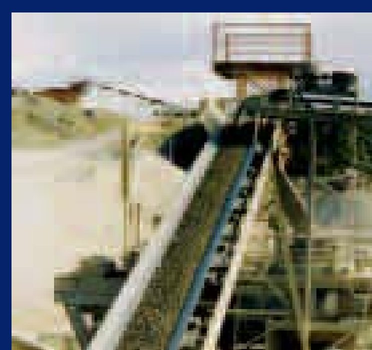


SKELLMAX INDUSTRIES LIMITED

ANNUAL REPORT 2003





NOTICE OF ANNUAL MEETING

Notice is hereby given that the second Annual Meeting of Shareholders of Skellmax Industries Limited will be held at the Ellerslie Convention Centre, Ellerslie Racecourse, 80-100 Ascot Avenue, Auckland, on Wednesday 29 October 2003 at 2:30pm.

ORDINARY BUSINESS

- To receive the report of the directors, the financial statements for the period ended 30 June 2003, and the report of the auditor thereon.

- To elect two directors. In accordance with Clause 68 of the Company's constitution, Mr Graham Fraser and Mr Arthur Young retire by rotation and, being eligible, offer themselves for re-election.

- To authorise the directors to fix the remuneration of the auditor for the ensuing year.

PROXIES

Any member who is entitled to attend and vote at the meeting may instead appoint a proxy to attend and vote on their behalf.

If you wish to appoint a proxy please complete the enclosed proxy form and mail to:
Computershare Investor Services Limited
Private Bag 92119
AUCKLAND
(Not less than 48 hours before the time of holding the meeting.)

NOTE

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

For and on behalf of the Board

J Greenwood

Jim Greenwood
Secretary
15 September 2003

2003
a year of
accomplishment.

HIGHLIGHTS

- FOR THE YEAR ENDED 30 JUNE 2003, SKELLMAX INDUSTRIES LIMITED ACHIEVED A NET SURPLUS AFTER TAX OF $12.59 MILLION, COMPARED WITH THE FORECAST OF $12.44 MILLION AT THE TIME OF THE 2002 INITIAL PUBLIC OFFER.
- 2003 EBIT AT $20.7 MILLION WAS IN LINE WITH THE PROSPECTUS FORECAST AND 7.8% ABOVE PROFORMA ACTUAL 2002.
- ACHIEVED EARNINGS PER SHARE OF NZ 12.56 CENTS, COMPARED WITH A PROSPECTUS FORECAST OF NZ 12.4 CENTS.
- THE DIRECTORS HAVE DECLARED TOTAL DIVIDENDS AMOUNTING TO NZ 7.0 CENTS PER SHARE, AS FORECAST IN THE PROSPECTUS.

Performance Analysis

YEAR ENDING 30 JUNE 2003

TRADING PERFORMANCE	2003	2003 (Prospectus Forecast)
OPERATING REVENUE	96,242	103,604
EBITDA	22,701	22,857
EBIT	20,708	20,772
SURPLUS BEFORE TAX	18,575	18,559
TAXATION	5,983	6,122
SURPLUS AFTER TAX	12,592	12,437
BALANCE SHEET		
TOTAL LIABILITIES	36,609	47,455
NET ASSETS	25,943	28,340
TOTAL ASSETS	62,552	75,795
SHAREHOLDERS' EQUITY	25,943	28,340
INVESTMENT FUNDAMENTALS		
SHARES ON ISSUE	100,259,200	100,000,000
EARNINGS PER SHARE	12.56c	12.40c
ORDINARY DIVIDEND PER SHARE	7.0c	7.0c
NUMBER OF SHAREHOLDERS	7,287	7000

Dear Shareholders

I am very pleased to be able to report that Skellmax Industries Limited has achieved its Prospectus forecast for the first full year as a company listed on the New Zealand Stock Exchange.

With a dedicated work ethic, throughout the organisation, and pragmatic management we achieved our objectives as set out in the Prospectus and Investment Statement dated May 2002.

It is satisfying to report a net profit after tax of $12.59m, compared with the prospectus forecast of $12.44m. Earnings before interest and tax (EBIT) at $20.71m for the year reflect an increase of 7.8% over the proforma EBIT for the June 2002 year.

To have completed our first full year as a publicly listed company with such a sound result effectively places the company in a strong position as it sets out to attain its growth plans in the years ahead.

Your directors have declared a fully imputed dividend of 4.00 cents per share payable to shareholders on 24 October 2003. An interim dividend of 3.00 cents was paid in April 2003 making a total of 7.0 cents per share for the year, as was forecast in the Prospectus. This represents 56% of the available net surplus.

Operating revenue for the year was $96.24m, which compares with the prospectus forecast of $103.60m. After adjusting for currency translation and a delay in effecting a forecast acquisition, actual revenues were within $0.5m of the prospectus forecast.

Although the NZ rural economy has slowed somewhat over the past six months, demand has been satisfactory in our domestic market and is sustainable going forward as a significant part of our business involves distributing essential consumables into relatively low-risk and resilient industries. Our international operations also performed well throughout the year despite weak Northern Hemisphere economies and Australian Agri sales impeded by the effect of a major drought on rural incomes.

Skellmax is well placed to ride through any slowing of the domestic economy being a strong marketer in the home economy as well as being a significant exporter with a multi-market growth strategy. The company is pursuing growth opportunities, both organic and through acquisition within global niche markets related to technical rubber products and industrial vacuum pumps, together with the Australasian general rubber goods and rural distribution markets.

The current year will see the company expand its manufacturing capacity into Asia, with the opening of a manufacturing facility in China which will be fully operational by July 2004. This will enable the company to access non technical rubber goods markets not previously serviced and will in no way diminish the strength of our New Zealand based manufacturing units which tend to focus on more technical products.

The Board has not had any changes during the past year and has performed its governance tasks with commitment. Our thanks go to all of the company's employees for their dedication to Skellmax Industries during the year just completed, a milestone year that has positioned the company well for the growth initiatives now under action.

While the immediate outlook for the year ending 30 June 2004 is a result in line with that accomplished in 2003, your directors are confident of achieving an appropriate level of growth in the medium to longer term given the opportunities that have been identified during the development of the company's strategic focus for the future.

My fellow directors and our senior executives are looking forward to meeting as many shareholders as possible at the Annual Meeting in Auckland on the 29th of October.

Keith Smith
CHAIRMAN

Managing Director's Report

The company performed to expectations in the year ended 30 June 2003, despite continued international economic uncertainty, with our core agricultural and industrial businesses experiencing sustained demand.

Our success in attaining profitability, cash flow and dividend goals is the end result of the efforts of many people and I wish to take the opportunity to acknowledge the contributions of operational management and staff across the group.

Our employees have the depth of experience and technical expertise considered essential to the continued growth of Skellmax. Their overall commitment creates a genuine advantage for the group's manufacturing and marketing activities in a hardening economic climate. Accordingly, this year's report places a particular focus on our people in the performance of their work.

PERFORMANCE

Skellmax Industries is a leading and innovative supplier of technical rubber products and vacuum pumps. Our superior products continued to meet the needs of our customers in the Agri and Industrial markets.

Our emphasis on adding value through technical excellence, customer - focused marketing, flexible manufacturing processes, and high quality service has underpinned the sustainability of our market position (for both operational divisions) and our continued profitable growth.

Our maiden annual report in 2002 reported for only a nine-day trading period and as a consequence performance analysis was shown on a pro-forma basis. The 2003 results are best compared with the Prospectus forecasts outlined on page 37. The prospectus required the company to achieve an increase in profitability over pro-forma 2002, at the earnings before interest and tax (EBIT) level of approximately 8%, which was duly attained. The company's operating surplus after tax of $12.59m for the twelve months ended 30 June 2003 compares favourably with the $12.44m prospectus forecast.

These achievements occurred at a time when northern hemisphere economies remained sluggish, rural sector prices to producers dropped worldwide and there was a significant rise in the value of the New Zealand dollar.

Building a sustainable export manufacturing business from New Zealand is inevitably that much more challenging following the rapid rise of the New Zealand dollar against the currencies of major trading partners. However, we are comfortable with our forward cover position, whereby our net export revenue in US dollar terms has been hedged five years forward at an average exchange rate of US $0.48 to the NZ Dollar.

SKELLMAX MARKETS		
OVERSEAS SUBSIDIARIES SALES	$29.9m	31.1% *
EXPORT SALES	$13.8m	14.3%
TOTAL NON-DOMESTIC SALES	$43.7m	45.4%
DOMESTIC SALES	$52.5m	54.6%
TOTAL SALES	$96.2m	100.0%

**Includes $17.3m sales from Skellmax's NZ-based businesses (eliminated on consolidation).*

As the table above shows 45.4% of our $96.24m sales to customers were derived from export and offshore sales.

MARKETS

Skellmax businesses have established a foundation for growth based on product, brand, service and cost leadership. Our leadership position in the above four commercial benchmarks are the cornerstone of our successful position in the marketplace.

We continue to implement a global growth strategy. The home market accounts for 54.6% of our annual sales. The United States and Australia are our significant external markets, providing diversification and growth opportunities.

Group revenue and earnings are strategically weighted between:

- Domestic and export markets.
- Consumables and higher added value products.
- The transtasman and NorthernHemisphere economies.

AGRI

The Agri division's New Zealand Rural operation continues to perform strongly with Skellerup the preferred supplier of dairy rubberware and vacuum pumps to the majority of the dairy industry suppliers.

