SKELLMAX INDUSTRIES LIMITED

ANNUAL REPORT 2004

Contents.

INTRODUCING SKELLMAX

Skellmax Industries Limited is a marketing, manufacturing and distribution group supplying rubber products, vacuum pumps and other related lines to agricultural and industrial markets in New Zealand, Australia, North America and other international markets.

Listed on the NZ Stock Exchange, Skellmax was formed in May 2002 to return to public ownership two businesses with a proud history in New Zealand, Skellerup and Flomax, whose origins both separately date back to 1910.

Both have a rich tradition of manufacturing products for New Zealand's rural sector. Skellerup Blue line milking machine liners and tubing and Redband gumboots are household brands, while Flomax vacuum pumps equip many dairy milking sheds in New Zealand.

Through the years both companies have also diversified far beyond their original rural base, applying their technical and innovative skills to developing an increasing array of industrial products for niche markets in all sorts of industries – building, mining, materials handling, forestry, fishing, liquid waste management and environmental protection.

Similarly, both companies have expanded beyond their strong New Zealand base, developing significant export markets for their products, supplying mainstream and niche customers globally.

Today Skellmax is the third largest manufacturer of dairy rubberware in the world; it is also one of the world's largest manufacturers of polymer flashings for the building industry; and it is a major supplier of vacuum pumps to the American mobile liquid waste removal industry.

Group activities are structured into two divisions, Agri and Industrial, each contributing approximately half of group revenues.

Group operations are located in Auckland, Hamilton, Featherston and Christchurch; Melbourne, Brisbane and Perth in Australia; Randolph, New York State, and Lincoln, Nebraska, in the USA: Bristol in the UK; and, most recently, Baochang, China.

Highlights of the year

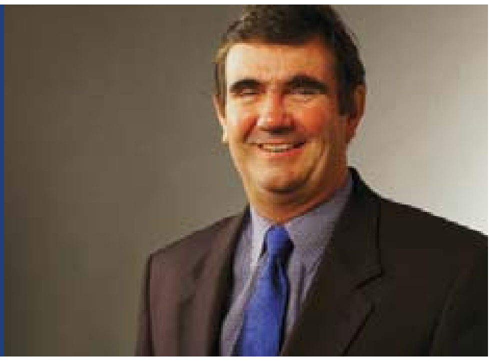
In the year ended 30 June 2004 Skellmax Industries Limited achieved:

- Successful integration of three new acquisitions
- Completion of a new production facility in China
- Record revenues of $106 million, 10.5% above last year
- Gross earnings of $22.4 million, 1.5% below last year
- A full year dividend of 7 cents, the same as last year

FINANCIAL RESULTS SUMMARY

YEAR TO 30 JUNE NZ$	2004 $000	2003 $000	% CHANGE
Operating Revenue	106,361	96,242	10.5
EBITDA	22,366	22,701	-1.5
EBIT	19,550	20,708	-5.6
Surplus before tax	17,794	18,575	-4.2
Taxation	6,221	5,983	4.0
Surplus after tax	11,573	12,592	-8.1
Total Assets	78,147	62,552	24.9
Total Liabilities	49,777	36,609	36.0
Net Assets	28,370	25,943	9.4
Earnings per share	11.54c	12.56c	-8.1
Dividend per share (full year)	7.0c	7.0c	0.0

Investing in our future growth



Dear Skellmax Shareholders

On behalf of your Board of Directors, I am pleased to report that the Company has made good progress with the implementation of our growth strategy during the year ended 30 June 2004, while also producing a positive result despite unpredictable trading conditions at times during the year.

Looking first at the key financial results, Group revenue rose 10.5% over the previous year to reach a record $106.36 million. This growth included revenue from two of the acquisitions made during the year. On a like-for-like basis, Group revenue was 6% higher than that achieved in 2003.

However, due to adverse exchange rate movements, earnings before interest, tax, depreciation and amortisation (EBITDA) of $22.36 million were down 1.5% on last year.

With the acquisitions undertaken during the year, depreciation and amortisation, which do not impact cash flow, rose 41%. In addition taxation increased 4%.

Consequently, net profit after tax was reduced to $11.57 million, which was 8.1% below last year's figure of $12.59 million.

During the year the Group's total assets rose 24.9% to $78.15 million, which reflects the acquisitions and China development undertaken by the Company in this period. With that expansion, liabilities also increased to $49.78 million, leaving net assets of $28.37 million, which represents an increase of 9.4% on the previous year.

Full year benefits from our acquisitions and new factory in China will enhance earnings in the current financial year, as well as providing continuing, long term benefits.

DIVIDEND

Your Directors have declared a fully imputed dividend of four cents per share, which will be payable on 15 October 2004 to shareholders registered as at 5 pm on 8 October 2004. An earlier dividend of three cents per share was paid in April 2004, making the total dividend for the year seven cents per share, the same as last year.

EXPANDING NICHE MARKETS

In previous reports to shareholders I have indicated that we are market leaders in a variety of product categories within the domestic New Zealand economy, as well as holding strong positions within Australia, the United States and some other global markets. Many of our brands are household names throughout New Zealand, and have been for many years - for instance, Skellerup will next year celebrate 60 years of supplying Red Band gumboots to New Zealanders. Today many of our more recently established brands are now also gaining increasing recognition in their respective markets world wide.

Since listing two years ago your Board and senior management team have put in place an on-going, strategic review of all our operations, and this process has confirmed potential for progressive, organic growth within virtually all our businesses. It has also confirmed that, in today's global economy, we must continually strive to remain internationally competitive, and to stay at the forefront of technology, if we are to continue to best meet the constantly evolving, and more demanding needs of our present and potential customers.

POSITIVE GROWTH STRATEGY

Rather than just waiting for organic growth to happen, we have adopted a growth strategy which also incorporates expanding our operations by acquisition and, when appropriate, by establishing our own new production and distribution facilities.

Our acquisition strategy incorporates a rigorous process for evaluating expansion opportunities, not just in terms of prudent financial evaluation and controls, but also in terms of being able to integrate and manage those new operations successfully. So the focus is on core or niche business areas we know well, where our people have the expertise to be able to add extra value, or to gain synergistic benefits.

New China plant

During the year we completed three acquisitions, and I'm pleased to note that all three are contributing to the Company in line with expectations. Towards year end, we also successfully commenced commercial production from our new factory in China, which will allow us to manufacture products previously sourced from other suppliers, as well as to further expand our range with products which are not economic to manufacture in New Zealand.

In time, this new facility will help open doors to significant new international markets.

Together, these developments represent an investment of almost $12 million, as well as managerial time and associated resources, in the growth of the Company. But they are also investments which will augment our earnings in the future.

Further details of these developments can be found in the operating review section of this report, along with specifics on operational performance by our divisions and their future outlook.

IMPROVED EARNINGS EXPECTED

As can be seen from that material, we believe our divisions are well placed to continue building on their present markets, while also capitalising on new opportunities as they arise. Barring any unexpected changes in the New Zealand, Australian or international economies we serve, we anticipate enhanced earnings in the current financial year, reflecting not only improvements from our core traditional activities but, in addition, full year earnings from recent acquisitions and other initiatives.

STAFF

Finally, I would like to thank all our Group employees for their commitment and hard work during the year. Skellmax is indeed fortunate to have a very loyal team of experienced people with the technical expertise and know-how to help drive our forward vision.

My fellow Directors and I look forward to meeting as many shareholders as possible at the Annual Meeting in Auckland on 27 October 2004.

Keith Smith
Chairman

Building on new opportunities

In a year notable for challenging, new opportunities, Skellmax Industries and its subsidiary companies achieved another solid operating result in the 12 months ended 30 June 2004, while also strengthening the foundations of our Group's growth strategy.

We researched, acquired and successfully integrated three additional operations, which in future will strengthen our market position throughout Australasia and beyond.

In addition, by year end, we were running commercial production from a new plant in China, where lower production costs will help to open the door to other, wider global markets.

The past year could be characterised as one of putting in place the building blocks for future expansion, while also strengthening our existing operations.

