4,562**	**560**	**97**	2,930	4,615	2,551	2,803	1,479	281
Current Liabilities	**(3,745)**	**(5,358)**	**(2,410)**	**(2,634)**	**(1,572)**	**(273)**	(1,518)	(2,390)	(2,283)	(2,508)	0	0
Net Monetary Assets	**(28)**	**(7)**	**1,765**	**1,928**	**(1,012)**	**(176)**	1,412	2,225	268	295	1,479	281

Interest Rate Risk
The Group is exposed to interest rate risk on its borrowings. The Parent company operates a centralised Group treasury that uses financial instruments to actively manage these risks in accordance with the Group's policies.

Credit Facilities
The Group has total credit facilities of $41 million (2004, $31 million). Under this facility loans of NZ$34 million and AUD$1.25 million have been drawn at 30 June, which are repayable on 30 September 2007. An overdraft facility of $1 million is also available under this facility.

In addition, an AUD$4.75 million combined term loan and overdraft facility has been provided for the Australian operations of which AUD$3 million has been drawn at 30 June. An overdraft of AUD$0.5 million is also available under this facility.

Fair Values

The estimated fair values of the financial instruments are as follows:

	GROUP				PARENT			
	CARRYING AMOUNT 2005 $000	FAIR VALUE 2005 $000	CARRYING AMOUNT 2004 $000	FAIR VALUE 2004 $000	CARRYING AMOUNT 2005 $000	FAIR VALUE 2005 $000	CARRYING AMOUNT 2004 $000	FAIR VALUE 2004 $000
NZD Term loan	**(34,000)**	**(34,000)**	**(27,000)**	**(27,000)**	(34,000)	(34,000)	(27,000)	(27,000)
AUD Term loans	**(4,644)**	**(4,644)**	**(4,669)**	**(4,669)**	-	-	-	-
Foreign exchange contracts	**-**	**7,603**	**-**	**8,742**	-	7,603	-	8,742
Foreign exchange options	**-**	**43**	**-**	**(80)**	-	43	-	(80)
Interest rate swaps	**-**	**61**	**-**	**185**	-	61	-	185
Interest rate swap options	**-**	**-**	**-**	**35**	-	-	-	35

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Term Liabilities (Term Loan)

The fair value of the Company's term liabilities is estimated based on the current market rates available to the company for items of a similar nature and maturity.

Interest Rate Contracts (Forward Rate Agreements, Options and Swaps)

The fair value of these financial instruments is current market valuation (cash settlement requirement) provided by Skellmax Group's bankers.

Cash, Receivables, Bank Overdraft and Current Liabilities

The carrying value is the fair value for each of these classes of financial instruments and accordingly they are excluded from the above table.

Foreign Currency Contracts (Forward Exchange Contracts and Options)

The fair value of these financial instruments is based on the quoted market prices of comparable financial instruments.

Re Pricing Analysis

The following table identifies the periods in which the financial instruments, that are subject to interest rate risk, re-price.

Liabilities	Effective Interest Rate	Total $000	6 mths or less NZD$000	Between 6-12 mths $000	Between 1-2 yrs $000	Between 2-5 yrs $000	Greater Than 5 yrs $000
NZ Bank Loan	7.11%	NZD (34,000)	(34,000)				
AUD Bank Loan	6.30%	AUD (1,250)	(1,366)				
AUD Bank Loan	6.75%	AUD (3,000)	(3,278)				
Cash		5,412	5,412				
Total			**(33,232)**				

The Group also has a series of interest rate swaps which give the Group the ability to convert from a floating rate of interest to a fixed rate of interest.

Interest rate swaps held are as follows:

Principal	Maturity Date	Interest Rate
NZD 35 million	25 September 2008	6.41%
AUD 4 million	3 May 2006	5.89%

The above interest rate options have not been included in the re-pricing table shown above.