Globally, Skellerup retained its position as the world's third largest supplier of dairy rubberware. The United States was again our largest export market for dairy rubberware in 2003.

Since balance date, agreement has been reached to acquire Stevens Filterite Ltd, effective from 1 October 2003.Stevens Filterite is a significant supplier of milk filters to the Australasian Dairy Industry and will add approximately $2.5m p.a. to the company's revenue line.

DIVERSIFIED MARKETS (By Location)		
New Zealand	52,520	54.6%
United States	24,664	25.6%
Australia	11,565	12.0%
Europe	5,872	6.1%
Rest of World	1,621	1.7%
TOTAL	96,242	100.0%

INDUSTRIAL

Our industrial division provides a strategic balance to our Agri business. We continue to generate growth in the supply of industrial vacuum pumps and components, particularly to the liquid waste and oil exploration industries in the United States. The Australian mining sector is an encouraging prospect for our techncial rubber products.

The New Zealand Industrial business continues to grow and is well placed to be a major supplier to the significant infrastructural projects that will need to take place in the immediate future.

FUTURE

As an innovative supplier of techncial rubber and vacuum pumps for both the Agri and Industrial sectors, we continue to pursue new growth opportunities. However we do recognise the importance of aggressively defending our current market share and, in parallel, seek lateral ways to enter new markets, hence our decision to set up a manufacturing facility in China involving an initial investment of $2m.

While China will not be fully operational until July 2004 we are committed to achieving new revenue growth each year. With a soundly performing industrial base in New Zealand and the new corporate structure now firmly in place we are actively seeking opportunities to develop our business. Some of the advances will be achieved by organic growth, using the strength of our distribution and brands. Our technical knowledge will be the basis of developing new and better products for existing and new market niches.

As a low cost manufacturer we also have growth opportunities in contract manufacturing for Original Equipment Manufacturers internationally. In addition we continue to look to acquire businesses that meet our investment criteria and strategic focus. My management team look forward to the challenges ahead as we continue to strive to add value for all our stakeholders in the years ahead.

Donald Stewart
MANAGING DIRECTOR

Agri
Business Operations

VALUE CREATION

OUR PRODUCT RANGE

- AGRI QUALITY (MAF), BfR AND FDA APPROVED DAIRY RUBBERWARE MILKING LINERS, JETTER CUPS, MILK AND AIR TUBING, BENDS, SLEEVES AND PLUGS.
- MILK FILTERS.
- ROTOMOULDED POLYETHYLENE TANKS, BINS, SEPTIC TANKS AND CALF FEEDERS.
- FOOTWEAR (GUMBOOTS AND WORKBOOTS) AND SOCKS.
- DAIRY VACUUM AND MILK PUMPS.

GROWTH DRIVERS

OPERATING REVENUE
$51.5m

EBIT
$13.64m

NET ASSETS
$20.72m

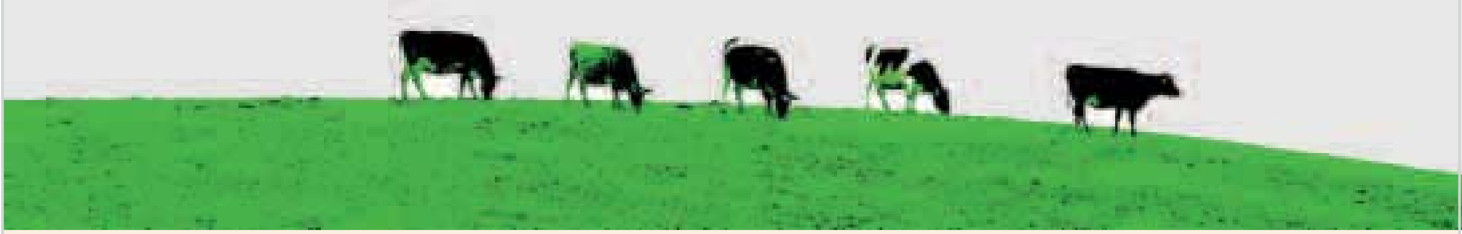
- STRONG DISTRIBUTION CHANNELS.
- BRAND DEVELOPMENT.
- PROVIDING THE BEST PRACTICE SOLUTIONS FOR CUSTOMERS.
- STRONG TECHNICAL LEADERSHIP AND MANUFACTURING EXCELLENCE.
- NEW PRODUCT DEVELOPMENT AND EXPANDING INTELLECTUAL PROPERTY.
- EXTENDING PRODUCT RANGE IN EXISTING AND UNEXPLOITED NICHE MARKETS.
- LEVERAGING EXISTING RELATIONSHIPS WITH GLOBAL ORIGINAL EQUIPMENT MAUFACTURERS.
- NEW OFFSHORE MANUFACTURING CAPACITY FOR A WIDER PRODUCT RANGE.

SELECTED KEY BRANDS

SKELLERUP

SKELLERUP BLUE LINE | SKELLERUP PERTH | SKELLERUP Schöen | SKELLERUP REFLEX

SKELLERUP RED BAND | SKELLERUP 4x4 MARATHON | SKELLERUP FORESTRY | SKELLERUP PEACH TEATS



The Agri business division has performed strongly despite tighter conditions in the Australasian, American and European markets during the year to 30 June 2003.

Our wide range of superior Agri products continues to be in demand in markets that are relatively resilient to economic conditions. We have strengthened established customer relationships in the marketplace particularly with rural retailers and Original Equipment Manufacturers.

The Agri business accounted for 54% of consolidated sales to customers in the year ended 30 June 2003, and 64.5% of EBIT.

RURAL NEW ZEALAND

Sales to the New Zealand dairy industry have been insulated to a large extent from fluctuating rural incomes by the essential nature of our core rubber consumable products including milking machine teat cup liners, peach teats, tubing and rubber accessories.

When dairy farmers reinvest back into their properties and rural equipment we experience stronger demand for higher value capital items. Rural incomes are normalising after a period of above average dairy payouts and, whilst farm conversions to dairying are continuing, the level of expenditure on capital equipment has slowed. We expect this pattern to continue in the 2004 year.

Good demand for the company's products continues to be experienced through rural retailers.

In the New Zealand market rural retail chains represent a successful distribution channel for our wide range of rural products from milking rubberware to footwear, socks and water storage tanks.

ABOVE: SKELLERUP SALES REPRESENTATIVE PETER LINDSAY (RIGHT) INSPECTS THE COMPANY'S CALF FEEDING EQUIPMENT WITH ROGER LAMB (LEFT) RD1 TEAM LEADER SOUTH ISLAND AND MANAGER RD1 ASHBURTON.

LEFT : SKELLERUP IS THE LARGEST MANUFACTURER AND SUPPLIER OF CALF TEATS. PICTURED: DEBBIE COWIE SORTS PEACH TEATS USED ON SKELLERUP PEACH FEEDERS.

Our Footwear marketing and distribution unit has again been a profitable segment of the business. Skellerup has maintained the market leading position of its icon *Red Band* ™ and *Perth*™ gumboots with rural customers.

In 2003 Skellerup has also further developed a new marketing channel for an alternative urban-style gumboot range *Skellerup Mudguard* through the leading retailer The Warehouse Group.

Market popularity continues for our premium quality workboot range under the *Schoen* brand. Using the time-honoured Goodyear Welt process, the *Schoen* boots are sought for their hard-wearing qualities.

ABOVE : SKELLERUP SALES REPRESENTATIVE PETER LINDSAY (RIGHT) CHECKS THE COMPANY'S GUMBOOT RANGE WITH ROGER LAMB, RD1 TEAM LEADER SOUTH ISLAND AND MANAGER RD1 ASHBURTON.

One of the enduring successes of the Skellmax group is the famous Skellerup gumboot range. For over 60 years Skellerup has built up technical expertise in rural footwear and continues to bring new products to the market.

Skellerup's footwear business began with the establishment of Marathon Rubber Footwear Ltd by George W. Skellerup in 1939 to manufacture tennis shoes.

The first 'Marathon' gumboot appeared in September 1943 and the brand has been sustained to this day. The *Red Band* gumboot stepped on to the rural scene in October 1958 and has gone on to become a Kiwi icon.

Popular styles of rural gumboot marketed by Skellerup are *Red Band*, *Perth*, *4x4*, *Dairy Shed*, *Forestry*, and *Terra Nova*.

Our specific rubber formulations make Skellerup gumboots durable, hardwearing *and* comfortable. Research and development has led to the release in 2003 of the new ultra-comfortable *Skellerup Red Band* and *Perth* with a built-in sponge rubber insole.

Skellerup's urban style gumboot range includes the mainstream *Mudguard*, children's *Ballerina* and *Fireman* boots and the new *Galoche*, now marketed through The Warehouse, New Zealand's largest retailer.

TOP : ANDREW CROSSLAND, BUSINESS MANAGER (FOOTWEAR), ADMIRES THE LATEST SKELLERUP REDBAND GUMBOOT RELEASED IN 2003.

RIGHT : BRYAN McFALL, OUR FOOTWEAR SPECIALIST WITH THE ORIGINAL SKELLERUP MARATHON GUMBOOT OF 1943.

DAIRY INTERNATIONAL

The company has performed to expectations in overseas dairy markets despite recent economic and political events and lower milk prices.

The American consumer market continues to be wary of the risk of terrorism and this has trimmed demand for dairy products in the takeaway and restaurant trades.

Nevertheless, Skellerup has comfortably maintained its export sales in a highly competitive US market for dairy rubberware by offering high quality products, matched with an equally high quality service and strong brand profile. We continue to see excellent growth prospects for dairy rubberware in the USA, particularly on the West Coast.