Those operations experienced continuing demand for our diverse range of products, and when combined with our acquisitions achieved a 10.5% increase in sales revenue over last year to reach $106.36 million.

Our Industrial Division performed particularly well, with sales increasing 23.4% from the previous year to a record high of $54.83 million. That growth includes seven months of trading from Deks Industries Pty Ltd, a Melbourne-based rubber manufacturer, which was acquired from 1 December 2003, serving the Australian market, as well as export customers in the USA and Europe.

Industrial earnings before interest and tax (EBIT) improved to $7.81 million, 3.9% ahead of last year.

Our Agri Division sales were down 0.4% at $51.29 million due to adverse currency exchange rates, which also reduced EBIT 5.2% to $12.92 million.

As indicated in our Half Year Report, the first six months saw softer conditions in the New Zealand dairy industry, where local demand was hit by the sharply higher New Zealand dollar reducing US dollar export returns for dairy farmers. Second half sales improved, and continue to improve, reflecting better commodity prices for exporters, renewed confidence in the rural sector and better than expected 2003-04 dairy payout.

Currency exchange rates had an impact on our export earnings during the year under review. The rise in the value of the NZ dollar had the effect of reducing profit after tax by approximately $600,000. Our group is fortunate in having to some degree a natural hedge against adverse currency movements, as in addition to our US Dollar export sales we also import materials and products in the same currency. Going forward we have hedging contracts spread over the next four years for some USD25 million for exports at an average exchange rate of approximately USD0.48. This is a similar rate to that achieved in the 2004 year.

ACQUISITIONS WELCOMED

In welcoming Deks to the Skellmax family, we not only gained a strong, innovative business operation which nicely complements our own activities, but also a global distribution network for a range of specialist products. Deks is best known in the building industry for its variety of Dektite branded rubber flashings for roofing and plumbing applications. It also services the mining industry, producing resilient rubber screencloths and rubber components for mill linings.

On 1 October 2003 we acquired Stevens Filterite, now based in Featherston, which manufactures milk filters for the Australasian dairy industry. This unit complements Skellerup operations, and is performing to expectations.

Effective from 28 June 2004, we purchased the assets of Bisleys Environmental Ltd, based in Hamilton. Bisleys supply geo-synthetic liners to protect the environment from contaminants, or to contain water or other liquids within reservoirs or dams. This product range has been integrated into Skellerup's Containment Systems business unit.

A full year contribution from these new acquisitions is expected to add some $1.5 million to our EBIT in the 2004-05 financial year, and we anticipate additional synergistic benefits thereafter, not only in manufacturing, but also in distribution of products internationally.

CHINA PLANT

During the year we established a Chinese subsidiary, Skellerup Rubber Products (Jiangsu) Limited, which towards year-end started commercial production from a plant in Baochang, China.

The plant has been developed by our own New Zealand skilled staff, in conjunction with our China based consultants, who are together progressively training the local work force. The factory is run in accordance with New Zealand occupational safety, health and environmental requirements.

This new facility allows the Company to take control of the manufacture of products previously sourced from other suppliers, to apply our own strict quality controls, and technological and associated innovations. It will also allow us to further expand our range with products which are not economic to manufacture in New Zealand.

In time our new Chinese plant will help open doors to some potentially significant new off-shore markets, where up to now we have not been able to compete on price.

VALUED TEAM

With this expansion, our employee numbers have grown to 577 as at 30 June, an increase of 23.8 per cent in 12 months, so I would like to welcome all our new employees, whether located in New Zealand, Australia, China, the USA or the UK, to our growing Skellmax family.

I also wish to take this opportunity to acknowledge the respective contributions made by the management and staff of all our operations. Collectively, our people have the depth of experience and technical skills which underpin the continuing success of our Company. Their dedication and commitment creates a genuine advantage in our marketing, manufacturing and distribution activities. Those qualities have been essential to enhancing the strength of our existing operations during the last year, while also helping to drive our expansion programme.

A number of our managerial and technical personnel have played a major role in helping to evaluate, acquire and integrate our new operations. We now have a core group of staff members who can be called on when acquisition or development opportunities arise in future.

FUTURE OUTLOOK

We expect increased demand from global markets for dairy consumables during the new financial year, as well as some improvement in capital spending by the New Zealand and Australian rural sector.

We also anticipate improving Industrial sales in meeting the needs of the resource, infrastructure, mining, construction and liquid waste management industries of Australasia and North America.

During the early months of the new financial year our factories have continued to operate at high utilisation levels, and we believe our operations are all well placed to continue building on their present markets, while also being able to capitalise on new opportunities as they arise.

Barring any unexpected changes in the world economy, or the key markets we serve, we anticipate improved earnings in the current financial year, and thereafter.

Donald Stewart
Managing Director

Agri business operations

Sales for the Agri Division were $51.29 million in the June year, in line with last year. This result confirms the robustness of our business in our key dairy sector in Australasia and the USA.

EBIT was $12.9 million, a decrease of 5.2% due to less favourable currency exchange rates..

Our strategy is to continue to focus on expanding our agri product range, whether through our own technological developments, or by acquiring complementary businesses. At the same time we continue to seek operational synergies and efficiencies across all our operations and continue to look for new markets for existing products.

Skellerup continues to be the preferred supplier of dairy rubberware and vacuum pumps to key distributors in the domestic and International dairy industry. With the strength of our reputation for quality and technical manufacturing expertise helping to maintain and grow market share.

NEW ZEALAND

The overall New Zealand rural market during the year to June 2004 was variable with some sectors performing particularly well.

Our all important dairy sector was down on the previous year, due to less dairy farm conversions and the stronger New Zealand dollar reducing returns to New Zealand dairy farmers.This resulted in lower capital investment on farm and in turn reduced sales of dairy vacuum pumps.

Our consumable sales were also down at the commencement of the 2004 dairy season but have improved as the season has progressed, supported by Fonterra's improved payout for the 2003-04 season.

Our business relationships with rural retail merchants continue to strengthen, with the key players seeking an increasing range of Skellerup branded products for the dairy shed.

We continue to be the leading supplier of waterproof footwear for the domestic rural sector, while expanding our market share of leather safety footwear.

During the year we launched two new styles of leather workboots: The Conway, a lace-up boot, and the Nevis, an elastic-sided boot. Both boots feature a dual density polyurethane sole that makes them lightweight and comfortable.

VALUE CREATION

Our products

- Milking liners, tubing and rubber accessories
- Milk filters
- Footwear (gumboots and leather work boots)
- Dairy vacuum and milk pumps

Growth drivers

- Brand development
- Providing best practice solutions for customers
- Strong technical leadership and manufacturing excellence
- New product development
- Extending product range through existing distribution channels
- Low cost manufacturing capability for a wider product range

SKELLERUP WINS BEST SITE AWARD AT MYSTERY CREEK FIELD DAYS

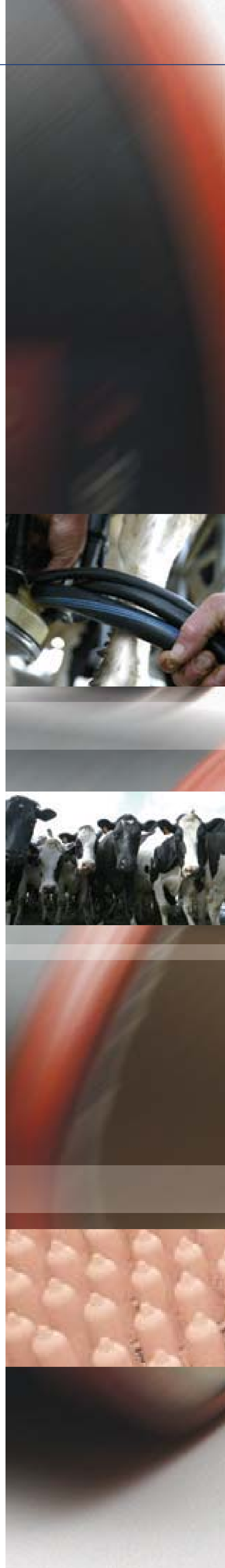
Skellerup won the Best Large Outdoor Site Award at the Mystery Creek Field Days, held near Hamilton in June this year. It is the biggest agricultural trade show in the Southern Hemisphere attracting 1000 exhibitors and over 115,000 visitors. The site promoted footwear, dairy and rotomoulded products and showcased the new modern graphic execution of the Skellerup brand.