25. RECONCILIATION OF NET SURPLUS AFTER TAX WITH CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 30 JUNE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Reported surplus after tax:	**12,548**	11,573	**6,390**	6,870
Add(subtract) non cash items and non operating items:				
- depreciation	**3,157**	2,776	**6**	6
- amortisation of goodwill	**89**	40	**-**	-
- movement in provisions	**1,177**	(883)	**7**	26
- bad debts written off	**230**	55	**-**	-
- profit/loss on sale of assets	**166**	31	**-**	-
- financing items affecting operating cashflow	**-**	(177)	**-**	-
- revaluation of foreign currency working capital values due to movement in exchange rates	**(1,532)**	(726)	**-**	-
Non Cash Items	**3,287**	1,116	**13**	32
Net Movement in Working Capital	**(8,810)**	(3,589)	**52**	509
Net Cash Inflow(Outflow) from Operating Activities	**7,025**	**9,100**	**6,455**	**7,411**

26. SEGMENT INFORMATION

FOR THE YEAR ENDED 30 JUNE

The Group operated in two industry segments and two geographical segments in the period ended 30 June 2005. Segment results are as follows.

(a) Industry Segments

	2005				2004			
	Agri $000	Industrial $000	Elimination $000	Consolidated $000	Agri $000	Industrial $000	Elimination $000	Consolidated $000
Sales to customers	**49,496**	**68,763**	**-**	**118,259**	51,288	54,829	-	106,117
Intersegment sales	**10,993**	**24,280**	**(35,273)**	**-**	8,056	19,005	(27,061)	-
Unallocated revenue	**-**	-	-	-	-	-	-	-
Total Revenue	**60,489**	**93,043**	**(35,273)**	**118,259**	59,344	73,834	(27,061)	106,117
Segment Result	**14,900**	**9,172**	**-**	**24,072**	12,922	7,970	-	20,892
Unallocated expense & tax	**-**	**-**	**-**	**(11,524)**	-	-	-	(9,319)
Operating Surplus	**14,900**	**9,172**	**-**	**12,548**	12,922	7,970	-	11,573
Segment Assets	**32,888**	**49,633**	**-**	**82,521**	30,186	40,483	-	70,669
Unallocated	**-**	**-**	**-**	**8,247**	-	-	-	7,478
Total Assets	**32,888**	**49,633**		**90,768**	**30,186**	**40,483**	**-**	**78,147**

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

The Industrial segment manufactures and distributes industrial rubber and related polymer components together with industrial vacuum equipment for a variety of industrial applications worldwide.

(b) Geographical segments

The majority of the Group's trading is within New Zealand. The Group's operations outside New Zealand are predominantly in Australia, United States and China. Subsidiaries within the Group carried out their activities as follows:

	2005				2004			
	Inside New Zealand $000	Outside New Zealand $000	Elimination $000	Consolidated $000	Inside New Zealand $000	Outside New Zealand $000	Elimination $000	Consolidated $000
Sales to customers	**72,629**	**45,630**	**-**	**118,259**	67,670	38,447	-	106,117
Intersegment sales	**33,029**	**2,244**	**(35,273)**	**-**	25,679	1,382	(27,061)	-
Unallocated revenue	**-**	**-**	**-**	**-**	-	-	-	-
Total Revenue	**105,658**	**47,874**	**(35,273)**	**118,259**	93,349	39,829	(27,061)	106,117
Segment Result	**22,940**	**1,132**	**-**	**24,072**	19,236	1,656	-	20,892
Unallocated expense & tax	**-**	**-**	**-**	**(11,524)**	-	-	-	(9,319)
Operating Surplus	**22,940**	**1,132**	**-**	**12,548**	19,236	1,656	-	11,573
Segment Assets	**56,020**	**26,501**	**-**	**82,521**	46,523	24,146	-	70,669
Unallocated assets	**-**	**-**	**-**	**8,247**	-	-	-	7,478
Total Assets	**56,020**	**26,501**	**-**	**90,768**	**46,523**	**24,146**	**-**	**78,147**

Intersegment pricing is agreed by negotiation between operating segments. Normal terms and conditions of sale apply to such transactions.