In Australia, our long-standing business relationship with Daviesway has again been beneficial in the distribution of dairy rubberware and a number of other Skellerup branded products.

We are closely monitoring developments in Europe where the dairy industry is expected to experience significant change this decade. The expanded European Community presents a bigger rural economy. This will bring market opportunities for both dairy rubberware and vacuum pump technology.

ABOVE : TANIA HAWKIN, SKELLERUP CHRISTCHURCH, WITH A RANGE OF MILKING LINERS DESTINED FOR WORLD MARKETS.

BELOW : JOHN CRAIG, STOREMAN, WITH SHIPMENTS OF DAIRY RUBBERWARE.

Industrial
Business Operations

VALUE CREATION

OUR PRODUCT RANGE

- TECHNICAL RUBBER PRODUCTS INCLUDING RUBBER WATERPROOFING MEMBRANES, CUSTOM RUBBER EXTRUSIONS AND MOULDINGS, CONVEYOR BELTS, RUBBER COVERED ROLLERS, MINING SHEETING AND MILL LINING SYSTEMS.
- CLOSED CELL POLYETHYLENE AND EVA FOAM PRODUCTS.
- ROTOMOULDED INDUSTRIAL PRODUCTS
- ROTARY VANE AND BLOWER VACUUM PUMPS.

GROWTH DRIVERS

OPERATING REVENUE
$44.4m

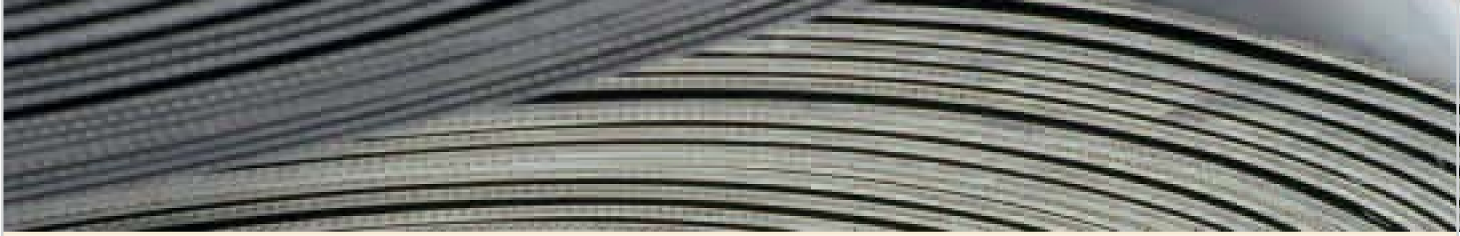
EBIT
$7.51m

NET ASSETS
$23.82m

- PROVIDING BEST PRACTICE SOLUTIONS FOR CUSTOMERS.
- STRONG TECHNICAL LEADERSHIP AND MANUFACTURING EXCELLENCE.
- NEW PRODUCT DEVELOPMENT AND EXPANDING INTELLECTUAL PROPERTY.
- EXTENDING PRODUCT OFFER TO THE EXISTING DISTRIBUTION NETWORK.
- FOCUS ON TARGETED GROWTH NICHE MARKETS.
- INCREASING MARKET SHARE IN THE AUSTRALIAN RESOURCE SECTOR.
- DEVELOPING INDUSTRIAL PUMP MARKETS IN THE UNITED STATES.
- ENVIRONMENTAL RESTRAINTS ON LIQUID WASTE WORLDWIDE.

SELECTED KEY BRANDS

SKELLERUP Masport
butylclad DEC-K-ING
TUFFPLY the hard armed belt EPICLAD VIKING Orange



Our industrial businesses benefited in the June 2003 year from strong domestic growth in New Zealand's industrial sector.

The Industrial division has competitive advantage based on the combination of customised technical solutions and rapid time-to-market production.

The industrial business accounted for 46% of consolidated sales to customers in the year ended 30 June 2003, and 35.5% of EBIT.

During a year of strong growth by the New Zealand economy our industrial businesses benefited from their exposure to almost every industrial sector including :

- Manufacturing
- Infrastructure developments
- Commercial construction
- Mining and transportation of minerals
- Environmental containment projects and
- Primary production such as forestry and fishing.

The division recorded an encouraging year in the Australian market particularly for mill linings marketed to the mining industry where customers demand high performance rubbers for critical plant components.

New Zealand's robust regulatory regime for the protection of the environment is generating demand for containment and retainment systems for projects in landfill, mining, agricultural, horticultural and viticultural sectors.

Internationally, we expect environmental laws to drive business opportunities for liquid waste removal equipment.

INDUSTRIAL NEW ZEALAND

The Industrial Rubber products team is focused on gaining market share with customers requiring technical rubber solutions in extruding and moulding. (This initiative is being extended into the much larger Australian market). Positive trends in development and upgrading of residential property have created excellent demand for roofing and waterproofing products. Low interest rates and high levels of immigration into New Zealand are supporting ongoing construction activity. Skellmax sees good opportunities to extend its range of products into the building sector.

Skellmax has held its strong market position as a manufacturer of closed cell polyethylene and ethyl vinyl acetate foam used in the competitive sports and leisure industries and industry generally.

ABOVE : SKELLERUP INDUSTRIAL SUPPLIES A WIDE RANGE OF ROOFING PRODUCTS INCLUDING SKELLERUP BUTYLCLAD.

QUALITY ASSURANCE

An important part of our growth strategy is to encourage our technical experts to develop new and superior products to meet customer demands. Contininuous improvement is essential to our success and to achieve customer satisfaction the quality of our products is our top priority. All products undergo quality assurance at various points of the production process. During primary processing, the compounded rubber is tested for compliance with technical specifications in a production laboratory.

ABOVE: JAN HERBERT MAKING A REGULAR CHECK ON THE CURING CHARACTERISTICS OF CURED RUBBER AT SKELLERUP CHRISTCHURCH.

ABOVE: CHARLIE CHUNG, VACUUM PUMP ASSEMBLER, CHECKING TOLERANCES ON A PUMP MANUFACTURED BY FLOMAX IN AUCKLAND.

IMPORTS

Skellmax is a sizable importer of raw materials used in the Skellerup factory. These include rubber, both natural and synthetic (SBR EPDM, Nitrile, Neoprene and Butyl), carbon black and chemicals used in rubber formulations. Product is sourced on the world market at best price in US dollars and imported from various countries according to types. Natural rubber is imported from Vietnam, Thailand and Malaysia. Synthetics are imported primarily from Japan, France and Germany. Finished goods imported by the company from Asia, USA and Europe include conveyor belts and accessories, water proof membranes, rubber gumboots and leather footwear.

RIGHT : ALAN MILLER, MIXING DEPARTMENT, SKELLERUP CHRISTCHURCH, WITH RUBBER IMPORTED FROM NUMEROUS COUNTRIES.

ABOVE : SKELLERUP MANUFACTURES BELTS TO MEET THE HARSH ENVIRONMENT OF THE MINING INDUSTRY IN NEW ZEALAND. DARYL PRIESTLEY, CONVEYOR SERVICE SUPERVISOR AUCKLAND ON SITE INSPECTING A SKELLERUP RUBBER CONVEYOR BELT.

INDUSTRIAL USA

Our operations in the United States performed well despite the less dynamic market foreshadowed in the company's interim report. The US economy continued to struggle with the war in Iraq, a negative influence in the second half of the year.

Demand for vacuum pumps for the liquid waste removal industry has contracted in the year under review with American consumer spending at restaurants, fast-food outlets and outdoor entertainment venues showing restraint.

Nevertheless, we see very promising growth opportunities in this sector for the Masport brand of industrial vacuum pumps.

New technology developments under way during this year will defend strong current market positions and enhance our sales opportunities in the liquid waste removal and oil exploration sectors.

INDUSTRIAL AUSTRALIA

Skellerup has had a most encouraging year in Australia supplying products to the mining sector. We supply both the market's need for consumables sold on a regular cycle and for customised large moulded rubber products. The group's primary focus in Australia during the year has been to develop our market for rubber mill lining systems. Skellerup has increased its market share, resulting in our Brisbane-based Australian operation having a busy year.

We have achieved satisfactory sales to companies involved in iron ore production and gold mining, areas where Skellerup has the relevant products.

Mill linings are a consumable product where continuous wear creates unavoidable replacement business. We have a growing reputation as a quality supplier of mill linings used in the process of grinding and retrieval of minerals. Customers include zinc, copper and gold producers in Queensland, Victoria, Tasmania and West Australia.

We are pleased with our sales growth despite rigorous competition from global suppliers as our technical rubber products gain market recognition for high performance.

Our leadership position in innovative technologies for technical rubber products enables us to pursue opportunities for technology partnerships between leading mining companies and Skellerup.

China's emergence as a competitive modern manufacturing nation is also important to the growth of the minerals sector as it lacks essential raw materials. Overall, the Australian resource sector offers Skellerup opportunities in a large and stable market.

ABOVE : LEADING HAND GRANT VAILE (LEFT), WITH A GRINDING WHEEL FOR M.I.M. HOLDINGS, A MAJOR AUSTRALIAN MINING COMPANY, MANUFACTURED AT SKELLERUP'S LARGE PRESS FACILITY.

Our Values
Our People

This is the first year that Skellmax Industries Ltd has produced a triple bottom line report and the occasion provides the opportunity to publicly state the values that underlie the business.