STEVENS FILTERITE

As part of our growth strategy we purchased Stevens Filterite Ltd on 1 October 2003.

Stevens Filterite was established in 1973 and has been a supplier of Skellerup branded milk filters for over 20 years. Stevens FIlterite is the major supplier of milk filters to the Australasian dairy industry due to the high quality and cost competitiveness of its products.

The business is now based in Featherston and continues to be managed by the previous owner (Mr Max Stevens). Skellmax is currently investigating the feasibility of manufacturing and distributing milk filters in markets outside Australasia.



Skellerup products at work in the dairy shed.

AGRI INTERNATIONAL

While US dairy prices reached an all time high during the latter part of the year, stimulating increased investment in plant installations in some areas, the early part of the year involved a depressed market with low milk pricing. Consumable sales remained steady throughout the year. The vacuum pump unit of the business was initially well down on previous years, but benefited to some extent from investment spending late in the year.

Whilst growth in the European dairy market has remained relatively stagnant over the past 12 months, changes in the European competitive environment have resulted in new opportunities to secure long term supply agreements with Original Equipment Manufacturers (OEMs) for consumable items. To build on the new strategic relationships, we have increased our European presence with the relocation of a multilingual Sales Manager to the UK.

The biggest product opportunity continues to be milking liners. We offer a technical product using quality rubber formulations to meet the very exacting quality standards of the European dairy market. The Company's reputation for supply of quality rubber dairy liners into this demanding market presents a genuine entrée into other international markets.

Emerging markets include South America, specifically Argentina, Brazil and Chile as these countries focus on increasing production for export. In addition Asian countries such as China, Korea, Thailand and the Philippines, where rising internal consumption of dairy products drives demand. Both these regional markets are relatively 'low tech' and consequently requires intensive capital investment for their dairy industries to meet growth in demand, thus presenting opportunities for dairy liners, dairy vacuum pumps and other accessory product lines.

A presence at Expomilk, a dairy trade show in Sao Paulo, Brazil, held late last year, generated exposure and new distribution opportunities for our Company. During the year we have also hosted delegates from key Korean milk producers seeking supplier partnerships for rubber products and vacuum pumps.

Industrial business operations

The Industrial Division performed well across the board, recording a 3.9% increase in EBIT compared with the year prior. Industrial sales were strong, at $54.8 million, up 24% from 2004.

The sales growth can largely be attributed to an increased market share in the Australian mining and building industries, through the successful integration of the newly acquired Deks business.

The acquisition of Bisleys, a Hamilton-based company supplying geo-synthetic membrane lining systems for landfills and liquid containment, took place late in the reporting period (June 28 2004), with the purchase costs reflected in the June 30 results but, due to the late timing, there was no contribution to revenues.

Both these new acquisitions will contribute full year earnings to the division in the new financial year ending 30 June 2005.

Sectors we supply to:

Manufacturing

Infrastructure developments

Commercial and Residential construction

Mining

Environmental containment projects

Liquid and waste management industries

Primary production such as forestry and fishing

SKELLERUP

Masport

CertainTeed

TUFFPLY the hard arsed belt.

DEKS A Skellerup Industries Company

DEC-K-ING.

butylclad

VIKING V-50 Orange

VIKING WARRIOR

Skellerup CertainTeed Shingles - for style that endures!

VALUE CREATION

Our products

- Technical rubber products including rubber waterproofing membranes, custom rubber extrusions and mouldings, conveyor belts, rubber-covered rollers, sheeting and mill lining systems, and speciality roofing and plumbing products
- Closed cell polyethylene and EVA foam products
- Rotary vane and blower vacuum pumps

Growth drivers

- Providing best practice solutions for customers
- Leading in technical expertise and manufacturing excellence
- Developing new products
- Expanding product range through existing distribution networks
- Focusing on targeted growth in niche markets.

INDUSTRIAL NEW ZEALAND

We supply the New Zealand market with roofing materials, conveyor and mining products, technical rubber products and environmental containment systems, all under a variety of brands.

The local construction market continues to be more receptive to higher-quality products backed by reputable companies, with a higher awareness of the consequences of water damage driving demand for quality product specifications. We have continued to invest in building relationships with a network of applicators for our Butylclad rubber waterproofing membrane, which continues to gain market share. In addition, our Dec-k-ing product which is used for waterproofing walkout decks, is one of the few options available for this application offering both aesthetic and functional benefits.

The mainstays of our roofing product range are manufactured for use on flat roof and low slope structures. Moving forward, our strategy is to also distribute products into the high-value, architectural pitched roof market.

A first step was made when we we gained the distribution rights for 'Certainteed', a high-specification, long-life, asphalt shingle for the quality home market. 'Ecostar' was also added to the product range. 'Ecostar' is a flame-retardant roofing tile with the good looks and durability of slate at a fraction of the weight and cost. We believe there are good opportunities for 'Ecostar' to be used when re-roofing historic buildings and on premium homes.

Our conveyor and mining business continues to benefit from New Zealand's increased infrastructure investment including roading and energy projects as well as the ongoing investment in the extraction of minerals such as coal and gold.

Our containment systems business grew significantly over the past year. This unit specializes in the supply and installation of liners for landfill sites, sewerage ponds, water and other liquid or waste containment structures.

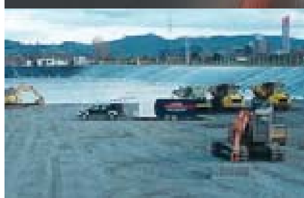
The acquisition of Bisleys in the Waikato has given us a strong technical team in the North Island to complement our South Island operation.

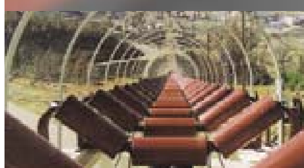
The largest driver for containment continues to be environmental legislation and we keep a watching brief on changes to containment requirements for the dairy industry. Some regional councils are imposing stricter environmental measures on new dairy sites, a sign of possible national changes to be introduced.

INDUSTRIAL USA

Our US Industrial operations enjoyed an encouraging year from the truck-mounted liquid waste removal sector, an industry strongly mirroring the economic conditions in America. The recent upturn in US economic activity is benefiting our business and this upturn is predicted to continue for the next 12 months.

To maintain and grow our vacuum pump market share, we have invested in a development program to re-engineer our current products to better satisfy an increasingly demanding market. Based in Auckland, the Research and Development team works closely with our customers in the US market in the development of new products to meet North American needs.





A Skellerup conveyor belt in action.

