skellmax

Annual Report

2002

CONTENTS

Notice of Annual Meeting

Notice is hereby given that the first Annual Meeting of Shareholders of Skellmax Industries Limited will be held at the Ellerslie Convention Centre, Ellerslie Racecourse, 80-100 Ascot Avenue, Auckland, on Thursday, 5 December 2002 at 2.30 p.m.

ORDINARY BUSINESS

1. To receive the report of the directors, the financial statements for the period ended 30 June 2002, and the report of the auditors thereon.

2. To elect two directors. In accordance with Clause 68 of the Company's constitution, Mrs Elizabeth Coutts and Mr Leigh Davis retire by rotation and, being eligible, offer themselves for re-election.

3. To authorise the directors to fix the remuneration of the auditors 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

J Greenwood

Jim Greenwood
Secretary

Auckland
25 October 2002

Skellmax Industries Limited
Annual Report 2002

Overview

Skellmax Industries Limited is listed on the New Zealand Stock Exchange. The company is a specialist manufacturer, distributor, marketer and exporter of rubber and foam products, footwear and vacuum pumps, primarily for the agricultural and industrial sectors. Annual turnover in the pro-forma year to 30 June 2002 was $103 million. Skellmax Industries brings together two well-known New Zealand industrial sales and manufacturing operations – Skellerup Industries, the world's third largest dairy rubberware manufacturer, and Flomax International, a global market leader in vacuum pumps for dairy and industrial applications.

The head office is located in Auckland, New Zealand. Manufacturing plants are based in Auckland and Christchurch. Sales and distribution facilities are located in Auckland, Hamilton, Christchurch and Featherston in New Zealand, with offices in Brisbane and Perth in Australia and Randolph, New York State, and Lincoln, Nebraska, in the United States.

HIGHLIGHTS 2002

- Skellmax Industries Limited successfully completed an Initial Public Offer and issued 100 million shares to a shareholder base of approximately 7000 shareholders. The company listed on the New Zealand Stock Exchange on 19 June 2002.

- Prior to listing, the company acquired Skellerup Industries Limited and Flomax International Limited, togther with other operating subsidiaries involved in the manufacture and agency distribution of world-class brands that are in sustainable demand from the domestic and international agricultural and industrial sectors.

- On an annualised basis, all key projections set out in the prospectus were achieved. Pro-forma EBIT of $19.2m for the twelve months ended 30 June 2002 was $3m or 19% ahead of the pro-forma result for the correspondng twelve monhs ending June 2001.

- Both core business streams - Agricultural and Industrial - have performed strongly in the period under review and innovative technology underpins the growth potential of the company's businesses.

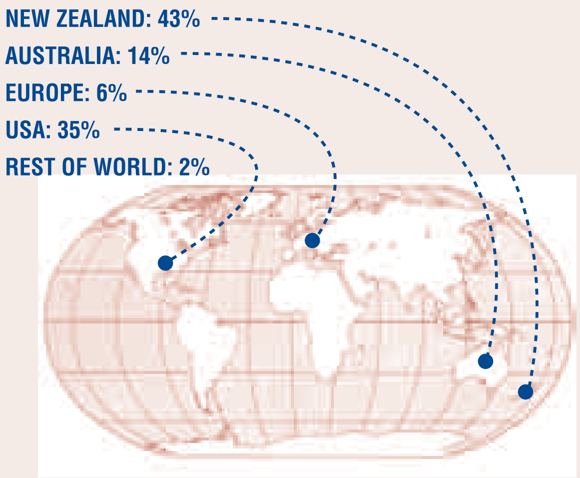
KEY RESULTS @ A GLANCE

Year to 30 June 2002
(Annualised Pro-Forma)

	$000s
Operating Revenue	103,326
EBITDA	21,086
EBIT	19,212
Surplus Before Tax	19,209
Surplus After Tax	12,842
Total Assets	64,551

Earnings Per share	12.84c
Shares on Issue	100 million

REVENUE BY LOCATION



BOARD OF DIRECTORS (as at 30 June 2002)

Keith Smith (B.Com, F.C.A.)

Chairman

Mr Smith is currently chairman of The Warehouse Group Limited and Tourism Holdings Limited, both companies listed on the NZSE. In addition, he is the chairman of Enterprise Motor Group Limited, Healthcare Holdings Limited, Electronic Navigation Limited and BDO Spicers New Zealand Limited, and deputy chairman of Genesis Power Limited. He is also a director of and advisor to companies in industries as diverse as printing, media, meat by-products and tannery processing and exporting.

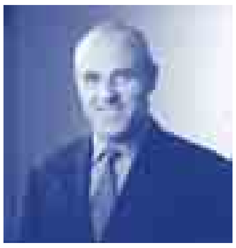
Arthur W Young (LLB)

Deputy Chairman

Mr Young is senior Auckland partner in the law firm Chapman Tripp Sheffield Young. He is deputy chairman of AFFCO Holdings Limited, chairman of Viking Pacific Holdings Limited and is a director of McConnell Dowell Corporation Ltd and a number of active private companies over a wide commercial range. His rural directorships include Rimanui Farms Limited (pastoral farming) and Auroram Investments Limited (dairying).

Donald Stewart (B.Com)

Managing Director



Mr Stewart has been chief executive for Skellerup since 1992, and was chief executive of Viking Pacific Holdings Limited from July 1999 until May 2002. He has spent the majority of his professional life involved with the management of Skellerup, working initially for six years from 1979 as a management accountant and then moving to general management roles in 1985 prior to becoming chief executive. Mr Stewart is currently a director of the Lyttelton Port Co and is a past chairman of the Canterbury Rugby Football Union.

Elizabeth Coutts (B.Ms, C.A.)

Mrs Coutts is a professional director. She is currently chairman of Meritec Group Limited, deputy chairman of Public Trust and a director of Industrial Research Limited and other Crown entities. She was previously a director of Air New Zealand Limited, Health Funding Authority, Trust Bank New Zealand and a commissioner for both the Commerce and Earthquake Commissions, and chief executive of the Caxton Group of Companies and of Carters building supply group. She is a member of the Financial Reporting Standards Board of the Institute of Chartered Accountants of New Zealand.

Leigh Davis (MA Hons)

Mr Davis is an investment banker. He was instrumental in the establishment of Fay Richwhite Investment Banking, and maintained a role as co-head of this firm from 1985 to 1995. From 1995 he continued his association within this firm, specialising in private company investment. In 1999 Mr Davis set up Jump Capital, a private equity investment company. His current directorships include TranzRail Limited and Crown Castle Australia.