VALUES:

- **PEOPLE :** Our people determine our intelligence, reputation and vitality. Teamwork and involvement are our core human values.
- **SAFETY :** The safety of our employees in the workplace is of paramount importance and we strive to implement workplace policies that make our marketing and manufacturing locations safer places.
- **PRODUCTS :** Our products are the end result of our efforts, and they should be the best in satisfying customer needs worldwide.
- **ENVIRONMENT :** We are committed to workplace practices and products that are protective of the environment.
- **PROFITS :** Long term profitablity enables us to survive and grow and is the ultimate measure of how efficiently we service our customers.

PRINCIPLES:

- To achieve customer satisfaction, the quality of our products and services must be our number one priority.
- Customers are the focus of everything we do, as we strive to provide better products and services than our competition.
- Continuous improvement is essential to our success. We must strive for excellence in everything we do and seek to be a low cost producer and supplier in order to provide best value to our customers.
- Employee involvement is essential. We are a team and we treat each other with trust and respect.
- Suppliers and other business associates are partners with whom we must maintain mutually beneficial relationships.
- Integrity is never compromised.

INVESTMENT

The group's businesses are involved in marketing, sales, distribution and manufacturing in New Zealand, Australia, the United States, the United Kingdom, Europe, South Amercia, South Africa and Asia. Skellmax Industries has a responsibility to be a successful business and to strive for superior returns for its shareholders who number in excess of 7,200 individuals and institutions.

The company has a significant investment in assets in New Zealand, Australia and the United States and a great tradition as a business of longstanding to protect. It seeks to behave responsibly as a corporate member of the community in which it operates. Our board of directors operates under a corporate governance code designed to ensure that the company's leaders act with integrity. We continue to invest in attracting, training and retaining the right people as employees. The company employs in excess of 460 people in its businesses.

ABOVE: THE TEAM IN THE DAIRY RUBBERWARE FINISHING DEPARTMENT AT SKELLERUP CHRISTCHURCH.

ABOVE : FROM THE DAIRY RUBBERWARE FINISHING DEPARTMENT, PICTURED (LEFT TO RIGHT) ALAN SMITH, TINA BARAVILALA, LEE HEMARA AND ALAN G. SMITH.

SKELLMAX PEOPLE

The businesses comprising the Skellmax group are involved in rubber processing, rotomoulding, closed cell foam production and metal turning. We rely on the experience and commitment of our people to ensure that these facilities are operated safely and efficiently.

The company strives to create a workplace where people work as a team and we aim to create an environment that retains the right people.

We recognise that each individual employee has a valuable role to play in ensuring the optimum operational performance of the business. Accordingly, we continue to invest in programmes that protect their wellbeing in the workplace.

Skellmax has embarked on an organisational development plan that will provide the workplace strategic framework and initiatives for staff development supporting the values of the company.

The initial focus is to ensure all people responsible for the leadership, management and development of other employees are competent in their roles and consistently apply company policies and procedures in a way that reflects the company's values.

The successful implementation of this plan will enable Skellmax Industries to create a workplace environment that encourages personal initiative and continuous improvement, allowing people to reach their potential, while encouraging employees to respect health and safety requirements and support our quality systems.

Implementation will be followed by measurement and evaluation. Skellerup conducted an employee survey in 2002 consisting of individual and focus group interviews. The survey identified significant strengths and areas for development in the relationship between the Company and its employees. The results of this survey form the basis of our organisational development plan.

This survey showed a large number of employees expressed pride, loyalty and commitment in working for Skellerup. Many demonstrated a strong understanding of a need to continue improving quality and our service to the company's customers.

The commencement of a series of leadership and positive management workshops for over 70 managers, team leaders and leading hands has extended the leadership skills of our management team and has raised awareness of good practices and how to achieve staff management responsibilities in a way that is harmonious and respected.

HEALTH AND SAFETY

The company's objective is to eliminate Health and Safety incidents. Health & safety policies are continually reviewed and improved with the participation of employees.

Emergency simulation training has been conducted in each department of the company's manufacturing facility in Christchurch and the resultant videotapes used to make a number of improvements.

Intensive training has been provided on safe work practices including lifting techniques and avoiding back injuries, hazard recognition and the wearing of appropriate safety equipment.

Monthly health and safety meetings are held with the aim of reducing the incident frequency.

Skellmax is an accredited employer under the ACC Partnership Programme.

In November 2002 Skellerup Industries was awarded H&S certification to AS/NZS 4801:2001.

NUMBER OF EMPLOYEES

LOCATION	JUNE 2003
New Zealand	414
Australia	20
United States	32

The Environment

Skellmax Industries is committed to responsible environmental management of its operational sites and sustainable use of natural resources.

Environmental performance is important to us both internally in the manufacturing process and with regard to the environmental impact of the business on the community. All of our businesses in New Zealand, Australia and the United States monitor the impact of their operations on the neighbouring environment.

BIOSPHERE PROTECTION

We take all reasonable steps to eliminate and minimise the release of any pollutant that may cause environmental damage or be offensive to the local community by using control systems to prevent their release.

REDUCTION AND DISPOSAL OF WASTE

Waste management strategies are implemented by divisional managers to ensure minimal wastage and optimal recycling of materials.

Group member Skellerup has been a member of the New Zealand Government's 'Target Zero' initiative for several years; this has resulted in a number of process improvements and waste minimisation initiatives with excellent results.

Skellerup has conducted an audit of its Woolston manufacturing facilities to identify all unnecessary hazardous materials, which have subsequently been removed and disposed of in accordance with the hazardous waste regulatory regime. At Flomax in Auckland all by - products from machining, such as metal swarf and machining oils, are collected and recycled. Flomax has moved to environmentally friendly vanes used in rotary vane vacuum pumps.

RISK REDUCTION

We take all reasonable steps to eliminate or minimise hazards to the workplace and community environments in which we operate by employing safe operating procedures and being constantly prepared for emergencies.

An independently conducted environmental site survey of the Woolston manufacturing site identified areas where the company is able to make improvements in the interests of environmental performance. The report concluded that significant improvements have been made over the past decade and that the company proactively manages environmental regulatory matters.

COMMUNITY PARTICIPATION

Skellerup has a tradition of helping to beautify the local area and has received a number of awards for the presentation of the garden at our Woolson site.

STAKEHOLDER CONSULTATION

Skellerup is an active member of the 'Woolston/Heathcote Groundwater Resource and Users Group' in Christchurch.

CASE STUDY

The Skellerup factory at Woolston, Christchurch, is located in an industrial zone on the banks of the Heathcote River. Many artesian wells sunk in the early years for groundwater supply have been recently studied prior to remedial work for the purpose of environmental protection.

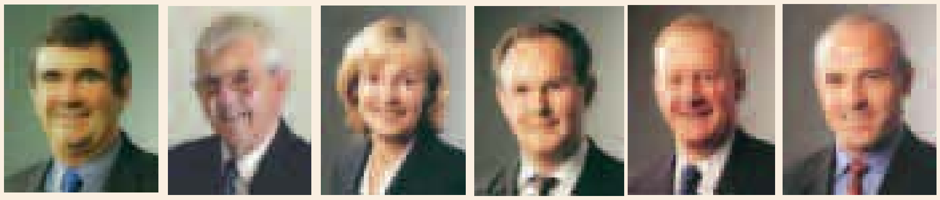
A significant project proactively undertaken by Skellerup has seen one of the old wells capped with a control system to prevent groundwater overflowing to the Heathcote River.

Water savings are estimated at 700,080 m^3 annually now kept in the ground and the possibility of saline backflow into an aquifer serving the Heathcote Valley has been reduced. The water savings will help to mitigate the possible need for water restrictions in dry summers.

The remedial work also reduces the risk of lost production due to imposed water restrictions.

- PICTURED AT TOP: THE HEATHCOTE RIVER ADJACENT TO THE COMPANY'S WOOLSTON MANUFACTURING SITE.
- ABOVE: ARTESIAN BORE FOLLOWING REMEDIAL WORK.

Board of Directors



ABOVE LEFT TO RIGHT : KEITH SMITH, ARTHUR YOUNG, ELIZABETH COUTTS, LEIGH DAVIS, GRAHAM FRASER AND DONALD STEWART.

KEITH SMITH B.COM, F.C.A. (CHAIRMAN) Mr Smith is currently chairman of The Warehouse Group Limited and Tourism Holdings Limited, both companies listed on the NZSX. In addition, he is the chairman of Enterprise Motor Group Limited, Healthcare Holdings Limited, Electronic Navigation Limited and deputy chairman of Genesis Power Limited. He is also a director of and advisor to companies in industries as diverse as printing, media, meat by-products and tannery processing and exporting.

ARTHUR YOUNG LLB. (DEPUTY CHAIRMAN) Mr Young is senior Auckland partner in the law firm Chapman Tripp Sheffield Young. He was formerly Chairman of Viking Pacific Holdings Limited and is Deputy Chairman of AFFCO Holdings Limited (listed on the NZSX). He is a current or former director of many companies, both public and private, over diverse commercial fields. His current rural directorships include Rimanui Farms Limited (pastoral farming) and Auroam Investments Limited (dairying).

ELIZABETH COUTTS B.MS., C.A. Mrs Coutts is a professional director. She is currently chairman of Industrial Research Limited, deputy chairman of Public Trust and a director of EBOS Group Limited and Sports and Recreation New Zealand. She was previously a director of Air New Zealand Limited, the Health Funding Authority and Trust Bank New Zealand, a commissioner for both the Commerce and Earthquake Commissions, and chief executive of the Caxton Group of Companies and Carters Building Supply Group. She is a member of the Financial Reporting Standards Board of the Institute of Chartered Accountants of New Zealand.