INDUSTRIAL AUSTRALIA

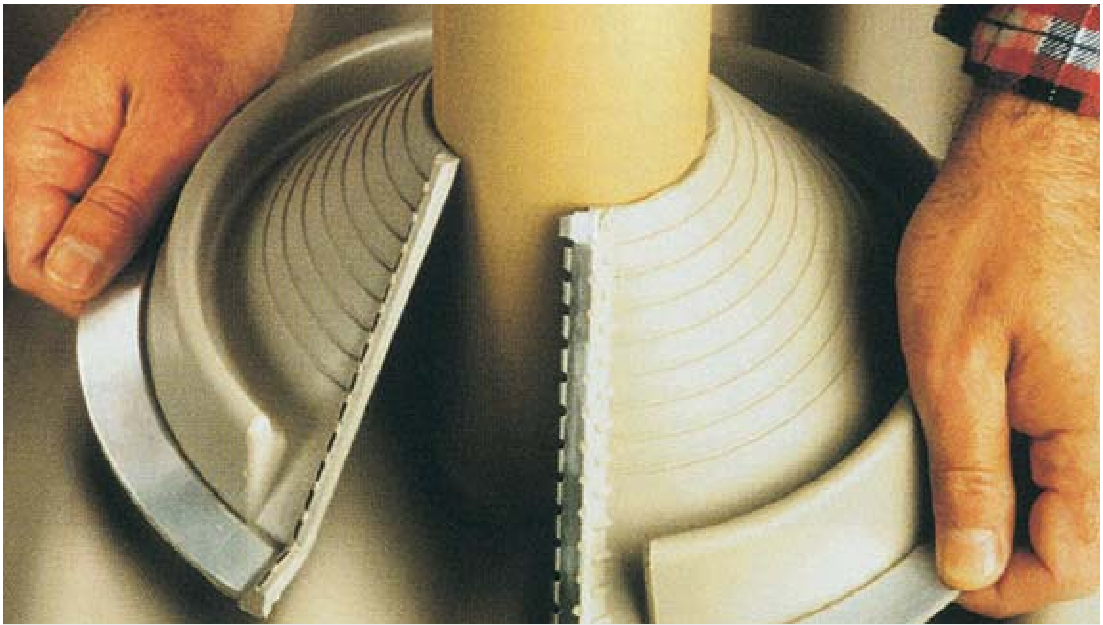
Up until this year our operations in Australia largely involved selling into the local mining industry. However, with the acquisition of Deks, we have gained an increased share of the mining market we were already involved with and also expanded into the manufacture and distribution of market leading polymer flashings for the building industry.

We now have a presence in Brisbane, Perth, Kalgoorlie, Adelaide, Newcastle and Melbourne.

The integration of the Deks mining division into the existing Skellerup mining operation is almost complete with significant benefits being achieved from our collective market share in the Western Australian goldfields area.

There are opportunities to now leverage the strengths of Deks established Australian distribution channels (through plumbing merchants and hardware stores) with the introduction of Skellerup products.

Although Deks already has an established market in the USA and Europe, we believe there are significant new sales opportunities in these markets.



A RETROFIT DEKTITE ROOF FLASHING BEING FITTED

As part of our growth strategy we purchased Deks Industries Pty Limited on 1 December 2003. Deks was established by Mr George Cupit in 1947, and had been controlled by the same family interests until acquired by Skellmax.

Dek's core product for the construction market is the Dektite range of flexible flashings which were originally designed and developed by Deks during the 1970s. Dektite is a well recognised global brand and Deks, as a manufacturer, has a reputation for being innovative with its product development as well as being a supplier of premium quality products.

The construction product range gives Skellmax another global distribution channel that has the potential to sell additional products.

The acquisition of Deks has strengthened Skellmax involvement in the supply of rubber mill lining systems to the Australian mining sector with improved opportunities to continue to increase market share.

Our values Our people

We are fortunate to enjoy low attrition rates and high staff loyalty. More than 28% of employees in our Christchurch operation have spent more than 15 years with the Company, while the average length of service of all staff is 11.5 years.

We have embarked on a strategic plan which is being implemented across all sites to ensure:

- we deliver a consistent and professional approach in the way we do business,
- that continued stringent attention to Health and Safety policies is maintained,
- we develop and retain our employees, while also attracting new talent.
- training programmes are introduced across the group,
- improved communication methods are developed,
- access to shared knowledge is available while also delivering value to customers through increased efficiency.

We apply the higher New Zealand occupational health and safety standards in our new Baochang, China, plant and have appointed a multilingual, on-site Human Resources Manager to ensure the New Zealand standards are implemented.

All of our New Zealand staff have the opportunity to access an Employee Assistance Programme, a company-sponsored, confidential counselling service for any issues impacting on their ability to function effectively in the workplace.

To encourage development of our people, we advertise all vacancies internally and we do encourage qualified personnel to accept transfers or secondments as and when appropriate between our operations in New Zealand, Australia, the USA and China.

Skellerup continues to offer apprenticeships for tool making and engineering in our Christchurch plant maintenance division.

All staff take part in annual performance reviews and a staff development programme has been established.

Broadly similar human resource development programmes and policies are being progressively applied in offshore operations, once adapted appropriately for local needs.

PRINCIPLES

- Our people determine our intelligence, reputation and vitality.
- Teamwork and involvement are our core human values.
- Employee involvement is essential.
- We are a team and we treat each other with trust and respect.
- We will at all times strive to provide a safe and healthy working environment.

Staff at the Skellerup Auckland site in Otara

The environment

All of our businesses in New Zealand, Australia, the United States and now China monitor the impact of their operations on the neighbouring environment, and continually seek ways to improve their environmental performance.

We believe such an approach is essential in today's modern business world, where sustainable use of natural resources is becoming increasingly important to the long term future of many organisations.

While many environmental protection measures do involve extra costs, some measures also can reduce costs. Identifying and eliminating inefficiencies or wastage in energy and water consumption can immediately reduce energy and water bills. Maintaining those efficiencies and savings thereafter can yield significant, on-going savings in operational costs - quite apart from providing environmental benefits, to make these programmes doubly worthwhile.

Through employee support at our Christchurch plant, we've reduced energy use by 7.67% during some winter months when consumption is usually at its highest, producing positive outcomes for both the environment and our running costs.

We have signed up for the Enviro-Mark certification programme that looks at further enhancements in environmental management achievements.

The accreditation process:

- Establishes its own values in relation to social, environmental, and economic issues.
- Determines the performance issues of importance to its stakeholders (staff, customers, shareholders, communities, suppliers, insurers, etc).
- Integrates the above to establish a set of key performance areas, indicators, and targets.
- Measures and openly reports performance, with external verification to increase trust.
- Provides the ability to achieve ISO14000 accreditation.

The introduction of the 'Green Fish' programme at Skellerup's Christchurch plant involved the marking of every drain leading to river outlets with a green fish, and an internal communication programme to notify staff of its meaning and the implications any unintended waste could have on the river environment.

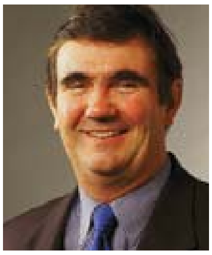
Taking our commitment to the environment offshore, as part of factory refurbishment, we embarked on a beautification programme along the riverbanks adjacent to our new Baochang, China site. Rubbish and weeds were cleared from the waterway and more than 20 native palms were planted along the riverbank, greatly improving the visual landscape. We apply the higher New Zealand environmental standards at this site.

Skellerup is a member of Target Zero, a Christchurch City Council initiative that helps businesses to move towards sustainability utilising the Cleaner Production methodology developed by the United Nations Environment Programme as a preventative approach to environmental management.

Quite apart from our own operations, Skellmax is proud to be a major supplier to various industries striving to improve their own environmental performance. We work closely with the liquid waste management and materials handling industries of New Zealand, Australia and the USA. Within New Zealand we provide containment systems to better control and reduce environmental hazards. We work with Government agencies, regional and local authorities to provide containment solutions for water reservoirs; linings for land-fill sites to stop leachates contaminating ground-water; linings for sewerage treatment ponds; and containment systems for manufacturing run-off or for hazardous chemical spills.

We see our role as doing our utmost to help our clients better protect the environment, developing solutions to meet their needs.

Board of Directors



KEITH SMITH
B.COM, F.C.A.

Chairman

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

ARTHUR YOUNG
LLB

Mr Young is senior partner and board chairman of the law firm Chapman Tripp Sheffield Young. He is Deputy Chairman of AFFCO Holdings Limited and over the last twenty years has served as a director of a number of other listed companies.He is currently chairman or a director of various privately controlled companies whose activities extend over a wide commercial range, including pastoral farming, dairy farming, construction, property finance, manufacturing and distribution, and property investment and development. Mr Young was Goldman Sachs appointee to the board of Viking Pacific Holdings Limited from 1998 to 2003.

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. Mr Stewart is currently a director of the Lyttelton Port Company Ltd and is a past Chairman of the Canterbury Rugby Football Union.

ELIZABETH COUTTS B.MS, C.A.