Graham Fraser (B.Com)

Mr Fraser has considerable experience in the dairy and rural sectors. He was chairman of the New Zealand Dairy Board in 1999, after acting as director for the New Zealand Co-operative Dairy Company since 1991. He is a director of Livestock Improvement Limited and has recently been appointed New Zealand's special agricultural trade envoy.

On behalf of the directors of Skellmax Group Ltd, it is my pleasure to welcome you as a shareholder following the successful flotation of the company and our listing on the New Zealand Stock Exchange on 19 June 2002.

The success of our initial public offering, which saw 100 million shares fully subscribed, and our group's overall strong performance, are major highlights for 2002.

The initial trading period for reporting purposes covers only the nine business days between 18 June 2002 (the date of acquisition of the businesses forming Skellmax Industries Ltd) and our balance date of 30 June 2002. While the earnings for this brief period have exceeded the prospectus forecast, shareholders will find more meaningful the performance of the company over the twelve months to 30 June 2002, which is treated as a pro-forma result in this report.

Skellmax Industries Limited earned a net profit after tax (NPAT) of $12.84m for the financial year ended 30 June 2002. This result is 1% ahead of the prospectus forecast of $12.71m. Of this $12.46m is pre-acquisition profit attributable to the previous owners, Viking Pacific Holdings Ltd.

Earnings before interest and tax (EBIT) was $19.21m. This is an improvement of $310,000 on the prospectus forecast of $18.9m. It is also $3m or 19% higher than the pro-forma result of the business on a combined basis for the corresponding twelve months ended June 2001.

The company's operating cash flow improved 15.1% from the prospectus forecast of $12.84m to $14.78m, confirming that Skellmax Industries has sound underlying businesses which produce positive operating cash flows.

Due to Viking Pacific retaining ownership of group assets for all but two weeks of the financial year and thus the majority of the profits earned being to their account, the directors have resolved that no dividend will be paid in 2002 in respect of the June 2002 year.

However, in the absence of unforeseen circumstances, as outlined in the prospectus, dividend payments will commence from April 2003 with the payment of an interim dividend for the June 2003 financial year. This is forecast to be 2.5 cents per share. The cash dividend for the full year to June 2003 is projected at 7 cents per share, with payment of 4.5 cents per share currently projected as a final dividend.

DIRECTORS

In accordance with clause 68 of the Company's constitution Mrs Elizabeth Coutts and Mr Leigh Davis will retire by rotation at the annual meeting and, being eligible, offers themselves for re-election.

GOVERNANCE

Skellmax Industries has established clear governance policies. Five of the Skellmax Industries board of six directors are independent directors. The main board and all board committees are chaired by independent directors.

The external auditors Ernst & Young provide no other consulting services to Skellmax other than general taxation advice. A separate accounting firm is being appointed to carry out internal audit and risk management services. Foreign exchange risk management advice is provided by an independent third party.

OUTLOOK

The new company is in very good heart and has had a pleasing start to the current financial year. The New Zealand and Australian economies are sustaining growth rates while international growth rates have yet to recover. Our group activities have a weighting towards consumable products that are required throughout all phases of economic cycles.

Our flexibility in manufacturing and the strength of our established brands are proving invaluable in the face of volatile market conditions. Based on the group's current performance, the board is confident that 2003 targets as set out in the prospectus remain achievable.

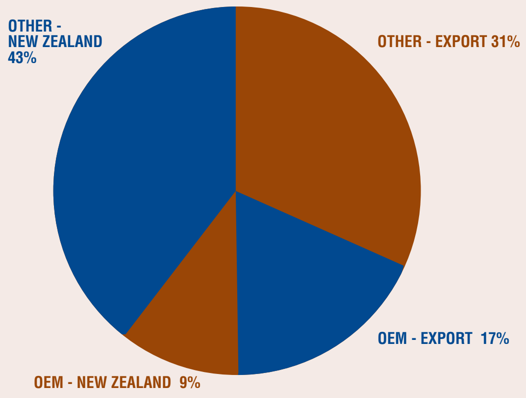
ANNUAL MEETING

The annual meeting this year will be held at 2.30 pm on 5 December 2002 at the Ellerslie Convention Centre, Ellerslie Racecourse, 80-100 Ascot Avenue, Auckland.

Our directors and executives are looking forward to meeting shareholders at the annual meeting, where I will update you on the progress of the company and the outlook for the current year.

Keith Smith
Chairman.

SKELLMAX INDUSTRIES REVENUE BY CUSTOMER TYPE



From an operational perspective the establishment of Skellmax Industries Limited was successfully achieved in the period under review.

It involved the transition of ownership from Viking Pacific Holdings Limited of the key entities that now make up Skellmax Industries Limited.

Integration of the related business units under the new group structure will provide worthwhile synergies and sustainable efficiency benefits.

The reported financial result contained in this Annual Report is for the nine days of trading between 18 June 2002 (acquisition date) and 30 June 2002 (balance date).

For that period, Skellmax Industries Limited achieved operating revenue of $4.68m. Earnings before interest and tax were $560,000. Interest required $76,000 and taxation $107,000, resulting in a net profit after tax of $377,000.

Pro-forma information relative to the full financial year ended on 30 June 2002 can be found in note 25 of the notes to and forming part of the Financial Statements on page 30.

On the assumption that Skellmax had been in existence for the full twelve months to 30 June 2002, it is appropriate to report that the new company produced growth in revenue, earnings and free cash flow from operating activities during the June year.

This was despite a slowdown within northern hemisphere economies, a rising New Zealand dollar relative to major currencies and the peaking of the domestic rural economic cycle.This growth is a reflection of our technological expertise and manufacturing flexibility supported by respected brands, strong relationships with leading Original Equipment Manufacturers ("OEMs") and the strength of our own distribution networks in New Zealand, Australia and the United States.

On an annualised pro-forma basis, earnings before interest, taxation and depreciation, amortisation (EBITDA) were $21.08m.

This compares favourably with the prospectus forecast of $20.87m and is 17.1% ahead of the pro-forma June 2001 result of $18.00m.

Depreciation required $1.87m, producing earnings before taxation (EBIT) of $19.2m.

This is $3m , or 19%, ahead of the corresponding pro-forma result for the 2001 year and $312,000 ahead of prospectus forecast.

The annualised pro-forma net profit after tax at $12.84m was 1% ahead of the prospectus forecast.