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

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

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. Mr Stewart is currently a director of Lyttelton Port Company Limited.

Directors' Report

The Directors present the Annual Report together with the financial statements of the Company and its subsidaries for the period ended 30 June 2003.

PRINCIPAL ACTIVITIES

Skellmax Industries Limited (the company) is listed on the New Zealand Stock Exchange under the security code SKX.

Skellmax is a specialist marketing, manufacturing, and distribution group servicing worldwide agricultural and industrial markets. The primary markets are New Zealand, Australia, the United States and Europe.

RESULTS

The reported financial result for the period under review was an after tax profit of $12,592,000. This result relates to a 12 month trading period ending at the balance date of 30 June 2003. The audited surplus after tax of $12.59m compares with the prospectus forecast of $12.44m, a 1.2% increase due to improved margins and cost efficiencies.

The company's initial results in 2002 reported for only a nine-day trading period and are not considered to provide appropriate comparatives. Accordingly, this year's performance is best related to the forecasts made in the May 2002 Prospectus for the public offer.

Earnings per share were 12.56 cents per share. Taxation required $5.98m ($6.12m) and interest $2.13m ($2.21m)

Operating revenue was $96.24m, which compares with the prospectus forecast of $103.60m. The variation reflects the delay in effecting a forecast acquisition and the impact of currency translation on the segment of sales made by overseas subsidiaries. The New Zealand dollar having appreciated significantly since the Prospectus recorded the US dollar at $0.45 and the Australian dollar at A$0.82.

EBITDA was $22.70m ($22.86m) and after depreciation of $1.99m ($2.08m) EBIT was $20.71m ($20.77m). Operating surplus after interest but before tax was $18.57m, compared with prospectus forecast of $18.56m.

Cash flow before dividend and debt repayment amounted to $11.02m, compared with prospectus forecast of $9.27m.

Current assets amount to $37.25m (2002: $39.07m) and current liabilities stand at $14.61m ($16.83m). Term liabilities have been reduced to $22m ($30m) and total liabilities are $36.61m ($46.83m). Net borrowings have been reduced from $26m in 2002 to $18m in 2003.

DIVIDEND

The Directors have declared a dividend of 4 cents per share, payable on 24 October 2003, to shareholders registered on 17 October 2003. The dividend has full imputation credits attached. With the interim dividend of 3 cents per share paid in April 2003, the total dividend for the year is 7 cents per share, which matches the forecast made in the 2002 Prospectus.

AUDITORS

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

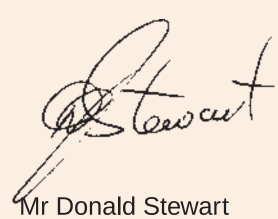
DIRECTORS

Mr Graham Fraser and Mr Arthur Young retire by rotation in accordance with the Company's constitution and being eligible offer themselves for re-election.

DIRECTORS' SHARE DEALINGS

There have been no disclosures to the Board pursuant to section 148 of the Companies Act 1993 in relation to dealings by Directors in relevant interests in the company's ordinary shares during the year ended 30 June 2003.

Mr Keith Smith
CHAIRMAN
20 August 2003



Mr Donald Stewart
MANAGING DIRECTOR
20 August 2003

Corporate Governance

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

ROLE OF BOARD OF DIRECTORS

The board of directors of Skellmax Industries Limited is elected by shareholders to direct and supervise the management of the company.

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

BOARD SIZE AND STRUCTURE

The current policy is that the board will comprise five non-executive directors. The managing director is the only executive director. Non-executive directors are selected to ensure that a broad range of skills and experience are available. One of the non-executive directors is appointed as Chairman.

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

The board has instituted a formal system to review annually the performance of the board and of the individual directors.

BOARD COMMITTEES

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

The committee's responsibilities are to ensure that adequate internal and risk management controls are in place, to advise the board regarding accounting policies, practices and disclosure, to review the scope and outcome of the external audit, to review the annual and half-yearly statements prior to approval by the board, and to report the proceedings of each meeting to the board. The current composition of the committee is Elizabeth Coutts (Chair), Keith Smith and Graham Fraser.

REMUNERATION 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.

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 risk.

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

SHAREHOLDER RELATIONS

The board aims to ensure that shareholders are kept informed of major developments affecting the company. Information is communicated to shareholders through the annual and interim reports. Any material matter affecting the company during the intervening period is immediately reported to the New Zealand Stock Exchange 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 ■ Chartered Accountants

Auditor's Report

To the Shareholders of Skellmax Industries Limited

We have audited the financial statements on pages 22 to 39. The financial statements provide information about the past financial performance of the company and group and their financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 25 to 26.

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 2003 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.

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

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 22 to 39 :
  - 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 2003 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 20 August 2003 and our unqualified opinion is expressed as at that date.

Ernst & Young

Auckland

Directory

REGISTERED OFFICE

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

Phone 09 571 1208
Facsimile 09 571 5896

BOARD OF DIRECTORS

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

A. W. Young LL.B
Deputy Chairman

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

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

G. A. Fraser B.Com

D. J. Stewart B.Com
Managing Director

MANAGEMENT

Managing Director
D.J Stewart B.Com

Chief Operating Officer
M.P McKessar

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

AUDITOR

Ernst & Young
41 Shortland Street. Auckland

LEGAL ADVISORS

Chapman Tripp
23-29 Albert Street. Auckland

BANKERS

The National Bank of New Zealand Limited
33 Lorne Street. Auckland

SHARE REGISTRAR

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

FINANCIAL STATEMENTS AND NOTES
FOR THE YEAR ENDED 30 JUNE 2003

STATEMENT OF FINANCIAL PERFORMANCE

For the period ended 30 June	NOTE	GROUP 12 MONTHS 2003 $000	GROUP 9 DAYS 2002 $000	PARENT 12 MONTHS 2003 $000	PARENT 12 MONTHS 2002 $000
Revenue					
- Continuing Activities	2	**96,242**	**4,678**	**16,665**	**160**
Operating Surplus before tax from continuing activities	3	**18,575**	**484**	**12,999**	**(1)**
Income Tax	5	5,983	107	1	-
Operating Surplus/(Deficit) After Tax		12,592	377	12,998	(1)
Net Surplus/(Deficit) Attributable to the Shareholders of the Parent Company.		**12,592**	**377**	**12,998**	**(1)**

STATEMENT OF MOVEMENTS IN EQUITY

For the period ended 30 June	NOTE	GROUP 12 MONTHS 2003 $000	GROUP 9 DAYS 2002 $000	PARENT 12 MONTHS 2003 $000	PARENT 12 MONTHS 2002 $000
Net Surplus for the Year		**12,592**	**377**	**12,998**	**(1)**
Other Recognised Revenues and Expenses					
- Movement in Foreign currency Revaluation Reserve		(1,589)	-	-	-
Total Recognised Revenues and Expenses		**11,003**	**377**	**12,998**	**(1)**
Contribution by Owners					
- Ordinary shares issued during the year		238	115,000	238	115,000
Distribution to Owners					
- Interim Dividend paid		(3,023)	-	(3,023)	-
- Share repurchase		-	(98,367)	-	(98,367)
Movement in Equity for the Year		**8,218**	**17,010**	**10,213**	**16,632**
Equity at the Beginning of the Year		17,725	715	17,347	715
Equity as at 30 June	8	**25,943**	**17,725**	**27,560**	**17,347**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2003	NOTE	GROUP		PARENT	
		2003 $000	2002 $000	2003 $000	2002 $000
Total Equity	**8**	**25,943**	**17,725**	**27,560**	**17,347**
Current Assets					
Cash		3,953	3,882	2,874	-
Receivables and prepayments	11	17,287	19,424	205	301
Inventories	12	19,959	19,649	-	-
Total Current Assets		41,199	42,955	3,079	301
Non-Current Assets					
Property, plant and equipment	13	21,353	21,596	7	3
Investments & advances	14	-	-	47,348	47,348
Total Non-Current Assets		21,353	21,596	47,355	47,351
Total Assets		**62,552**	**64,551**	**50,434**	**47,652**
Current Liabilities					
Bank overdraft	16	-	-	-	100
Payables	17	14,609	16,826	874	205
Current portion of term liabilities		-	-	-	-
Total Current Liabilities		14,609	16,826	874	305
Non-Current Liabilities					
Term liabilities	18	22,000	30,000	22,000	30,000
Total Non-Current Liabilities		22,000	30,000	22,000	30,000
Total Liabilities		**36,609**	**46,826**	**22,874**	**30,305**
Net Assets		**25,943**	**17,725**	**27,560**	**17,347**

For and on behalf of the Board, which authorised these financial statements on 20 August 2003