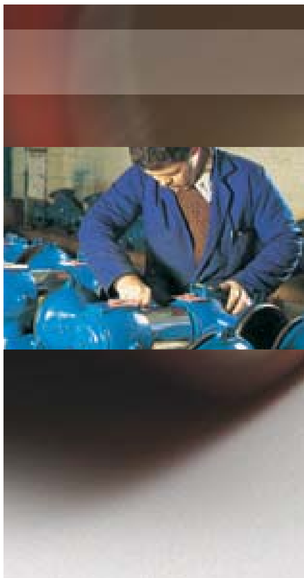
Mrs Coutts is a professional director. She is Chairman of Industrial Research Limited, Deputy Chairman of Public Trust and a director of EBOS Group Limited. She was previously Chairman of Meritec Group Limited, a director of Air New Zealand Limited, Viking Pacific Holdings Limited, Trust Bank New Zealand and a commissioner for both the Commerce and Earthquake Commissions. She has an extensive background in the forestry, timber and pulp and paper sectors having been 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, and a member of the Sport and Recreation New Zealand Board.

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 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 a Director for the New Zealand Co-operative Dairy Company since 1991. Mr Fraser is a director of Live Stock Improvements Ltd and Ag Research Limited. Mr Fraser was formerly New Zealand's Special Agricultural Trade Envoy.



Corporate Governance Policy

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

CODE OF ETHICS

The Company has formulated a Code of Ethics to govern its conduct. This code addresses ethical issues, establishes compliance standards and procedures, provides mechanisms to report unethical behaviour and provide 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 establishes the strategic direction and objectives of the Company and sets the policy framework within which the Company will operate. The Board appoints the Chief Executive Officer, 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 Chief Executive will be 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 discharge 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.

All of the Directors, with the exception of the Managing Director, are Independent Directors, which more than meets the requirements of NZSX listing rule 3.3.1.

BOARD COMMITTEES

The Board has the following standing committees, special project committees are formed as required. The Board regularly reviews the performance of the standing committees against the written charters for each committee.

Audit and Risk Management Review Committee

Comprises three non-executive directors, one of whom is appointed as Chairman. The committee meets a minimum of four times each year, 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.

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, to address issues of auditor independence, 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 and Board Nomination 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.

The remuneration committee also recommends non-executive director remuneration packages to shareholders.

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

In addition the Committee is responsible for the recommendation of Director appointments to the Board.

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

ORGANISATIONAL STRUCTURE

The Board has delegated to the Managing Director the management responsibilities of the Company. He is supported by the Chief Operating Officer.

The business of the Company is organised into clearly defined operating divisions under the management of profit-responsible Divisional Managers, reporting to the Chief Operating Officer. 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 auditor 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 the risk.

The Board has established a framework for the relationship between the Company and the external auditor.

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 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). This site contains recent NZSX announcements and reports.

Auditor's report

ERNST & YOUNG

To the Shareholders of Skellmax Industries Limited.

We have audited the financial statements on pages 21 to 38. The financial statements provide information about the past financial performance of the company and group and their financial position as at 30 June 2004. This information is stated in accordance with the accounting policies set out on pages 24 and 25.

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 2004 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 21 to 38:
  - 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 2004 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 17 August 2004 and our unqualified opinion is expressed as at that date.

Ernst + Young

Chartered Accountants
Auckland, New Zealand

Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
REVENUE					
Continuing activities	2	**106,361**	**96,242**	**10,475**	**16,665**
Operating Surplus before Tax from continuing activities	3	**17,794**	**18,575**	**7,116**	**12,999**
Income tax	5	6,221	5,983	246	1
Operating Surplus after Tax		11,573	12,592	6,870	12,998
Net Surplus attributable to the Shareholders of the Parent Company		**11,573**	**12,592**	**6,870**	**12,998**

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Net Surplus for the Year		**11,573**	**12,592**	**6,870**	**12,998**
Other recognised revenues & expenses					
- Movement in foreign currency revaluation reserve		(2,128)	(1,589)	-	-
Total Recognised Revenues and Expenses		**9,445**	**11,003**	**6,870**	**12,998**
Contributions by Owners					
- Ordinary shares issued during the year		-	238	-	238
Distribution to Owners					
- Interim and final dividend paid		(7,018)	(3,023)	(7,018)	(3,023)
Movement in Equity for the year		2,427	8,218	(148)	10,213
Equity at the beginning of the year		25,943	17,725	27,560	17,347
Equity as at 30 June	8	**28,370**	**25,943**	**27,412**	**27,560**

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	NOTE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Total Equity	8	**28,370**	**25,943**	**27,412**	**27,560**
CURRENT ASSETS					
Cash		4,230	3,953	8,253	2,874
Receivables and prepayments	11	21,717	17,287	12	205
Inventories	12	24,014	19,959	-	-
Total Current Assets		**49,961**	**41,199**	**8,265**	**3,079**
NON-CURRENT ASSETS					
Property, plant and equipment	13	26,363	21,353	15	7
Intangibles	14	1,823	-	-	-
Investments and advances	15	-	-	47,344	47,348
Total Non-Current assets		**28,186**	**21,353**	**47,359**	**47,355**
Total Assets		**78,147**	**62,552**	**55,624**	**50,434**
CURRENT LIABILITIES					
Bank overdraft	17	-	-	-	-
Payables	18	18,108	14,609	1,212	874
Current portion of term liabilities		-	-	-	-
Total Current Liabilities		**18,108**	**14,609**	**1,212**	**874**
NON-CURRENT LIABILITIES					
Term liabilities	19	31,669	22,000	27,000	22,000
Total Non-Current Liabilities		**31,669**	**22,000**	**27,000**	**22,000**
Total Liabilities		**49,777**	**36,609**	**28,212**	**22,874**
Net Assets		**28,370**	**25,943**	**27,412**	**27,560**

For and on behalf of the Board, which authorised these financial statements on 17 August 2004.

Director
K.R. Smith

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 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
- Receipts from customers		101,899	110,911	-	-
- Interest Received		64	119	44	87
- Management Fees		-	-	4,441	3,580
- Dividends received from subsidiaries		-	-	6,170	12,998
		101,963	**111,030**	**10,655**	**16,665**
Cash was disbursed to:					
- Payments to suppliers and employees		(81,325)	(87,439)	(1,847)	(971)
- Interest		(1,685)	(1,987)	(1,419)	(1,948)
- Rent		(2,755)	(2,554)	(30)	(30)
- Taxation paid		(6,224)	(6,770)	(71)	-
- GST net		(874)	628	123	61
		(92,863)	**(98,122)**	**(3,244)**	**(2,888)**
Net Cash Inflow from Operating Activities	25	**9,100**	**12,908**	**7,411**	**13,777**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
- Sale of property, plant and equipment		153	10	-	-
		153	**10**	**-**	**-**
Cash was disbursed to:					
- Purchase of property, plant and equipment		(2,243)	(1,899)	(14)	(8)
- Acquisitions	16	(9,560)	-	-	-
		(11,803)	**(1,899)**	**(14)**	**(8)**
Net Cash Outflow from Investing Activities		**(11,650)**	**(1,889)**	**(14)**	**(8)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
- Drawdown of term facility		9,669	-	5,000	-
- Proceeds of share issue		-	238	-	238
		9,669	**238**	**5,000**	**238**
Cash was disbursed to:					
Dividends paid to shareholders		(7,018)	(3,033)	(7,018)	(3,033)
Repayment of term debt		-	(8,000)	-	(8,000)
		(7,018)	**(11,033)**	**(7,018)**	**(11,033)**
Net Cash Inflow (Outflow) from Financing Activities		**2,651**	**(10,795)**	**(2,018)**	**(10,795)**
Effect of exchange rate changes		176	(153)	-	-
Net Increase in Cash Held		**277**	**71**	**5,379**	**2,974**
Add opening cash brought forward		3,953	3,882	2,874	(100)
Ending Cash Carried Forward		**4,230**	**3,953**	**8,253**	**2,874**

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 Stock Exchange.