Cash flow from operating activities was $14.77m on a pro-forma basis compared with $12.84m as forecast in the prospectus.

Skellmax Industries is an international business, with operations in Australia, New Zealand and the United States deriving over 50% of its revenues from overseas markets, with more than half of that activity focused on the United States.

This reduces reliance on the domestic agricultural and industrial markets but raises the issue of the impact of changes in the value of the NZ dollar.

With our main manufacturing base located in New Zealand the importation of raw materials provides a partial hedge against currency fluctuations and this is supported by a hedging policy designed to mitigate the residual effects of any major currency fluctuations thereby protecting our overall profitability.

With regard to the outlook for the current financial year, management are conscious of the requirement that we deliver what was promised at the time of the prospectus.

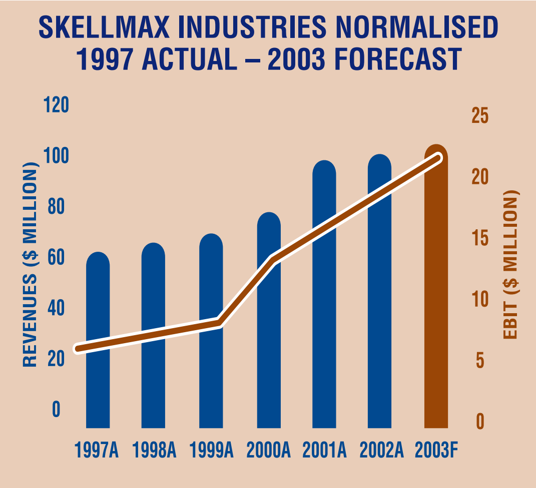
While there is general acceptance that major global economies together with the New Zealand economy are likely to experience flatter levels of growth in the immediate future, which may be seen as an impediment to our progress, in our key areas of expertise, we are currently attracting new business in excess of our original expectations.

Three months into the 2003 trading year, the indications are that we remain on target to achieve the EBIT forecast for the year to 30 June 2003 of $20.77m as set out in the prospectus.

Staff and management within the companies which have come together as part of Skellmax Industries have reacted positively to the creation of the new listed company and share an enthusiasm for the future prosperity of the new entity.

As a group, Skellmax Industries has over 450 employees. The directors and management are sincerely appreciative of their efforts during this period of change.

Donald Stewart
Managing Director



FORECASTS*

YEAR ENDING 30 JUNE 2003

EBIT	$20.8 million
Earnings Per Share	NZ 12.4c
Dividend	NZ 7.0c

* As stated in the Investment Statement and Prospectus dated 17 May 2002

For the year ended 30 June 2002, agricultural business activity accounted for 56% of the group's revenues and 66% of EBIT.

Skellerup Industries' agri-business unit services agricultural markets in New Zealand, North and South America, Europe, the United Kingdom and Australia. Skellerup manufactures and markets an extensive range of dairy rubberware, including milking machine teat cup liners, tubing and rubber accessories. Skellerup also markets a wide range of associated products to rural sector suppliers in New Zealand, including gumboots, workboots, calf feeding equipment and rotomoulded plastic water tanks and food standard containers.

In addition to the above, Flomax International, is a significant supplier to the international dairy industry. Flomax is a world leader in the manufacture of dairy vacuum pumps, centrifugal milk pumps, plate heat exchangers and diaphragm pumps.

Most of our dairy product range is of a consumable nature, insulated from economic cycles by the repetitive nature of dairying. In an industry where quality is paramount, the recommended replacement cycle for liners is every 2,500 cow milkings.

Furthermore, approximately 50% of our dairy-related revenues are derived from overseas markets. Accordingly, we consider this segment of our business activity unlikely to be adversely affected by the prospect of lower payouts to dairy farmers by New Zealand dairy companies.

Although Skellerup is the world's third largest manufacturer of dairy rubberware, with 12% of the market for teat cup liners, there are opportunities to improve our share of this market, which is estimated at 50 million liners per year.

The US was our largest market for dairy rubberware in 2002 predominantly through our 100% owned US subsidiary Skellerup USA.

Skellerup is now manufacturing in excess of 6 million liners annually, of which 60% are exported. Skellerup continues to attract new business, evidenced by a recent substantial

Skellerup's icon Red Band™ gumboots maintained market leadership.

export order for liners, which will result in a 10% volume increase in liner production.

In the vacuum pump dairy market, our growth also mirrors the growth strategies of the Original Equipment Manufacturers based overseas. Our relationship with OEMs continues to be of strategic importance.

We also expect aggregation trends in dairying, internationally and within New Zealand, to create demand for larger capacity dairy pumps including rotary lobe ('blower') pump technology, which is now part of our production following an acquisition in 2001.

Skellerup maintained the market leading position of its icon Red Band ™ and Perth™ dairy gumboots. Schoen workboots continue to hold market position and we have begun to sell the earthtec™ brand of socks manufactured by The New Zealand Sock Company. Skellerup continues to develop markets for its contract manufactured footwear through leading retailers in New Zealand, including those in the rural sector.

In the current year, we are working to ensure that we remain the supplier of choice to our customers and expand our share of both existing and emerging markets.

We are pursuing new export markets through contract manufacturing for existing distributors; extending the distribution network for our own brands and shortening our time-to-market for new products.

Skellerup offer the rural sector a compete range of water troughs in premium polyethylene.

Skellerup Rototanks, lightweight but durable and structurally strong, held their popularity in the rural sector.

Skellerup farming footwear includes the Schoen range of workboots.

Teat Cup liners are a leading consumable with sustainable demand.

Skellerup services a wide range of industrial end-users in New Zealand and overseas with rubber products.

DEC-K-ING™ decks are hard-wearing and low maintenance.

'Blower Pump' technology has growth potential.

The property construction market has produced demand for Skellerup waterproofing membranes.

For the year ended 30 June 2002, the industrial business activity of Skellmax Industries accounted for 44% of group revenues and 34% of EBIT.

The industrial business of Skellerup Industries distributes and manufactures specialised rubber materials and related products for industrial, mining and building end uses including conveyor belts, waterproofing membranes, rubber extrusions and mouldings, latex products and roofing materials. Through Ultralon Products, Skellerup is New Zealand's sole manufacturer of closed cell polyethylene and ethyl vinyl acetate foam, which is used in the sports and leisure industries as well as having many industrial applications.