K.R Smith
CHAIRMAN
20 August 2003

D.J Stewart
MANAGING DIRECTOR
20 August 2003

The accompanying Notes form part of these Financial Statements

STATEMENT OF CASH FLOWS

For the period ended 30 June	NOTE	GROUP		PARENT	
		12 MONTHS	9 DAYS	12 MONTHS	12 MONTHS
		2003 $000	**2002 $000**	**2003 $000**	**2002 $000**
Cash Flows from Operating Activties					
Cash was provided from:					
- Receipts from Customers		110,911	4,568		-
- Interest Received		119	-	87	-
- Management Fees		-	-	3,580	41
- Dividends received from subsidiaries		-	-	12,998	-
		111,030	4,568	16,665	41
Cash was applied to:					
- Payments to suppliers and employees		(87,439)	(3,619)	(971)	(141)
- Interest		(1,987)	(60)	(1,948)	-
- Rent		(2,554)	(106)	(30)	-
- Tax Paid (including GST)		(6,142)	(1,887)	61	-
		(98,122)	(5,672)	(2,888)	(141)
Net Cash Inflow(Outflow) From Operating Activities	**24**	**12,908**	**(1,104)**	**13,777**	**(100)**
Cash Flows from Investing Activities					
Cash was provided from :					
- Sale of property, plant and equipment		10	9	-	-
		10	9	-	-
Cash was applied to :					
- Purchase of property, plant and equipment		(1,899)	(19)	(8)	-
- Purchase of investments		-	(46,633)	-	(46,633)
		(1,899)	(46,652)	(8)	(46,633)
Net Cash Outflow from Investing Activities		**(1,889)**	**(46,643)**	**(8)**	**(46,633)**
Cash Flows from Financing Activities					
Cash was provided from :					
- Draw down of term facility		-	30,000	-	30,000
- Proceeds of share issue		238	115,000	238	115,000
		238	145,000	238	145,000
Cash was applied to:					
- Repurchase of shares from Viking Pacific Holdings Limited			(98,367)		(98,367)
- Dividends Paid to Shareholders		(3,033)	-	(3,033)	-
- Repayment of Term Debt		(8,000)	-	(8,000)	-
		(11,033)		(11,033)	
Net Cash Inflow(Outflow) from Financing Activities		**(10,795)**	**46,633**	**(10,795)**	**46,633**
Effect of exchange rate changes		(153)	(18)	-	-
Net Decrease in Cash Held		71	(1,132)	2,974	(100)
Add opening cash brought forward		3,882	5,014	(100)	-
Ending Cash Carried Forward		**3,953**	**3,882**	**2,874**	**(100)**

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 Group consists of the Company and its subsidiaries. The Company is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of the Company and the Skellmax Group have been prepared in accordance with the Financial Reporting Act 1993.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the Skellmax Group, with the exception that Financial Instruments have been disclosed at fair value in the Notes to the financial statements.

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.

d) Receivables

Receivables are stated at their estimated realisable value.

e) Research & Development Costs

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

f) Taxation

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method. Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

g) Inventories

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

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

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

h) Leases

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

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

i) Foreign Currencies

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

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

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

j) Financial Instruments

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

Losses from financial guarantees are recognised by the Company when it becomes liable for the outstanding balances. Skellmax Group enters into foreign currency forward exchange contracts to hedge trading transactions, including anticipated transactions, denominated in foreign currencies. Gains and losses on contracts which hedge specific short-term foreign currency denominated transactions are recognised as a component of the related transaction in the period in which the transaction is completed. Where the hedge of an anticipated transaction is terminated early, but the anticipated transaction is still expected to occur, the gain or loss that arose prior to termination of the hedge continues to be deferred and is recognised as a component of the transaction when it is completed. If the trading transaction is no longer expected to occur, the gain or loss on the terminated hedge is recognised in the statement of financial performance immediately.

The net differential paid or received on interest swaps is recognised as a component of interest expense or interest revenue over the period of the agreement. Premiums paid on interest rate options, and net settlements on forward rate agreements are amortised to the statement of financial performance over the life of the hedged item or the period hedged. Any financial instruments that do not qualify as hedges are stated at market value and any gain or loss is recognised in the statement of financial performance.

k) Cash Flows

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

l) Employee Entitlements

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

Changes to Accounting Policies

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

Comparatives

The Group came into existence on 18 June 2002 as a result of the acquisition of subsidiaries by the Company, as detailed in Note 14 and 15. Therefore, all 2002 comparative figures for the Group results are for the period from 18 June 2002 to 30 June 2002 inclusive.

2 Operating Revenue

For the period ended 30 June

	GROUP		PARENT	
	12 MONTHS	9 DAYS	12 MONTHS	12 MONTHS
	2003 $000	**2002 $000**	**2003 $000**	**2002 $000**
Sales	95,919	4,667	-	-
Rent Revenue	204	8	-	-
Interest Revenue	119	3	87	-
Management Fees	-	-	3,580	160
Dividends Received From Subsidiaries	-	-	12,998	-
Total Operating Revenue	**96,242**	**4,678**	**16,665**	**160**

3 Operating Surplus Before Taxation, After Charging/(Crediting)

For the period ended 30 June

	GROUP		PARENT	
	12 MONTHS	9 DAYS	12 MONTHS	12 MONTHS
	2003 $000	**2002 $000**	**2003 $000**	**2002 $000**
Bad Debts written off	108	-	-	-
Change in provision for doubtful debts	31	(7)	-	-
Foreign Currency losses/(gains)	(844)	(5)	-	-
Interest Expense and interest charges	2,133	79	2,082	79
Rental and Operating Lease Costs	2,554	106	30	-
Directors Fees	280	45	280	45
Loss on sales of Property, Plant and Equipment	107	-	-	-
Research and Development Costs	313	1	-	-
Donations	-	-	-	-
Depreciation:				
- Freehold Buildings	17	1	-	-
- Plant & Equipment	1,514	57	-	-
- Furniture & Fittings and Other	462	16	4	-

4 Auditor's Remuneration

For the period ended 30 June

	GROUP		PARENT	
	12 MONTHS	9 DAYS	12 MONTHS	12 MONTHS
	2003 $000	**2002 $000**	**2003 $000**	**2002 $000**
Amounts paid or due and payable to auditors for:				
Auditing the Financial Statements				
- Parent Company Auditor	111	83	22	-
- Other Auditors	23	24	-	-
	134	107	22	-
Other Services				
- Parent Company Auditors	23	-	4	-

5 Income Tax Expense

For the period ended 30 June

	GROUP 12 MONTHS 2003 $000	GROUP 9 DAYS 2002 $000	PARENT 12 MONTHS 2003 $000	PARENT 12 MONTHS 2002 $000
Operating Surplus/(Deficit) Before Tax	18,575	484	1	(1)
Prima Facie Tax	6,130	160	-	-
Tax Effect of Permanent Differences	36	3	-	-
	6,166	163	-	-
Tax Effect of Timing Differences	125	(56)	1	-
Tax Credits and Prior Period Adjustments	(308)	-	-	-
Tax Expense	5,983	107	1	-
The Tax Charge is Represented by:				
- Current Tax	5,983	107	1	-
- Deferred Tax	-	-	-	-
	5,983	107	1	-

The Group has asset depreciation and other timing differences through the consolidation of the subsidiary companies, which give rise to a $2,724,000 (2002, $2,843,000) 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 period ended 30 June

	GROUP 12 MONTHS 2003 $000	GROUP 9 DAYS 2002 $000	PARENT 12 MONTHS 2003 $000	PARENT 12 MONTHS 2002 $000
Balance at Beginning of Period	615	-	-	-
Imputation Credits Attached to Dividends Received	-	-	6,402	-
Imputation Credits Attached to Dividends Paid	(1,449)	-	(1,449)	-
Income Tax Paid	7,207	615	-	-
Total Imputation Credit	**6,373**	**615**	**4,953**	**-**

7 Share Capital

	NOTE	GROUP AND PARENT 2003 $000	GROUP AND PARENT 2002 $000
Ordinary Shares			
Opening Balance		16,643	10
Shares Issued (100,000,000 Shares)			115,000
Repurchase of Shares From Viking Pacific Holdings Ltd			(98,367)
Shares Issued to Staff (259,200)		238	
Closing Balance	8	**16,881**	**16,643**

Share Capital continued

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 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

		GROUP		PARENT	
		2003 $000	2002 $000	2003 $000	2002 $000
Shares Capital	7	16,881	16,643	16,881	16,643
Reserves	9	(1,589)	-	-	-
Retained Earnings	10	10,651	1,082	10,679	704
Total Equity		**25,943**	**17,725**	**27,560**	**17,347**

9 Reserves

For the period ended 30 June

	GROUP 12 MONTHS	9 DAYS	PARENT 12 MONTHS	12 MONTHS
	2003 $000	2002 $000	2003 $000	2002 $000
Balance at Beginning of Period	-	-	-	-
Revaluation of Foreign Subsidiary Investments and Net Assets due to Changes in Exchange Rates	(1,589)	-	-	-
Total Reserves	**(1,589)**	**-**	**-**	**-**

10 Retained Earnings

For the period ended 30 June

	NOTE	GROUP 12 MONTHS	9 DAYS	PARENT 12 MONTHS	12 MONTHS
		2003 $000	2002 $000	2003 $000	2002 $000
Balance at Beginning of Period		1,082	705	704	705
Net Surplus/(Deficit) attributable to the Shareholders of the Parent Company		12,592	377	-	(1)
Interim Dividend Paid		(3,023)	-	(3,023)	-
Dividends Received from Subsidiary Companies		-	-	12,998	-
Total Retained Earnings	8	**10,651**	**1,082**	**10,679**	**704**

11 Receivables and Prepayments

	GROUP		PARENT	
	2003 $000	2002 $000	2003 $000	2002 $000
Trade Receivables	15,604	19,047	-	-
Less: Doubtful Debt Provision	(663)	(677)	-	-
Net Trade Receivables	14,941	18,370	-	-
GST Recoverable	228	24	-	-
Prepayments	2,118	1,030	16	121
Inter-Company Receivables	-	-	180	180
Tax Refund Due	-	-	9	-
Total Receivable and Prepayments	**17,287**	**19,424**	**205**	**301**