The Skellmax Industries 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 Industries 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 Industries Group, with the exception that Financial Instruments have been disclosed at fair value in the Notes to the Accounts.

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 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 to the extent of the revaluation reserve and the remaining balance charged 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 and 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 value 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 Industries 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 Industries 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	NOTE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Sales		106,117	95,919	-	-
Rent revenue		182	204	-	-
Interest revenue		62	119	44	87
Management fees		-	-	4,261	3,580
Dividends received from subsidiaries		-	-	6,170	12,998
Total Operating Revenue		**106,361**	**96,242**	**10,475**	**16,665**

3. OPERATING SURPLUS BEFORE TAXATION, AFTER CHARGING (CREDITING)

FOR THE YEAR ENDED 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Bad debts written off	56	108	-	-
Change in provision for doubtful debts	108	31	-	-
Foreign currency losses/(gains)	(818)	(844)	-	-
Interest expense and interest charges	1,756	2,133	1,419	2,082
Rental and operating lease costs	2,755	2,554	30	30
Directors' fees	280	280	280	280
Loss on sale of property, plant and equipment	31	107	-	-
Research and development costs	95	313	-	-
Donations	-	-	-	-
Amortisation of goodwill	40	-	-	-
Depreciation:				
- Freehold buildings	21	17	-	-
- Plant and equipment	2,338	1,514	-	-
- Furniture, fittings and other	417	462	6	4

4. AUDITORS' REMUNERATION

FOR THE YEAR ENDED 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Amounts paid or due and payable to auditors for:				
Auditing the financial statements				
- Parent Company auditor	122	111	55	22
- Other auditors	52	23	-	-
	174	**134**	**55**	**22**
Other services				
- Parent Company auditor	44	23	-	4

5. INCOME TAX EXPENSE

FOR THE YEAR ENDED 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Operating surplus before tax	17,794	18,575	946	1
Prima facie tax	5,872	6,130	312	-
Tax effect of permanent differences	113	36	14	-
	5,985	6,166	326	-
Tax effect of timing differences	358	125	(80)	1
Tax credits and prior period adjustments	(122)	(308)	-	-
Tax Expense	**6,221**	**5,983**	**246**	**1**
The tax charge is represented by:				
Current tax	6,221	5,983	246	1
Deferred tax	-	-	-	-
	6,221	**5,983**	**246**	**1**

The Group has asset depreciation and other timing differences through the consolidation of the subsidiary companies, which give rise to a $2,967,044 (2003, $2,724,000) net deferred tax asset. This asset has not been recognised in accordance with accounting policy as there is no virtual certainty of realisation.

6. IMPUTATION CREDIT ACCOUNT

FOR THE YEAR ENDED 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Balance at beginning of period	6,373	615	4,953	-
Imputation credits attached to dividends received	-	-	3,039	6,402
Imputation credits attached to dividends paid	(3,385)	(1,449)	(3,385)	(1,449)
Income tax paid	5,777	7,207	-	-
Total Imputation Credit	**8,765**	**6,373**	**4,607**	**4,953**

7. SHARE CAPITAL

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP & PARENT 2004 $000	GROUP & PARENT 2003 $000
ORDINARY SHARES			
Opening balance		16,881	16,643
Shares issued to staff (259,200)		-	238
Closing Balance	8	**16,881**	**16,881**
Closing Shares on issue		100,259,200	100,259,200

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.

On 13 December 2002 the Company issued 259,200 shares at 0.92 cents to its employees under a Share Purchase Scheme that complies with Section DF7 of the Income Tax Act 1994.

8. EQUITY

AS AT 30 JUNE	NOTE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Share capital	7	16,881	16,881	16,881	16,881
Reserves	9	(3,717)	(1,589)	-	-
Retained earnings	10	15,206	10,651	10,531	10,679
Total Equity		**28,370**	**25,943**	**27,412**	**27,560**

9. RESERVES

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Balance at beginning of period		(1,589)	-	-	-
Revaluation of foreign subsidiary investments and net assets due to changes in exchange rates		(2,128)	(1,589)	-	-
Total Reserves	9	**(3,717)**	**(1,589)**	**-**	**-**

10. RETAINED EARNINGS

FOR THE YEAR ENDED 30 JUNE	NOTE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Balance at beginning of period		10,651	1,082	10,679	704
Net surplus attributable to the shareholders of the parent company		11,573	12,592	6,870	12,998
Dividends paid		(7,018)	(3,023)	(7,018)	(3,023)
Total Retained Earnings	8	**15,206**	**10,651**	**10,531**	**10,679**

11. RECEIVABLES AND PREPAYMENTS

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Trade receivables	20,937	15,604	-	-
Less: Doubtful debt provision	(791)	(663)	-	-
Net trade receivables	20,146	14,941	-	-
GST recoverable	392	228	-	-
Prepayments	1,179	2,118	12	16
Inter-company receivables	-	-	-	180
Tax refund due	-	-	-	9
Total Receivables and Prepayments	**21,717**	**17,287**	**12**	**205**

12. INVENTORIES

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Raw materials	6,823	5,968	-	-
Work in progress	2,139	1,835	-	-
Finished goods	15,052	12,156	-	-
Total Inventory	**24,014**	**19,959**	**-**	**-**

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

13. PROPERTY, PLANT AND EQUIPMENT

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Freehold land (at cost)	**175**	**175**	-	-
Freehold buildings (at cost)	1,682	1,625	-	-
Accumulated depreciation	(107)	(83)	-	-
	1,575	**1,542**	**-**	**-**
Plant and equipment	32,030	24,200	-	-
Accumulated depreciation	(8,499)	(5,904)	-	-
	23,531	**18,296**	**-**	**-**
Furniture, fittings and other	3,317	3,375	25	11
Accumulated depreciation	(2,235)	(2,035)	(10)	(4)
	1,082	**1,340**	**15**	**7**
Total Property, Plant and Equipment	**26,363**	**21,353**	**15**	**7**

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

14. INTANGIBLES

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Goodwill (at cost)	1,863	-	-	-
Accumulated amortisation	(40)	-	-	-
	1,823	**-**	**-**	**-**

15. INVESTMENTS AND ADVANCES

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Investments in subsidiaries	-	-	46,633	46,633
Inter-company advance	-	-	711	715
	-	**-**	**47,344**	**47,348**

	PERCENT HELD 2004	PERCENT HELD 2003	BALANCE DATE
SIGNIFICANT SUBSIDIARIES			
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
*Skellerup Industrial Pty Limited	100%	100%	30 June
*Deks Industries Pty Limited	100%	-	30 June
*Skellerup Rubber Products (Jiangsu) Limited	100%	-	30 June
*Stevens Filterite 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.

*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.

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

Deks Industries Pty Limited manufactures, distributes and markets rubber products for the building and construction markets for the New Zealand, Australian, North American and European markets. In addition some manufacturing is performed for the Australian mining markets.

Skellerup Rubber Products (Jiangsu) Limited manufactures rubber footwear in China for the New Zealand and Australian markets.

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

16. ACQUISITION OF SUBSIDIARIES

Included in the financial statements of the Group for the year ending June 2004 is the effect of acquiring the shares of Stevens Filterite Limited and the business assets of Deks Industries Pty Limited.

In addition, during the year Skellerup Industries Limited acquired the operating assets of businesses involved in the marketing and distribution of Certainteed rubber roofing tiles, and the marketing and installation of polyethylene containment systems.

Skellerup Rubber Products (Jiangsu) Limited is a foreign company incorporated in China, to manufacture and distribute rubber products and has acquired assets during the year to undertake manufacturing operations.

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

FOR THE YEAR ENDED 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
CONSIDERATION				
Cash	9,560	-	-	-
Net assets acquired:				
Goodwill	1,863	-	-	-
Current assets	3,293	-	-	-
Current liabilities	(910)	-	-	-
Property, plant and equipment	5,314	-	-	-
	9,560	**-**	**-**	**-**

17. BANK OVERDRAFT

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $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 2004 year was 6.415% per annum inclusive of fees and margins applied by the Group's bankers (2003, 7.26% 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 USA subsidiaries (NZ$1,018 in funds) are outside the right of set off.