The industrial business of Flomax International is mainly focused on the United States market, where we supply rotary vane vacuum pumps under the Masport brand name. It is the market leader in the manufacture and distribution of vacuum pumps installed on trucks operating in the liquid waste removal market.

Rubber products, for a diverse range of industrial and commercial uses, continues to be a dominant activity in which we hold a strong market share. Our in-house technical expertise provides significant opportunities for the provision of custom mouldings for specific market requirements.

We achieved acceptable initial growth in the sales of rotary lobe ('blower') pumps following an acquisition in the second half of the 2001 year. We believe that there is excellent growth potential in US industrial markets for this pump technology.

Skellerup's industrial activities have an excellent reputation for technical quality and we have experienced a very busy year. There are encouraging prospects for growth in industrial rubber products that require manufacturing expertise. A good example is the market for large rubber fenders.

The Resource Management Act continues to drive business to Skellerup, especially in the supply and installation of containment and retainment systems such as linings for agricultural, horticultural and viticultural pondings, waste management and mining projects. We have established a separate business unit in this activity to pursue anticipated growth over the current year.

The growth in both commercial and higher value residential construction has stimulated demand in the roofing and waterproofing division, which manufactures and distributes well-established brands of rubber membrane such as Butylclad™ roofing material and DECK-ING™ waterproof cladding. Increased consumer interest in product reliability is a potential generator of future growth.


Rubber covered conveyer belts are used in the fertiliser, mining and road aggregates sectors.

Skellerup is a market leader in the conveyor belt market in New Zealand, with growth coming from the fertiliser, mining, forestry and food industries. We are achieving sales of soft sheeting and mill linings to the industrial sector in New Zealand and are building a presence in the Australian mining industry for our separation screens, mill linings, rubber beltng, lifter bars and sheeting from offices in Brisbane and Perth. The key objective is to increase our market share in the Australian mining sector and to thus provide economies of scale for the manufacturing process.

Ultralon remains well positioned in the marine, industrial and leisure industries with good market acceptance for its range of products.

During the current year, both Skellerup and Flomax will actively pursue new manufacturing and supply business and their combination within Skellmax offers customers a single-source supplier of high-quality, critical components.

The Directors present the Annual report together with the financial statements of the Company and its subsidiaries for the period ended 30 June 2002.

Principal Activities

Skellmax Industries Limited (the Company) is a company listed on the New Zealand Stock Exchange, with group turnover in excess of NZ$100m. Skellmax is a specialist marketing, manufacturing, and distribution group servicing the agricultural and industrial markets in New Zealand, Australia, the United States and other export markets. It is the third largest manufacturer of dairy industry rubberware in the world, a manufacturer of vacuum pumps and associated equipment for the dairy industry and industrial markets.

Results

The reported financial result for the period under review was an after tax profit of $377,000. This covers the formative period of nine trading days between 18 June and balance date of 30 June 2002.

Acquisition

The Company came into existence on 18 June 2002 as a result of the acquisition from the Viking Pacific Holdings Limited group, of 100% of the shares of Skellerup Industries Limited, Ultralon Products (NZ) Limited, Batavian Rubber Co Limited, Skellerup Footwear Limited, Flomax International Limited and Skellerup Industrial Pty Limited.

Dividend

The period of the reported profit is for the formative period of the company. Accordingly, no dividend is payable for this period.

Auditors

In accordance with section 200 of the Companies Act 1993, the Auditors, Ernst & Young, continue in office.

Directors

Mrs Elizabeth Coutts and Mr Leigh Davis retire by rotation in accordance with the Company's constitution and being eligible offer themselves for re-election.

Directors holding office during the Year

Keith Smith (appointed 17 May 2002)
Elizabeth Coutts (appointed 17 May 2002)
Leigh Davis (appointed 17 May 2002)
Graham Fraser (appointed 17 May 2002)
Donald Stewart
Arthur Young (appointed 17 May 2002)
Andrew Powers (resigned 17 May 2002)

Remuneration of Directors

	Group 2002 $000	Parent 2002 $000
Keith Smith	13	13
Elizabeth Coutts	8	8
Leigh Davis	8	8
Graham Fraser	8	8
Donald Stewart	-	-
Arthur Young	8	8
	45	**45**

Statement of Directors' shareholdings

Directors held the following equity securities in the company:

	Beneficially Held 30/6/02	Held by Associated Persons 30/6/02
K.R. Smith	100,000	55,000
A.W. Young	-	30,000
E.M. Coutts	-	25,000
L.R. Davis	-	25,000
G.A. Fraser	-	25,000
D.J. Stewart	-	200,000

All the shares listed above were acquired at $1.15 a share at the time of the public offer and no other transactions have been entered into as at the date of this report. Note 29 contains details of the directors' option scheme.

Keith Smith
Chairman

Donald Stewart
Managing Director
2 September 2002.

The board of directors has estabished corporate governance policies for the company and confirms the following principles:

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 establishes the strategic direction and objectives of the company and sets the policy framework within which the company will operate. The board appoints the Managing Director, to whom the board delegates appropriate authority for the day-to-day management of the company, and monitors management's performance on a regular basis.

BOARD SIZE AND STRUCTURE

The current policy is that the board will comprise five non-executive 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 is 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. 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.

BOARD COMMITTEES

The board has the following standing committees. Special project committees are formed as required.

AUDIT AND RISK MANAGEMENT COMMITTEE

Comprises three non-executive directors, one of whom is appointed as chairman. The committee meets a minimum of three times each year, the Managing Director and the Chief Financial Officer attend by invitation, as do the external auditors and the internal risk management auditors.

The committee's responsibilities are to ensure that adequate internal and 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.

REMUNERATION COMMITTEE

Comprises three non-executive directors and meets as required to review the remuneration packages of the managing director and the group of managers reporting directly to the managing director.

Remuneration packages are reviewed annually, and independent external surveys are used as a basis for establishing competitive packages.

The current composition of the committee is Keith Smith (Chairman), Leigh Davis and Arthur Young.

ORGANISATIONAL STRUCTURE

The board has delegated to the Manging Director the conduct of the day-to-day affairs and management responsibilities of the company.

The business of the company is organised into clearly defined operating divisions under the management of profit-responsible divisional managers supporting the chief executive. The financial progress of each operating division is separately reported to the board each month to facilitate monitoring the health of each business before consolidation.

Capital expenditure delegation is limited and clearly defined within a board-approved annual budget. Capital expenditure 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 participates in the development of long-term strategic plans, approves budgets and monitors performance monthly.