27. SHARE OPTION SCHEMES

FOR THE YEAR ENDED 30 JUNE

On 17 May 2002 a resolution was passed to establish a non executive director's option scheme (Directors Option Scheme 2002) and a Senior Management Option Scheme (Senior Management Option Scheme 2002). The details of both schemes are identical.

The options to subscribe for ordinary shares are non transferable. No amount was payable on the granting of the options and the exercise price for each option under the scheme is $1.15 per share increasing by 15% compounding on the anniversary in each year commencing on 26 September 2004, adjusted for dividends paid.

Each option will entitle the non executive Directors or Senior Manager to subscribe for one share. Subject to insider trading legislation and any other applicable laws, one third of the options will become exercisable on the first, second and third anniversaries (each a "vesting date") of 26 September 2002. The exercise price for options exercised prior to the second vesting date is $1.32 per share, for options exercised prior to the third vesting date is $1.52 per share and for options exercised thereafter is $1.75 per share, such exercise price to in all cases be adjusted by subtracting the cash amount of any dividends paid by the Company on its ordinary shares by reference to a record date which occurs during the period from 26 June 2002 to the date of exercise of the relevant options.

A non executive Director's and Senior Manager's options will normally lapse on the date which is three months from the date on which the non executive Director ceases to be a Director or the Senior Manager ceases to be an employee of the Company. The expiry date of the options is 5 years from the date of issue, being 26 June 2007.

The ordinary shares issued following the exercise of the options will rank equally with the other ordinary shares, including the Shares. During the 2005 year, the management options on issue have increased by 250,000 to a total 2,250,000 as at 30 June 2005.

	Number of Share Options		
Issue Date	**Directors Options**	**Management Options**	**Total**
26 June 2002	1,000,000	2,250,000	3,250,000
Commencing Exercise Dates			
26 September 2003	333,333	750,000	1,083,333
26 September 2004	333,333	750,000	1,083,333
26 September 2005	333,334	750,000	1,083,334
	1,000,000	**2,250,000**	**3,250,000**

Options allocated under the Directors' Option Scheme 2002 are as follows:

Mr K.R. Smith	200,000
Mr A.W. Young	200,000
Mrs E.M. Coutts	200,000
Mr L.R. Davis	200,000
Mr G.A. Fraser	200,000

Options issued to senior managers under the Senior Management Option Scheme include 450,000 to Mr Donald Stewart, an executive Director of the Company.

28. EMPLOYEE SHARE PURCHASE SCHEME

FOR THE YEAR ENDED 30 JUNE

On 13 December 2002 the company established an Employee Share Ownership Plan which entitled employees to purchase up to 2,500 shares at 92 cents per share.

The share purchase scheme conforms with the provisions of Section DF7 of the Income Tax Act 1994, whereby the company provides an interest free loan to employees to purchase the shares with repayment of the loan required over a maximum of three years.

As a result of this offer to employees, 259,200 shares were issued at 92 cents per share in December 2003 representing 0.26% of the total ordinary shares of the company. At June 2005 the outstanding loan to employees was $24,206. The shares issued to employees are held in trust by the Skellmax Employee Share Trustee Company Ltd for a period of three years from date of issue.

The shares are 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. Currently, the directors are Keith Smith, Arthur Young and Donald Stewart.

29. SIGNIFICANT EVENTS AFTER BALANCE DATE

FOR THE YEAR ENDED 30 JUNE

Since balance date the Group, through its subsidiaries, has entered into Sale and Purchase Agreements to acquire the following businesses:

- Thorndon Rubber Co. Limited
- Rubber Services Limited
- Jenco Products Pty Limited
- Ambic Equipment Limited

There were no other events subsequent to balance date that are required to be disclosed.

30. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE YEAR ENDED 30 JUNE

Adoption of the New Zealand equivalent of International Financial Reporting Standards may result in changes to accounting policies which will have an impact on the reported financial position and financial performance of the Group.

Currently plans are in place to evaluate the changes in accounting policies and consider the impact on the Group's financial position and financial performance. At this stage no reliable estimates can be made to quantify the impact on the Group's results from adopting International Financial Reporting Standards.

DIRECTORS

(a) Directors Holding Office During the Year

K.R. Smith

E.M. Coutts

L.R. Davis

G.A. Fraser

D.J. Stewart

A.W. Young

(b) Remuneration of Directors

	Group 2005 $000	Parent 2005 $000	Group 2004 $000	Parent 2004 $000
K.R. Smith	80	80	80	80
E.M. Coutts	50	50	50	50
L.R. Davis	50	50	50	50
G.A. Fraser	50	50	50	50
D.J. Stewart	539	539	520	520
A.W. Young	50	50	50	50
	819	**819**	**800**	**800**

EMPLOYEE REMUNERATION

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

Remuneration Range	Number of Employees	Remuneration Range	Number of Employees
100,001 - 110,000	13	190,001 - 200,000	3
110,001 - 120,000	13	200,001 - 210,000	1
120,001 - 130,000	6	210,001 - 220,000	1
130,001 - 140,000	3	260,001 - 270,000	1
150,001 - 160,000	2	270,001 - 280,000	1
160,001 - 170,000	1	340,001 - 350,000	1
170,001 - 180,000	2	530,001 - 540,000	1
180,001 - 190,000	5	610,001 - 620,000	1

The above includes salaries, benefits and performance based incentive payments. Executives based in the USA and Australia have been included in equivalent NZ dollars based on the exchange rate ruling at 30 June 2005.

STATEMENT OF DIRECTORS' SHAREHOLDINGS

FOR THE YEAR ENDED 30 JUNE

(a) Directors held the following equity securities in the Company:

	Held Non Beneficially & By Related Parties 30/6/05	Held Beneficially 30/06/05	Held by Associated Persons 30/6/05
K.R. Smith	190,000	-	5,000
A.W. Young	-	-	50,000
E.M. Coutts	-	-	50,000
L.R. Davis	-	-	25,000
G.A. Fraser	-	-	41,596
D.J. Stewart	-	200,000	230,000

Note 29 contains details of the directors' option scheme.

(b) During the year the following directors acquired or disposed of equity securities in the Company:

	Number of Shares Acquired (Disposed)	Class of Shares	Consideration Paid (Received)	Date of Transaction
E.M. Coutts	10,000	Ordinary	12,200	22 Sept 2004
	15,000	Ordinary	17,850	15 Nov 2004
G.A. Fraser	16,596	Ordinary	19,915	17 Sept 2004
D.J. Stewart	7,000	Ordinary	8,400	28 Oct 2004
	5,500	Ordinary	7,434	22 Feb 2004
A.W. Young	20,000	Ordinary	23,800	11 Nov 2004

SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 JUNE

Substantial Security Holders
Pursuant to Section 26 of the Securities Amendment Act 1988, the substantial security holders as at 10 August 2005 were as follows:

	ORDINARY SHARES
AMP Capital Investors Limited	6,000,232 (5.985%)

Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at 10 August 2005 were:

HOLDER	ORDINARY SHARES	%
Accident Compensation Corporation	4,397,449	4.386
AMP Investments Strategic Equity Growth Fund	2,728,148	2.721
Custodial Services Limited	2,367,960	2.362
Hendry Nominees Limited	1,455,305	1.452
Custody and Investment Nominees Limited	1,448,535	1.445
Forbar Custodians Limited	1,400,577	1.397
NZ Superannuation Fund Nominees Limited	1,319,452	1.316
Cogent Nominees Limited	1,299,302	1.296
TEA Custodian Limited	1,295,448	1.292
Forbar Custodians Limited - Residents Account	1,182,939	1.180
NZGT Nominees Limited – AIF Equity Fund	1,004,613	1.002
Peter Hanbury Masfen and Joanna Alison Masfen	1,000,000	0.997
Custodial Services Limited – Account No 2	944,990	0.943
Forbar Custodians Limited – PPM Low Account	882,431	0.880
Asset Custodian Nominees Limited	860,310	0.858
Public Nominees NZ Equities Discovery Trust	858,900	0.857
Investment Custodial Services Limited	783,267	0.781
First NZ Capital Custodians Limited	725,367	0.723
Robert Famularo	700,000	0.698
Portfolio Custodian Limited	660,000	0.658
	27,314,993	**27.244**