12 Inventories

	GROUP		PARENT	
	2003 $000	2002 $000	2003 $000	2002 $000
Raw Materials	5,968	5,631	-	-
Work in Progress	1,835	2,005	-	-
Finished Goods	12,156	12,013	-	-
Total Inventory	**19,959**	**19,649**	**-**	**-**

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

13 Property, Plant and Equipment

	GROUP		PARENT	
	2003 $000	2002 $000	2003 $000	2002 $000
Freehold Land (At Cost)	175	175	-	-
Freehold Buildings (At Cost)	1,625	1,625	-	-
Accumulated Depreciation	(83)	(66)		
	1,542	1,559		
Plant and Equipment	24,200	24,261	-	-
Accumulated Depreciation	(5,904)	(5,527)	-	-
	18,296	18,734		
Furniture, Fittings and Other	3,375	2,913	11	3
Accumulated Depreciation	(2,035)	(1,785)	4	-
	1,340	1,128	7	3
Total Property, Plant and Equipment	**21,353**	**21,596**	**7**	**3**

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

14 Investments and Advances

	GROUP		PARENT	
	2003 $000	2002 $000	2003 $000	2002 $000
Investments in subsidiaries	-	-	46,633	46,633
Inter-company advance	-	-	715	715
	-	-	47,348	47,348

Significant Subsidiaries

	Percent Held 2003	Percent Held 2002	Balance Date
Skellerup Industries Limited	100%	100%	30 June
Ultralon Products (NZ) Limited	100%	100%	30 June
Batavian Rubber Co Limited	100%	100%	30 June
Skellerup Footwear Limited	100%	100%	30 June
Flomax International Limited	100%	100%	30 June
Skellerup USA Inc.*	100%	100%	30 June
Masport Inc.*	100%	100%	30 June

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 Co 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.

15 Acquisition of Subsidiaries

On 18 June 2002 as part of a group reconstruction, the Company acquired from its parent company at that time, Viking Pacific Holdings Limited, 100% of the shares of the Significant Subsidiaries listed under *Note 14 Investments and Advances*. The results of their operations for the period 18 June 2002 to 30 June 2002 inclusive have been included in the consolidated Statement of Financial Performance for the period ended 30 June 2002 and reported in the previous year comparatives. Details of the acquisition are as follows:

	2003 $000	2002 $000
Consideration:		
Shares		**46,633**
Net assets acquired:		
Cash	-	2,702
Current Assets	-	39,595
Current Liabilities	-	(17,606)
Property, Plant and Equipment	-	21,942
	-	**46,633**

16 Bank Overdraft

	GROUP		PARENT	
	2003 $000	2002 $000	2003 $000	2002 $000
Bank overdraft	-	-	-	100

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 in 2003 was 7.26% per annum inclusive of fees and margins applied by the Group's bankers (2002 , 9.7% per annum). Group and subsidiary bank accounts operated within the overall bank facility have a right of set off.

17 Payables

	GROUP		PARENT	
	2003 $000	2002 $000	2003 $000	2002 $000
Current				
Accounts payable - trade	4,357	6,877	-	-
Sundry payables and accruals	8,155	7,300	421	185
Employee entitlements	1,559	1,506	42	-
GST payable	433	230	411	20
Tax payable	105	913	-	-
Total Payables	**14,609**	**16,826**	**874**	**205**

18 Term Liabilities

	GROUP		PARENT	
	2003 $000	2002 $000	2003 $000	2002 $000
Bank loans (secured)	22,000	30,000	22,000	30,000
Total Term Liabilities	**22,000**	**30,000**	**22,000**	**30,000**

The bank loan is secured by floating charges and guarantees over the assets of the Company and the Group. The bank loan is repayable on 30 September 2005. The interest rate is floating and set by reference to benchmark interest rates and includes a margin agreed between the Company and its bank. During the period the average rate was 7.26% per annum (2002 7.41% per annum).

19 Contingent Liabilities

	GROUP		PARENT	
	2003 $000	2002 $000	2003 $000	2002 $000
Bank Guarantee	11	-	-	-
Letters of Credit	959	1,543	-	-
Total Contingent Liabilities	**970**	**1,543**	**-**	**-**

The Bank Guarantee relates to indemnities for rental payment obligations under property leases in Australia.
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.

20 Commitments

	GROUP		PARENT	
A) Capital Commitments	2003 $000	2002 $000	2003 $000	2002 $000
Estimated capital expenditure contracted for at balance date but not provided for	216	321	-	-

20 Commitments (Continued)

B) Operating Lease Commitments	GROUP		PARENT	
	2003 $000	2002 $000	2003 $000	2002 $000
Lease commitments under non cancellable operating leases:				
- Not later than one year	2,029	1,918	30	-
- Later than one year and not later than two years	1,539	1,854	-	-
- Later than two years and not later than five years	2,539	2,852	-	-
- Later than five years	1,397	2,075	-	-
Total Operating Lease Commitments	**7,504**	**8,699**	**30**	**-**

21 Transactions with Related Parties

Mr Young is a partner at Chapman Tripp Sheffield Young, the parent company's legal advisors. Chapman Tripp Sheffield Young have received fees during the year amounting to $16,838 (no fees were paid in 2002 year). The fees were charged on normal terms and conditions. There were no amounts outstanding at balance date relating to these translations.

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.

22 Earnings per Share

	GROUP	
	2003 $000	2002 $000
Earnings Per Share (Cents)	**12.559**	**0.377**

Earnings per share is based on the total number of ordinary shares issued and the net after tax operating surplus attributable to the shareholders for the 12 months ended June 2003.

23 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 :	GROUP 2003 $000	GROUP 2002 $000	PARENT 2003 $000	PARENT 2002 $000
Bank balances	3,953	3,882	2,874	(100)
Receivables	17,287	19,424	25	180
Financial guarantees	970	1,543	970	-
Forward exchange contracts – amount receivable	8,037	-	5,367	-
Forward Rate Agreement – amount payable	(4)	-	(4)	-
Forward Rate Agreement Options – amount payable	(198)	-	(198)	-
Interest Rate Swaps – amount receivable	244	-	244	-

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 2004 to June 2008 to purchase the net equivalent of NZ$73,507,829 in foreign currency. At the previous year end, NZ$18,535,000 was held in foreign currency contracts.

Unhedged Foreign Currency Monetary Assets and Liabilties

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

	2003				2002			
$000	$USD	$NZD	$AUD	$NZD	$USD	$NZD	$AUD	$NZD
Current Assets	6,231	10,610	1,985	2,271	5,342	10,969	2,377	2,553
Current Liabilities	3,242	5,521	2,985	3,415	894	2,197	3,155	3,654
Non Current Assets	367	625	399	456	410	626	423	490

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 $ 28 million (2002, $32 million). This consists of a $27 million bank loan repayable on 30 September 2005 and an overdraft facility of $1 million.

Fair Value

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

Group and Parent	Carrying Amount 2003 $000	Fair Value 2003 $000	Carrying Amount 2002 $000	Fair Value 2002 $000
Term Loan	(22,000)	(22,000)	(30,000)	(30,000)
Foreign exchange contracts	-	8,037	-	1,344
Foreign exchange currency options	-	-	-	695
Forward rate agreement	-	(4)	-	(21)
Forward rate agreement options	-	(198)	-	-
Interest rate swaps	-	244	-	-

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 financial instruments, that are subject to interest rate risk, re-price.

	Effective Interest Rate	Total $000	6 mths or less $000	Between 6-12 mths $000	Between 1-2 yrs $000	Between 2-5 yrs $000	Greater than 5 yrs $000
Liabilities							
Bank Loan	6.51%	(22,000)	(22,000)				
Cash		3,953	3,953				
Total		**18,047**	**18,047**				

The Group also has a series of interest rate options which give the Group the option to convert from a floating rate of interest to a fixed rate of interest on $10 million out to 30 June 2004 and $5 million from 1 July 2004 to 30 June 2005. These options have not been included in the repricing table shown above.
The Group has taken out two interest rate swap contracts to convert from a fixed rate of interest to a floating rate of interest for $10 million each that mature on 1 July 2005 and 3 October 2005, respectively. These swaps have not been included in the repricing table shown above.

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

For Period Ended 30 June	GROUP 12 MONTHS 2003 $000	GROUP 9 DAYS 2002 $000	PARENT 12 MONTHS 2003 $000	PARENT 12 MONTHS 2002 $000
Reported surplus/(deficit) after tax:	12,592	377	-	(1)
Add/(subtract) non cash items and non operating items:				
- depreciation	1,993	74	4	-
- movement in provisions	232	(27)	632	-
- movement in reserves	(19)	-	-	-
- bad debts written off	108	-	-	-
- profit/loss on sale of assets	107	-	-	-
- revaluation of foreign currency working capital values due to movement in exchange rates	(1,378)	53	-	-
Non Cash Items	1,043	100	636	-
Net Movement in Working Capital	(727)	(1,581)	143	(99)
Net Cash Inflow/Outflow from Operating Acitivities	**12,908**	**(1,104)**	**779**	**(100)**

25 Segment Information

The Group operated in two industry segments and two geographical segments in the period ended 30 June 2003. Segment results are as follows. Comparative figures represent only the 9 trading days from 18 June to 30 June 2002 for Revenue and Operating Surplus. Prior year comparatives have also been reclassified to align with current industry and geographic segment classifications.