The board ensures that recommendations made by the external auditors and other independent advisers are critically evaluated and, where appropriate, applied, and that 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 through the annual and interim reports. Any material matter affecting the company during the intervening period is immediately reported to the New Zealand Stock Exchange.

The board encourages full participation by shareholders at the annual meeting to ensure a high level of accountability.

Skellmax Industries Limited

(formerly Viking Footwear Limited)

FINANCIAL STATEMENTS and STATUTORY INFORMATION

ERNST & YOUNG ■ Chartered Accountants

To the Shareholders of Skellmax Industries Limited (formerly Viking Footwear Limited)

We have audited the financial statements on pages 16 to 31. The financial statements provide information about the past financial performance of the company and group and their financial position as at 30 June 2002. This information is stated in accordance with the accounting policies set out on pages 19 to 21.

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 2002 and of the company's financial performance and cash flows for the year ended on that date, and of the group's financial performance and cash flows for the period since inception, being 18 to 30 June 2002 inclusive.

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.

Other than in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries.

Unqualified Opinion
We have obtained all the information and explanations we have required.
In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 16 to 31.
  - 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 2002 and the company's financial performance and cash flows for the year ended on that date, and the group's financial performance and cash flows for the period since inception, being 18 to 30 June 2002 inclusive.

Our audit was completed on 2 September 2002 and our unqualified opinion is expressed as at that date.

Ernst & Young

Auckland

DIRECTORY

Registered Office

Skellmax Industries Limited
First Floor, 459 Ellerslie-Panmure Highway
Mt Wellington
PO Box 14-537
Panmure, Auckland

Phone 09 571 1208
Facsimile 09 571 5896

Board of Directors

K. R. Smith B.Com F.C.A.
Chairman

A. W. Young LL.B
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

Chief Financial Officer and Company Secretary

J. H. Greenwood B.Com F.C.A.

Auditor

Ernst & Young
41 Shortland Street
Auckland

Legal Advisors

Chapman Tripp
23-29 Albert Street
Auckland

Bankers

The National Bank of New Zealand Limited
33 Lorne Street
Auckland

Share Registrar

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

Lyttleton Port Company's new tug 'Blackadder' with Skellerup fenders.

Registered Office

Skellmax Industries Limited
First Floor, 459 Ellerslie-Panmure Highway
Mt Wellington
PO Box 14-537
Panmure, Auckland

Phone 09 571 1208
Facsimile 09 571 5896

STATEMENT OF FINANCIAL PERFORMANCE

For the period ended 30 June

	Note	Group 9 Days 2002 $000	Group 2001 $000	Parent 12 Months 2002 $000	Parent 12 Months 2001 $000
Revenue					
Continuing activities	**2**	4,678	-	160	-
Operating Surplus Before Interest and Tax from continuing activities		560	-	78	-
		560	-	78	-
Interest		76	-	79	-
Operating Surplus/(Deficit) before Tax	**3**	484	-	(1)	-
Income Tax	**5**	107	-	-	-
Operating Surplus/(Deficit) after Tax		377	-	(1)	-
Net Surplus/(Deficit) Attributable to the Shareholders of the Parent Company		377	-	(1)	-

The accompanying notes form part of these financial statements

STATEMENT OF MOVEMENTS IN EQUITY

For the period ended 30 June

	Note	Group 9 Days 2002 $000	Group 2001 $000	Parent 12 Months 2002 $000	Parent 12 Months 2001 $000
Equity at the beginning of the period		715	-	715	715
Net surplus/(deficit) :		377	-	(1)	-
Total recognised revenues and expenses		377	-	(1)	-
Distributions to owners - Share repurchase		(98,367)	-	(98,367)	-
Contributions from owners					
- Ordinary shares issued during the year		115,000	-	115,000	-
Equity as at 30 June	**8**	17,725	-	17,347	715

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2002

	Note	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Total Equity	**8**	17,725	-	17,347	715
Current Assets					
Cash		3,882	-	-	1
Receivables and prepayments	**10**	19,424	-	301	-
Inventories	**11**	19,649	-	-	-
Total Current Assets		42,955	-	301	1
Non-Current Assets					
Property, plant and equipment	**12**	21,596	-	3	-
Investments & advances	**13**	-	-	47,348	714
Total Non-Current Assets		21,596	-	47,351	714
Total Assets		64,551	-	47,652	715
Current Liabilities					
Bank overdraft	**15**	-	-	100	-
Payables	**16**	16,826	-	205	-
Current portion of term liabilities		-	-	-	-
Total Current Liabilities		16,826	-	305	-
Non-Current Liabilities					
Term liabilities	**17**	30,000	-	30,000	-
Total Non-Current Liabilities		30,000	-	30,000	-
Total Liabilities		46,826	-	30,305	-
Net Assets		17,725	-	17,347	715

For and on behalf of the Board:

Director

K.R. Smith

Date: 2 / 9 / 02

Director

D.J. Stewart

Date: 2 / 9 / 02

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

For the period ended 30 June

	Note	Group 9 Days 2002 $000	Group 2001 $000	Parent 12 Months 2002 $000	Parent 12 Months 2001 $000
Cash Flows from Operating Activities					
Cash was provided from:					
- Receipts from customers		4,568	-	-	-
- Interest Received		-	-	-	-
- Other		-	-	41	-
		4,568	-	41	-
Cash was disbursed to:					
- Payments to suppliers and employees		(3,619)	-	(141)	-
- Interest		(60)	-		-
- Rent		(106)	-		-
- Tax paid (including GST)		(1,887)	-		-
		(5,672)	-	(141)	-
Net Cash Outflow from Operating Activities	**23**	(1,104)	-	(100)	-
Cash Flows from Investing Activities					
Cash was provided from:					
- Sale of property, plant and equipment		9	-	-	-
		9	-	-	-
Cash was disbursed to:					
- Purchase of property, plant and equipment		(19)	-	-	-
- Purchase of investments		(46,633)	-	(46,633)	-
		(46,652)	-	(46,633)	-
Net Cash Outflow from Investing Activities		(46,643)	-	(46,633)	-
Cash Flows from Financing Activities					
Cash was provided from:					
- Draw down of term facility		30,000	-	30,000	-
- Proceeds of share issue		115,000	-	115,000	-
		145,000	-	145,000	-
Cash was disbursed to:					
- Repurchase of shares from Viking Pacific Holdings Limited		(98,367)	-	(98,367)	-
Net Cash Inflow from Financing Activities		46,633	-	46,633	-
Effect of exchange rate changes		(18)	-	-	-
Net Decrease in Cash Held		(1,132)	-	(100)	-
Add opening cash brought forward		5,014	-	-	
Ending Cash Carried Forward		3,882	-	(100)	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

Reporting Entity
Skellmax Industries Limited (the "Company") (formerly Viking Footwear Limited) is a company registered under the Companies Act 1993 and listed on the New Zealand Stock 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 a 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	3 to 20 years
• Furniture, fittings and other	5 to 10 years

c) Impairment
If the recoverable amount of a 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.

d) Receivables
Receivables are stated at their estimated realisable value.

e) 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.