As at 10 August 2005, Skellmax Industries Limited had 100,259,200 fully paid ordinary shares on issue.

Distribution of Shareholding as at 10 August 2005

Size of Shareholding	Total Shares Held %
1 – 4,999	8.00
5,000 - 9,999	11.10
10,000 - 49,999	33.74
50,000 - 99,999	6.09
100,000 - 499,999	11.42
500,000 - 999,999	9.80
1,000,000 and over	20.85
	100.00

PRINCIPAL ACTIVITIES

The principal activity of the Skellmax Industries Group involves the marketing, manufacturing and distribution of dairy rubber products, industrial rubber products, and rural supplies to markets in New Zealand and internationally. The Group also manufactures and distributes vacuum pumps and associated equipment, as well as closed cell polyethylene and ethyl vinyl acetate foams to both New Zealand and international markets.

REGISTERED OFFICE
Skellmax Industries Limited
1-37 Mt Wellington Highway
Mt Wellington
PO Box 14-537
Panmure, Auckland,
New Zealand

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

BOARD OF DIRECTORS
K. R. Smith B.Com, F.C.A.
CHAIRMAN

A. W. Young LLB
DEPUTY CHAIRMAN

E. M. Coutts B.MS, C.A.

L. R. Davis M.A. (Hons)

G. A. Fraser B.Com

D. J. Stewart B.Com
MANAGING DIRECTOR

MANAGEMENT
D. J. Stewart B.Com
MANAGING DIRECTOR

N. A. Campbell M.Com, C.A.
CHIEF FINANCIAL OFFICER

M. P. McKessar
CHIEF OPERATING OFFICER

J. H. Greenwood B.Com F.CA.
COMPANY SECRETARY

AUDITOR
Ernst & Young
41 Shortland Street
Auckland
New Zealand

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

BANKERS
The National Bank of New Zealand Ltd
209 Queen Street
Auckland
New Zealand

SHARE REGISTRAR
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1020
New Zealand

Telephone: +64 9 488 8777

SECURITY HOLDER ENQUIRIES
Shareholders with enquiries about transactions, change of address or dividend payments should contact the Share Registrar.

+ NOTICE OF MEETING

Notice is hereby given that the Annual Meeting of Shareholders of Skellmax Industries Limited will be held at the Ellerslie Convention Centre, Ellerslie Racecourse, 80-100 Ascot Avenue, Auckland, on Wednesday 28 September 2005 at 2:30 p.m.

ORDINARY BUSINESS
- To receive the report of the directors, the financial statements for the period ended 30 June 2005, and the report of the auditor thereon.
- To elect two directors. In accordance with Clause 26.1 of the Company's constitution, Mr Leigh Davis and Mr Graham Fraser retire by rotation and, being eligible, offer themselves for re-election.
- To authorise the directors to fix the remuneration of the auditor for the ensuing year.

PROXIES
Any member who is entitled to attend and vote at the meeting may instead appoint a proxy to attend and vote on their 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
(Not less than 48 hours before the time of holding the meeting.)

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

For and on behalf of the Board

Jim Greenwood
COMPANY SECRETARY

REGISTERED OFFICE
Skellmax Industries Limited
1-37 Mt Wellington Highway
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PO Box 14-537
Panmure, Auckland
New Zealand

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