18. PAYABLES

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Accounts payable - trade	5,489	4,357	-	-
Sundry payables and accruals	8,564	7,430	472	421
Employee entitlements	2,516	1,559	68	42
GST payable	631	433	510	411
Tax payable	234	105	162	-
Warranty provision	674	725	-	-
Total Payables	**18,108**	**14,609**	**1,212**	**874**

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

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Bank loans (secured)	31,669	22,000	27,000	22,000
Total Term Liabilities	**31,669**	**22,000**	**27,000**	**22,000**

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 2006. 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 6.61% per annum (2003, 7.26% per annum).

20. CONTINGENT LIABILITIES

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Bank guarantee	88	11	75	-
Letters of credit	7,085	959	5,218	-
Total Contingent Liabilities	**7,173**	**970**	**5,293**	**-**

The Bank Guarantee relates to indemnities for rental payment obligations under property leases in Australia, and also obligations to the New Zealand Stock 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. Letters of Credit have also been provided by the parent company to guarantee loan facilities provided by foreign banks to foreign subsidiaries which amount to NZD 5,218,060 (2003, Nil).

21. COMMITMENTS

(a) Capital Commitments

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Estimated capital expenditure contracted for at balance date but not provided for	1,380	216	-	-

(b) Operating Lease Commitments

AS AT 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Lease commitments under non cancellable operating leases:				
- Not later than one year	1,945	2,029	8	30
- Later than one year and not later than two years	2,135	1,539	-	-
- Later than two years and not later than five years	1,946	2,539	-	-
- Later than five years	145	1,397	-	-
Total Operating Lease Commitments	**6,171**	**7,504**	**-**	**30**

22. TRANSACTIONS WITH RELATED PARTIES

Mr Young, deputy chairman, is a partner at Chapman Tripp Sheffield Young, the parent company's legal advisors. Chapman Tripp Sheffield Young have received fees during the year amounting to $46,445 (2003, $16,838). 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 2004	GROUP 2003
Earnings per share (cents)	11.543	12.559

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 30 June.

24. 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. 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:

AS AT 30 JUNE	GROUP		PARENT	
	2004	2003	2004	2003
Bank balances	4,230	3,953	8,253	2,874
Receivables	21,717	17,287	12	25
Financial guarantees	(7,173)	(970)	(5,293)	-
Foreign exchange contracts - amount receivable	8,742	8,037	8,742	5,367
Foreign exchange options				
- put options receivable	96	-	96	-
- call options payable	(176)	-	(176)	-
Forward rate agreement options				
- amount payable	-	(4)	-	(4)
Forward rate agreement options				
- amount payable	-	(198)	-	(198)
Interest rate swaps				
- amount receivable	185	244	185	244
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 2005 to June 2008 to purchase the net equivalent of NZ$61,105,352 in foreign currency. At the previous year end, NZ$73,507,829 was held in foreign currency contracts.

Unhedged Foreign Currency Monetary Assets and Liabilities

Unhedged foreign currency monetary assets less liabilities are NZ$9,746,000 (2003, NZ$5,026,000). These net assets consist primarily of trade receivables, inventory, trade creditors, cash and non current assets as follows:

AS AT 30 JUNE	2004						2003					
	USD $000	NZD $000	AUS $000	NZD $000	CNY $000	NZD $000	USD $000	NZD $000	AUS $000	NZD $000	CNY $000	NZD $000
Current assets	5,683	8,791	6,571	7,218	2,146	408	6,231	10,610	1,985	2,271	-	-
Current liabilities	(3,155)	(4,968)	(6,297)	(6,918)	(6,946)	(1,320)	(3,242)	(5,521)	(2,985)	(3,415)	-	-
Non-current assets	368	580	3,444	3,783	11,422	2,172	367	625	399	456	-	-
Net Assets	**2,896**	**4,403**	**3,718**	**4,083**	**6,622**	**1,260**	**3,356**	**5,714**	**(601)**	**(688)**	**-**	**-**

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 $31 million (2003 $28 million). Under this facility a bank loan of NZ$27 million and AUD$1.25 million was drawn at 30 June, which is repayable on 30 September 2006, and an overdraft facility of $1 million is provided.

In addition, an AUD$4.925 million combined term loan and overdraft facility has been provided for the Australian operations and secured by way of irrevocable letter of credit by the Group bankers.

Fair Values

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

AS AT 30 JUNE	CARRYING AMOUNT 2004 $000	FAIR VALUE 2004 $000	CARRYING AMOUNT 2003 $000	FAIR VALUE 2003 $000
GROUP AND PARENT				
NZD term loan	(27,000)	(27,000)	(22,000)	(22,000)
AUD term loans	(4,669)	(4,669)	-	-
Foreign exchange contracts	-	8,742	-	8,037
Foreign exchange options	-	(80)	-	-
Forward rate agreement	-	-	-	(4)
Forward rate agreement options	-	-	-	(198)
Interest rate swaps	-	185	-	244
Interest rate swap options	-	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.

AS AT 30 JUNE	EFFECTIVE INTEREST RATE		$000	6 MTHS TOTAL NZD$000	BETWEEN 6-12MTHS $000	BETWEEN 1-2 YRS $000	BETWEEN 2-5 YRS $000	GREATER THAN 5 YRS $000
NZ bank loan	6.61%	NZD	(27,000)	(27,000)				
AUD bank loan	5.97%	AUD	(1,250)	(1,373)				
AUD bank loan	6.49%	AUD	(3,000)	(3,296)				
Cash			4,230	4,230				
Total				**(27,439)**				

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 10 million	1 April 2005	5.60%
NZD 5 million	31 July 2007	5.55%
AUD 4 million	3 May 2006	5.89%

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

The Group also holds interest rate swap options which provide an option to convert from a floating rate of interest to a fixed rate of interest as follows:

PRINCIPAL	OPTION EXPIRY	SWAP MATURITY	STRIKE INTEREST RATE	
NZD 3 million	20 October 2004	25 October 2007	6.18%	Pay fixed
NZD 6 million	20 October 2004	25 October 2007	6.18%	Receive fixed

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

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

FOR THE YEAR ENDED 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Reported surplus after tax:	11,573	12,592	6,870	12,998
Add/(subtract) non cash items and non operating items:				
- depreciation	2,776	1,993	6	4
- amortisation of goodwill	40	-	-	-
- movement in provisions	(883)	232	26	632
- movement in reserves	-	(19)	-	-
- bad debts written off	55	108	-	-
- profit/loss on sale of assets	31	107	-	-
- financing items affecting operating cashflow	(177)	-	-	-
- revaluation of foreign currency working capital values due to movement in exchange rates	(726)	(1,378)	-	-
Non cash litems	1,116	1,043	32	636
Net movement in working capital	(3,589)	(727)	509	143
Net Cash Inflow from Operating Activities	**9,100**	**12,908**	**7,411**	**13,777**

26. SEGMENT INFORMATION

The Group operated in two industry segments and two geographical segments in the year ended 30 June 2004. Segment results are as follows.