1. Statement of Accounting Policies (Cont...)

f) 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.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using various methods including specific identification, average cost, first in - first out and standard cost basis.

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.

h) 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.

i) 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.

j) 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 others' 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.

1. Statement of Accounting Policies (Cont...)

k) 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.

l) 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.

Comparatives
The Group came into existence on 18 June 2002 as a result of the acquisition of subsidiaries by the Company, as detailed in Note 14. Therefore, all comparative figures for the Group are nil. Group results are for the period from 18 June 2002 to 30 June 2002 inclusive.

2. Operating Revenue

For the period ended 30 June

	Note	Group 9 Days 2002 $000	Group 2001	Parent 12 Months 2002 $000	Parent 12 Months 2001 $000
Sales		4,667	-	-	-
Rent Revenue		8	-	-	-
Interest Revenue		3	-	-	-
Management Fees		-	-	160	-
Total Operating Revenue		4,678	-	160	-

3. Operating Surplus/(Deficit) Before Taxation, After Charging:

For the period ended 30 June

	Note	Group 9 Days 2002 $000	Group 2001 $000	Parent 12 Months 2002 $000	Parent 12 Months 2001 $000
Change in provision for doubtful debts		(7)	-	-	-
Foreign currency gains		(5)	-	-	-
Interest expense and similar charges		79	-	79	-
Rental and operating lease costs		106	-	-	-
Directors fees		45	-	45	-
Research & development costs		1	-	-	-
Depreciation:					
- Freehold Buildings		1	-	-	-
- Plant & Equipment		57	-	-	-
- Furniture & Fittings and Other		16	-	-	-
		74	-	-	-

4. Auditor's Remuneration
For the period ended 30 June

	Note	Group 9 Days 2002 $000	Group 2001 $000	Parent 12 Months 2002 $000	Parent 12 Months 2001 $000
Amounts paid or due and payable to auditors for:					
Auditing the financial statements					
- Parent Company auditor		83	-	-	-
- Other auditors		24	-	-	-
		107	-	-	-

5. Income Tax Expense
For the period ended 30 June

	Note	Group 9 Days 2002 $000	Group 2001 $000	Parent 12 Months 2002 $000	Parent 12 Months 2001 $000
Operating surplus/(deficit) before tax		484	-	(1)	-
Prima facie tax		160	-	-	-
Add tax effect of permanent differences		3	-	-	-
		163	-	-	-
Less tax effect of timing differences		(56)	-	-	-
Tax expense		107	-	-	-
The tax charge is represented by:					
Current tax		107	-	-	-
Deferred tax		-	-	-	-
		107	-	-	-

The Group has asset depreciation and other timing differences through the consolidation of the subsidiary companies, which give rise to a $2,843,000 net deferred tax asset. This asset has not been recognised in accordance with accounting policy as there is no certainty of realisation.

6. Imputation Credit Account
For the period ended 30 June

	Note	Group 9 Days 2002 $000	Group 2001 $000	Parent 12 Months 2002 $000	Parent 12 Months 2001 $000
At balance date the imputation credits available to the shareholders of the parent company were through direct shareholdings in the subsidiaries		615	-	-	-
		615	-	-	-

7. Share Capital

Ordinary Shares	Note	Group and Parent 2002 $000	Group and Parent 2001 $000
Opening Balance		10	10
Shares Issued (100,000,000 shares)		115,000	-
Repurchase of shares from Viking Pacific Holdings Ltd		(98,367)	-
Closing Balance	**8**	16,643	10

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

On the 18 June 2002 following an initial public offering, pursuant to the Skellmax Industries Limited Investment Statement and Prospectus registered on 17 May 2002, 100,000,000 ordinary shares at $1.15 per share were listed on the New Zealand Stock Exchange. The share offer was fully subscribed.

On the 18 June 2002 the Company repurchased 100% of those of its shares held by Viking Pacific Holdings Limited for a consideration of $98,367,000.

The Company has issued a total of 3,000,000 share options under the Directors' Option Scheme 2002 and the Senior Management Option Scheme 2002 referred to in Note 26. Each option entitles the participant to subscribe for one ordinary share.

8. Equity

	Note	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Share capital	**7**	16,643	-	16,643	10
Retained earnings/(losses)	**9**	1,082	-	704	705
Total Equity		17,725	-	17,347	715

9. Retained Earnings

	Note	Group 9 Days 2002 $000	Group 2001 $000	Parent 12 Months 2002 $000	Parent 12 Months 2001 $000
Balance at beginning of period		705	-	705	705
Net surplus/(deficit) attributable to the shareholders of the parent company		377	-	(1)	-
Balance as at end of the period	**8**	1,082	-	704	705

10. Receivables and Prepayments

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Trade receivables	19,047	-	-	-
Less: Doubtful debt provision	(677)	-	-	-
Net Trade receivables	18,370	-	-	-
GST recoverable	24	-	-	-
Prepayments	1,030	-	121	-
Inter-company receivables	-	-	180	-
	19,424	-	301	-

11. Inventories

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Raw materials	5,631	-	-	-
Work in progress	2,005	-	-	-
Finished goods	12,013	-	-	-
	19,649	-	-	-

Certain inventories are subject to retention of title clauses.

12. Property, Plant and Equipment

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Freehold land (at cost)	175	-	-	-
Freehold buildings (at cost)	1,747	-	-	-
Accumulated depreciation	(115)	-	-	-
	1,632	-	-	-
Plant and equipment	24,261	-	-	-
Accumulated depreciation	(5,527)	-	-	-
	18,734	-	-	-
Furniture, fittings and other	2,791	-	3	-
Accumulated depreciation	(1,736)	-	-	-
	1,055	-	-	-
Total fixed assets	21,596	-	3	-

13. Investments and Advances

	Note	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Investments in subsidiaries	**14**	-	-	46,633	-
Inter-company advance		-	-	715	714
		-	-	47,348	714

	Percent 2002	Held 2001		Date Balance
Significant Subsidiaries:				
Skellerup Industries Limited	100%	-		30 June
Ultralon Products (NZ) Limited	100%	-		30 June
Batavian Rubber Co Limited	100%	-		30 June
Skellerup Footwear Limited	100%	-		30 June
Flomax International Limited	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.

14. Acquisition of Subsidiaries

On 18 June 2002 as part of a group reconstruction, the Company acquired from its parent company at that time, Viking Pacific Holdings Limited, 100% of the shares of the Significant Subsidiaries listed under *Note 13 Investments and Advances*. The results of their operations for the period 18 June 2002 to 30 June 2002 inclusive have been included in the consolidated Statement of Financial Performance for the period ended 30 June 2002.

Details of the acquisition are as follows: **Consideration**	**$000**	**$000**
Shares		**46,633**
Net assets acquired:		
Cash	2,702	
Current Assets	39,595	
Current Liabilities	(17,606)	
Property, Plant and Equipment	21,942	
		46,633

15. Bank Overdraft

Note	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Bank overdraft	-	-	100	-

The bank overdraft is subject to a deed of charge and guarantee in favour of the Group's bankers.
The average interest rate in 2002 was 9.7% per annum.
Group and subsidiary bank accounts operated within the overall bank facility are subject to a right of set off.

16. Payables

Note	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Current				
Accounts payable - trade	6,877	-	-	-
Sundry payables and accruals	7,300	-	185	-
Employee entitlements	1,506	-	-	-
GST payable	230	-	20	-
Tax payable	913	-	-	-
			-	-
	16,826	-	205	-

17. Term Liabilities

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Bank loans (secured)	30,000	-	30,000	-
Total term liabilities	30,000	-	30,000	-

The bank loan is secured by floating charges and guarantees over the assets of the Company and the Group. The bank loan is repayable on 30 September 2004. 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 7.41%.

18. Contingent Liabilities

	Note	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Letters of Credit		1,543	-	-	-

19. Commitments

(a) Capital Commitments

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Estimated capital expenditure contracted for at balance date but not provided for	321	-	-	-

(b) Operating Lease Commitments

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Lease commitments under non cancellable operating leases:				
- Not later than one year	1,918	-	-	-
- Later than one year and not later than two years	1,854	-	-	-
- Later than two years and not later than five years	2,852	-	-	-
- Later than five years	2,075	-	-	-
	8,699	-	-	-

20. Transactions with Related Parties

Mr Young is a partner at Chapman Tripp Sheffield Young, the parent company's legal advisors. Chapman Tripp Sheffield Young have not received any fees during the year.
Other than disclosed elsewhere there have been no other transactions with related parties.

21. Earnings per Share

	Group 2002	Group 2001
Earnings per share (cents)	0.377	-

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 9 trading days of June 2002.

22. Financial Instruments

Credit Risk

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

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.

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 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Bank balances	3,882	-	(100)	-
Receivables	19,424	-	180	-
Forward exchange contracts	18,535	-	-	-
Financial guarantees	1,543	-	-	-
	43,384	-	80	-

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 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 during the year ending 30 June 2003 to purchase the net equivalent of NZ$18,535,000 in foreign currency.

Also the Group held currency options under a Put Option for NZ$6,311,000 and a Call Option for NZ$5,814,000 which was exercised on 5 July 2002.

Unhedged Foreign Currency Monetary Assets and Liabilities

Unhedged foreign currency monetary assets less liabilities are NZ$8,787,000. These net assets consist primarily of trade receivables, inventory, trade creditors, cash and non current assets as follows:

$000	**$USD**	*$NZD*	**$AUD**	*$NZD*
Current Assets	5,342	*10,969*	2,377	*2,553*
Current Liabilities	894	*2,197*	3,155	*3,654*
Non Current Assets	410	*626*	423	*490*

Interest Rate Risk

The Group is exposed to interest rate risk on its borrowings. The risk is managed by entering into financial instruments (e.g. forward rate agreements, swaps and or options).

At balance date the Group had forward rate agreements of $15 million (2001 Nil) fixed at an average of 7.40%, maturing on 1 July 2003.

Credit Facilities

The Group has total credit facilities of $ 32 million. $30 million of this facility was drawn down by the Group at 30 June 2002.

Fair Values

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

	Carrying Amount 2002 $000	Fair Value 2002 $000	Carrying Amount 2001 $000	Fair Value 2001 $000
Group				
Term liabilities	30,000	30,000	-	-
Forward rate agreements ($15M)	-	(21)	-	-
Foreign exchange contracts	-	1,344	-	-
Foreign currency options	-	695	-	-
Parent				
Term liabilities	30,000	30,000	-	-
Forward rate agreements ($15M)	-	(21)	-	-
Foreign currency options	-	695	-	-

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

Term Liabilities
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
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 Forward Exchange Contracts
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 financial instruments, that are subject to interest rate risk, re-price.

	Effective Interest Rate	Total $000	6 mths or less $000	Between 6-12 mths $000	Between 1-2 yrs $000	Between 2-5 yrs $000	Greater Than 5 yrs $000
Liabilities							
Bank Loan	7.4%	30,000			30,000		
Unrecognised							
Forward rate agreements	7.4%	15,000		15,000			
Total				**15,000**	**30,000**	**-**	**-**

23. Reconciliation of Net Surplus After Tax with Cash Inflow / (Outflow) from Operating Activities

For the period ended 30 June Note	Group 9 Days 2002 $000	Group 2001 $000	Parent 12 Months 2002 $000	Parent 12 Months 2001 $000
Reported surplus/(deficit) after tax:	377	-	(1)	-
Add/(subtract) non cash items and non operating items:				
- depreciation	74	-	-	-
- provision movement	(27)	-	-	-
- other	53	-	-	-
Non Cash Items	477	-	-	-
Net Movement in Working Capital	(1,581)	-	(99)	-
Net cash inflow/(outflow) from operating activities	(1,104)	-	(100)	-

24. Segment Information

The Group operated in two industry segments and two geographical segments in the period ended 30 June 2002. Segment results are as follows. There are no comparative figures since the Group was only formed on the 18th June 2002. Revenue and Operating Surplus reported are for the 9 trading days of June 2002.