(a) Industry Segments

FOR THE YEAR ENDED 30 JUNE	2004 AGRI $000	2004 INDUSTRIAL $000	2004 ELIMINATION $000	2004 CONSOLIDATED $000	2003 AGRI $000	2003 INDUSTRIAL $000	2003 ELIMINATION $000	2003 CONSOLIDATED $000
Sales to customers	51,288	54,829		106,117	51,498	44,421		95,919
Intersegment sales	8,056	19,005	(27,061)		9,691	7,536	(17,227)	
Unallocated revenue								323
Total Revenue	**59,344**	**73,834**	**(27,061)**	**106,117**	**61,189**	**51,957**	**(17,227)**	**96,242**
Segment result	12,922	7,970		20,892	13,636	7,515		21,151
Unallocated expense & tax				(9,319)				(8,559)
Operating Surplus				**11,573**				**12,592**
Segment assets	30,186	40,483		70,669	29,017	29,470	(1,959)	56,528
Unallocated				7,478				6,024
Total Assets				**78,147**				**62,552**

The Agri 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 United States. Subsidiaries within the Group carried out their activities as follows:

FOR THE YEAR ENDED 30 JUNE	2004 INSIDE NEW ZEALAND $000	2004 OUTSIDE NEW ZEALAND $000	2004 ELIMINATION $000	2004 CONSOLIDATED $000	2003 INSIDE NEW ZEALAND $000	2003 OUTSIDE NEW ZEALAND $000	2003 ELIMINATION $000	2003 CONSOLIDATED $000
Sales to customers	67,670	38,447		106,117	66,041	29,878		95,919
Intersegment sales	25,679	1,382	(27,061)		17,227		(17,227)	
Unallocated revenue								323
Total Revenue	**93,349**	**39,829**	**(27,061)**	**106,117**	**83,268**	**29,878**	**(17,227)**	**96,242**
Segment result	19,236	1,656		20,892	19,578	1,573		21,151
Unallocated expense & tax				(9,319)				(8,559)
Operating Surplus				**11,573**				**12,592**
Segment assets	46,523	24,146		70,669	44,966	13,521	(1,959)	56,528
Unallocated assets				7,478				6,024
Total Assets				**78,147**				**62,552**

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

27. 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.

	NUMBER OF SHARE OPTIONS		
	NON EXECUTIVE DIRECTORS' OPTIONS	MANAGEMENT OPTIONS	TOTAL
26 June 2002	1,000,000	2,000,000	3,000,000
Commencing exercise dates			
26 September 2003	333,333	666,667	1,000,000
26 September 2004	333,333	666,667	1,000,000
26 September 2005	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 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,the Managing Director of the Company.

28. EMPLOYEE SHARE PURCHASE SCHEME

On 13 December 2002 the Company established an Employee Share Ownership Plan which entitled employees to purchase up to 2,500 shares at 0.92 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 0.92 cents per share in December 2003 representing 0.26% of the total ordinary shares of the company. At June 2004 the outstanding loan to employees was $88,646. 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. EMPLOYEE REMUNERATION

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

REMUNERATION RANGE	NUMBER OF EMPLOYEES
100,001-110,000	7
110,001-120,000	5
120,001-130,000	2
130,001-140,000	2
140,001-150,000	1
160,001-170,000	4
180,001-190,000	1
190,001-200,000	2
200,001-210,000	1
210,001-220,000	2
270,001-280,000	1
280,001-290,000	1
350,001-360,000	1
520,001-530,000	1
730,001-740,000	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 2004.

30. SIGNIFICANT EVENTS AFTER BALANCE DATE

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

Other Annual Report disclosures

DIRECTORS

(a) Directors Holding Office During the Year

Keith Smith
Elizabeth Coutts
Leigh Davis
Graham Fraser
Donald Stewart
Arthur Young

(b) Remuneration of Directors

FOR THE YEAR ENDED 30 JUNE	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Keith Smith	80	80	80	80
Elizabeth Coutts	50	50	50	50
Leigh Davis	50	50	50	50
Graham Fraser	50	50	50	50
Donald Stewart	520	520	405	405
Arthur Young	50	50	50	50
	800	**800**	**685**	**685**

STATEMENT OF DIRECTORS' SHAREHOLDINGS

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

AS AT 30 JUNE 2004	HELD NON BENEFICIALLY AND BY RELATED PARTIES	HELD BY ASSOCIATED PARTIES
K.R. Smith	150,000	5,000
A.W. Young	-	30,000
E.M. Coutts	-	25,000
L.R. Davis	-	25,000
G.A. Fraser	-	25,000
D.J. Stewart	-	217,500

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:

	NO OF SHARES ACQUIRED (DISPOSED)	CLASS OF SHARES	CONSIDERATION PAID (RECEIVED)	DATE OF ACQUISITION (DISPOSAL)
D. J. Stewart	12,500	Ordinary	14,000	26 September 2003
D. J. Stewart	5,000	Ordinary	5,900	26 March 2004

SHAREHOLDER INFORMATION

Substantial Security Holders

	ORDINARY SHARES	%
Nil	-	-

Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at 19 August 2004 were:

	ORDINARY SHARES	%
Accident Compensation Corporation	4,654,399	4.64
Custodial Services Limited	2,922,874	2.91
Custody and Investment Nominees Limited	2,123,578	2.12
Citibank Nominees (New Zealand) Limited	1,651,850	1.65
Cogent Nominees Limited	1,622,382	1.62
Westpac Banking Corporation – Client Assets No.2	1,588,153	1.58
RECT Funds Management Limited	1,375,000	1.37
Custodial Services Limited	1,253,724	1.20
AMP Investments Strategic Equity Growth Fund	1,105,966	1.10
Peter Hanbury Masfen and Joanna Alison Masfen	1,000,000	1.00
The Trustees Executors and Agency Company of New Zealand	891,367	0.90
NZGT Nominees Limited AIF Equity Fund	888,266	0.89
First NZ Capital Custodians Limited	864,272	0.86
NZ Superannuation Fund Nominees Limited	840,644	0.84
Forbar Custodians Limited	787,170	0.79
Cogent Nominees Limited	688,168	0.68
ASB Nominees Limited	664,533	0.66
First NZ Capital Custodians Limited	575,334	0.57
Asset Custodian Nominees Limited	571,431	0.57
Leveraged Equities Custodians Limited	528,370	0.52
	26,597,481	**26.53**

As at 19 August 2004, Skellmax Industries Limited had 100,259,200 fully paid ordinary shares on issue.

Distribution of Shareholding as at 19 August 2004

SIZE OF SHAREHOLDING	TOTAL SHARES %
1 – 4,999	7.75
5,000 - 9,999	12.06
10,000 - 49,999	35.53
50,000 - 99,999	6.54
100,000 - 499,999	11.09
500,000 - 999,999	7.78
1,000,000 and over	19.25
	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.

Directory

REGISTERED OFFICE

Skellmax Industries Limited
First Floor, 459 Ellerslie-Panmure Highway
Mt Wellington
PO Box 14547
Panmure, Auckland

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

M. P. McKessar
Chief Operating Officer

J.H. Greenwood B.Com F.C.A.
Chief Financial Oficer and
Company Secretary

AUDITOR

Ernst & Young
41 Shortland Street
Auckland

LEGAL ADVISORS

Chapman Tripp
23-29 Albert Street
Auckland

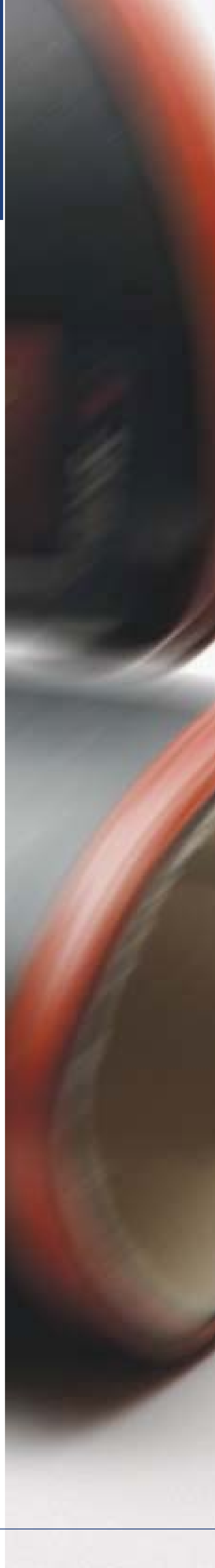
BANKERS

The National Bank of New Zealand Limited
1 Victoria Street
Auckland

INVESTOR ENQUIRIES & CHANGE OF ADDRESS NOTIFICATION

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1020
Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787
Email: enquiries@computershare.co.nz

skellmax



REGISTERED OFFICE

Skellmax Industries Limited
First Floor, 459 Ellerslie-Panmure Highway
Mt Wellington
PO Box 14547
Panmure, Auckland

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