(a) Industry Segments

	Agricultural $000 2002	Industrial $000 2002	Elimination $000 2002	Consolidated $000 2002
Sales to customers	2,544	2,131	-	4,675
Intersegment sales	341	327	(668)	-
Unallocated revenue	-	-	-	3
Total Revenue	2,885	2,458	(668)	4,678
Segment Result	379	181	-	560
Unallocated expense & tax	-	-	-	(183)
Operating Surplus	-	-	-	377
Segment Assets	33,743	31,013	(329)	64,427
Unallocated	-	-	-	124
Total Assets	-	-	-	64,551

The Agricultural segment manufactures and distributes dairy rubberware, related rural products and dairy vacuum equipment for the global agricultural 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 and the US. Subsidiaries within the Group carried out their activities approximately as follows:

	Inside N.Z. $000 2002	Outside N.Z. $000 2002	Elimination $000 2002	Consolidated $000 2002
Sales to customers	3,123	1,552	-	4,675
Intersegment sales	668	-	(668)	-
Unallocated revenue	-	-	-	3
Total Revenue	3,791	1,552	(668)	4,678
Segment Result	498	62	-	560
Unallocated expense & tax	-	-	-	(183)
Operating Surplus	-	-	-	377
Segment Assets	49,875	14,881	(329)	64,427
Unallocated assets				124
Total Assets				64,551

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

25. Prospectus Financial Information

	Group Proforma 1/7/01 to 17/6/02 $000	Group Actual 18/6/02 to 30/6/02 $000	Group Proforma 12 Months Total 2002 $000	Proforma Prospectus Forecast June 2002 $000
STATEMENT OF FINANCIAL PERFORMANCE				
Operating Revenue	98,648	4,678	103,326	100,674
EBITDA	20,452	634	21,086	20,873
Depreciation	1,800	74	1,874	1,973
EBIT	18,652	560	19,212	18,900
Interest	(73)	76	3	(74)
Surplus Before Tax	18,725	484	19,209	18,974
Tax	6,260	107	6,367	6,261
Surplus After Tax	**12,465**	**377**	**12,842**	**12,713**
Pre-acquisition profit attributable to Viking Pacific Holdings Ltd	12,465	-	12,465	12,513
Profit attributable to Skellmax Industries Ltd	-	377	377	200
STATEMENT OF FINANCIAL POSITION				
Cash		3,882	3,882	2,702
Current Assets		39,073	39,073	41,365
Property, Plant and Equipment		21,596	21,596	21,942
Total Assets		**64,551**	**64,551**	**66,009**
Current Liabilities		16,826	16,826	17,606
Borrowings		30,000	30,000	30,000
Total Liabilities		**46,826**	**46,826**	**47,606**
Net Assets		**17,725**	**17,725**	**18,403**
Total Equity		**17,725**	**17,725**	**18,403**
STATEMENT OF MOVEMENTS IN EQUITY				
Total equity brought forward		715		53,175
Current year earnings		377		200
Movement in reserves		-		(953)
Shares issued		115,000		115,000
Less: Distributions to shareholders		98,367		100,616
Net assets of business purchased		-		48,403
Total Equity Carried Forward		**17,725**		**18,403**
STATEMENT OF CASH FLOWS				
Operating activities	15,880	(1,104)	14,776	12,844
Investing activities		(1,673)	(46,643)	(48,316)
(1,936)				
Financing activities	(15,200)	46,633	31,433	(14,660)
Effect of exchange rate changes	-	(18)	(18)	-
Net Increase/(Decrease) in Cash Held	**(993)**	**(1,132)**	**(2,125)**	**(3,752)**

Turnover was 2.6% above the Proforma Prospectus Forecast due to a strong June trading month. This result also reflected in EBITDA reporting a favourable position compared to the Proforma Prospectus Forecast.

Net Assets were 3.7% below the Proforma Prospectus Forecast due to the negative impact of translating foreign subsidiaries' assets and liabilities at a higher foreign exchange rate at 30 June 2002, than that used in the Proforma Prospectus Forecast.

The accompanying notes form part of these financial statements

26. Share Option Schemes

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 2003, 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.

Issue Date — Number of Share Options	Directors Options	Management Options	Total
26 June 2002	1,000,000	2,000,000	3,000,000
Exercise Dates			
18 September 2005	333,333	666,667	1,000,000
18 September 2008	333,333	666,667	1,000,000
18 September 2011	333,334	666,666	1,000,000
	1,000,000	2,000,000	3,000,000

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

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

27. Significant Events After Balance Date

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

SHAREHOLDER INFORMATION

Substantial Security Holders

Pursuant to Section 26 of the Securities Amendment Act 1988, the substantial security holders as at 9 October 2002 were as follows:

	Ordinary Shares
AXA Asia Pacific Holdings Limited	8,210,000 (8.21%)

Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at 9 October 2002 were:

Holder	Ordinary Shares	%
Westpac Banking Corporation - Client Assets No 2	8,504,300	8.50
Accident Compensation Corporation	4,000,000	4.00
The Trustees Executors and Agency Company of New Zealand	2,600,000	2.60
National Nominees New Zealand Limited	2,501,333	2.50
Forbar Custodians Limited	2,432,200	2.43
Custodial Services Limited	2,109,150	2.11
Custodial Services Limited	1,711,900	1.71
Custody And Investment Nominees Limited	1,515,526	1.52
Citibank Nominees (New Zealand) Limited	1,200,000	1.20
Peter Hanbury Masfen & Joanna Alison Masfen	1,000,000	1.00
Robert Famularo	800,000	0.80
Hendry Nominees Limited	665,500	0.67
First NZ Securities Nominees Limited	611,000	0.61
Peter Edward Francis	600,000	0.60
The National Mutual Life Association Of Australia Limited A/C	591,700	0.59
ABN AMRO Equities NZ Ltd	500,000	0.50
Leveraged Equities Custodians Limited	457,950	0.46
Custodial Services Limited	421,000	0.42
Public Nominess Limited - BNZ Wholesale Active NZ Equity Trust	358,700	0.36
Watt Land Company Limited	350,000	0.35
	32,930,259	**32.93**

As at 9 October 2002, Skellmax Industries Limited had 100,000,000 fully paid ordinary shares on issue.

Distribution of Shareholding as at 9 October 2002

Size of Shareholding	Total Shares Held %
1 - 4,999	6.95
5000 - 9,999	11.09
10,000 - 49,999	32.90
50,000 - 99,999	7.03
100,000 - 999,999	14.46
1,000,000 plus	27.57
TOTAL	**100.00**