(A) Industry Segments

	2003 Agricultural $000	2003 Industrial $000	2003 Elimination $000	2003 Consolidated $000	2002 Agricultural $000	2002 Industrial $000	2002 Elimination $000	2002 Consolidated $000
Sales to customers	51,498	44,421	-	95,919	2,544	2,131	-	4,675
Intersegment sales	9,691	7,536	(17,227)	-	341	327	(668)	-
Unallocated revenue	-	-	-	323	-	-	-	-
Total Revenue	**61,189**	**51,957**	**(17,227)**	**96,242**	**2,885**	**2,458**	**(668)**	**4,675**
Segment Result	**13,636**	**7,515**	**-**	**21,151**	**379**	**181**	**-**	**560**
Unallocated expense & tax	-	-	-	(8,559)	-	-	-	(183)
Operating Surplus	**-**	**-**	**-**	**12,592**	**-**	**-**	**-**	**377**
Segment Assets	**29,017**	**29,470**	**(1,959)**	**56,528**	**31,538**	**29,399**	**(2,403)**	**58,534**
Unallocated	-	-	-	6,024	-	-	-	6,017
Total Assets	**-**	**-**	**-**	**62,552**	**-**	**-**	**-**	**64,551**

The Agricultural segment manufactures and distributes dairy rubberware, related rural products and dairy vacuum equipment for the global agricultural market. The Industrial segment manufactures and distributes industrial rubber and related polymer components together with industrial vacuum equipment for a variety of industrial applications worldwide.

(B) Geographical Segments

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

	2003 Inside NZ $000	2003 Outside NZ $000	2003 Elimination $000	2003 Consolidated $000	2002 Inside NZ $000	2002 Outside NZ $000	2002 Elimination $000	2002 Consolidated $000
Sales to customers	66,041	29,878	-	95,919	3,123	1,552	-	4,675
Intersegment sales	17,227	-	(17,227)	-	668	-	(668)	-
Unallocated revenue	-	-	-	323	-	-	-	-
Total Revenue	**83,268**	**29,878**	**(17,227)**	**96,242**	**3,791**	**1,552**	**(668)**	**4,675**
Segment Result	**19,578**	**1,573**	**-**	**21,151**	**498**	**62**	**-**	**560**
Unallocated expense & tax	-	-	-	(8,559)	-	-	-	(183)
Operating Surplus	-	-	-	12,592	-	-	-	377
Segment Assets	**44,966**	**13,521**	**(1,959)**	**56,528**	**46,682**	**14,255**	**(2,403)**	**58,534**
Unallocated	-	-	-	6,024	-	-	-	6,017
Total Assets	**-**	**-**	**-**	**62,552**	**-**	**-**	**-**	**64,551**

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

26 Prospective Financial Information

In May 2002 Skellmax Industries Limited issued a prospectus to issue 100 million shares under an IPO. The information below is a comparison of actual performance for the years ending June 2002 and June 2003 against the forecasted results stated in the prospectus document.

	Actual June 2003 $000	Prospectus Forecast June 2003 $000	Proforma Actual June 2002 $000	Proforma Prospectus Forecast June 2002 $000
STATEMENT OF FINANCIAL PERFORMANCE				
Operating Revenue	96,242	103,604	103,326	100,674
EBITDA	22,701	22,857	21,086	20,873
Depreciation	1,993	2,085	1,874	1,973
EBIT	20,708	20,772	19,212	18,900
Interest	2,133	2,213	3	(74)
Surplus Before Tax	18,575	18,559	19,209	18,974
Tax	5,983	6,122	6,367	6,261
Surplus After Tax	**12,592**	**12,437**	**12,842**	**12,713**
Pre-acquisition profit attributable to Viking Pacific Holdings Ltd	-	-	12,465	12,513
Profit attributable to Skellmax Industries Ltd	12,592	12,437	377	200
STATEMENT OF FINANCIAL POSITION				
Cash	3,953	9,476	3,882	2,702
Current Assets	37,246	42,319	39,073	41,365
Property, Plant and Equipment	21,353	24,000	21,596	21,942
Total Assets	**62,552**	**75,795**	**64,551**	**66,009**
Current Liabilities	14,609	17,455	16,826	17,606
Borrowings	22,000	30,000	30,000	30,000
Total Liabilities	**36,609**	**47,455**	**46,826**	**47,606**
Net Assets	**25,943**	**28,340**	**17,725**	**18,403**
Total Equity	**25,943**	**28,340**	**17,725**	**18,403**
STATEMENT OF MOVEMENTS IN EQUITY				
Total equity brought forward	17,725	18,403	715	53,175
Current year earnings	12,592	12,437	377	200
Movement in reserves	(1,589)	-	-	(953)
Shares issued	238	-	115,000	115,000
Less: Distributions to shareholders	3,023	2,500	98,367	100,616
Net assets of business purchased	-	-	-	48,403
Total Equity Carried Forward	**25,943**	**28,340**	**17,725**	**18,403**
STATEMENT OF CASH FLOWS				
Operating activities	12,908	13,414	14,776	12,844
Investing activities	(1,889)	(4,140)	(48,316)	(1,936)
Financing activities	(10,795)	(2,500)	31,433	(14,660)
Effect of exchange rate changes	(153)	-	(18)	-
Net Increase/(Decrease) in Cash Held	**71**	**6,774**	**(2,125)**	**(3,752)**

Operating revenue was 7.1% below the prospectus forecast which is accounted for in the main by a proposed acquisition being delayed and the prospectus recording off shore revenues at 0.45 for USD and 0.82 for AUD while actual revenues have been converted at much higher rates due to the appreciating New Zealand dollar during the year. After adjusting for this variation in exchange rates actual revenues were within $0.5m of the prospectus forecast.

The surplus after tax was 1.2% above the prospectus forecast due to improved margins and cost efficiencies. Net Assets are below prospectus forecast due to efficiencies in working capital management and delayed proposed capital expenditure. Surplus cash generated from the improved working capital position and delayed capital expenditure was utilised to reduce the term loan.

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.

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

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

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

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

28 Employee 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 representing 0.26% of the total ordinary shares of the company. At balance date the outstanding loan to employees was $179,000. 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	3
110,001-120,000	3
120,001-130,000	4
130,001-140,000	1
140,001-150,000	1
150,001-160,000	1
160,001-170,000	3
170,001-180,000	3
180,001-190,000	1
200,001-210,000	1
220,001-230,000	2
240,001-250,000	1
300,001-310,000	1
400,001-410,000	1
850,000-860,000	1

The above includes salaries, benefits and performance base 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 2003.

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
Leigh Davis
Donald Stewart
Elizabeth Coutts
Graham Fraser
Arthur Young

(b) Remuneration of Directors

	GROUP 2003 $000	PARENT 2003 $000	GROUP 2002 $000	PARENT 2002 $000
Keith Smith	80	80	13	13
Elizabeth Coutts	50	50	8	8
Leigh Davis	50	50	8	8
Graham Fraser	50	50	8	8
Donald Stewart	405	405	-	-
Arthur Young	50	50	8	8
	685	685	45	45

STATEMENT OF DIRECTORS' SHAREHOLDINGS

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

	Held non-benefically, and by related parties 30/6/03	Held by Associated Persons 30/6/03
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	-	200,000

Note 27 contains details of the Directors' option scheme.

TWENTY LARGEST SECURITY HOLDERS AS AT 26 AUGUST 2003:

Substantial Security Holders

Pursuant to Section 26 of the Securities Amendment Act 1988, the substantial security holders as at 26 August 2003 were as follows:

	Ordinary Shares	$
AXA Asia Pacific Holdings Limited	5,681,868	5.67%

Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at 26 August 2003 were:

Holder	Ordinary Shares	%
Westpac Banking Corporation – Client Assets No.2	6,679,868	6.66
Accident Compensation Corporation	4,000,000	4.00
Custodial Services Limited (A/C 3)	2,508,405	2.50
The Trustees Executors & Agency Company of NZ	1,586,000	1.58
Custodial Services Limited (A/C 2)	1,553,735	1.55
RECT Funds Management Limited	1,200,000	1.20
Forbar Custodians Limited (PPM Low A/C)	1,088,646	1.08
Peter Hanbury Masfen & Joanna Alison Masfen	1,000,000	1.00
Forbar Custodians Limited (PPM Medium A/C)	995,375	0.99
Hendry Nominees Limited (A/C 4)	940,305	0.94
Citibank Nominees (NZ) Limited	938,000	0.94
National Nominees NZ Limited	887,793	0.88
First NZ Capital Custodians Limited	700,000	0.70
Timothy Barfoot	700,000	0.70
Custody & Investment Nominees Limited	585,800	0.58
Hendry Nominees Limited (A/C 3)	585,000	0.58
Leveraged Equities Custodians Limited	554,570	0.55
First NZ Capital Custodians Limited	483,600	0.48
ANZ Nominees Limited	400,000	0.40
Public Nominees Limited – BNZ Wholesale Active NZ Equity	358,700	0.36
TOTAL:	**27,745,797**	**27.67**

As at 26 August 2003, Skellmax Industries Limited had 100,259,200 fully paid ordinary shares on issue.

DISTRIBUTION OF SHAREHOLDING AS AT 26 AUGUST 2003:

Size of Shareholding	Total Shares Held %
1 – 4,999	7.57
5,000 – 9,999	11.83
10,000 – 49,999	35.17
50,000 – 99,999	6.56
100,000 – 499,999	12.43
500,000 – 999,999	6.87
1,000,000 plus	19.57
	100.00

PRINCIPAL ACTIVITIES

The principal activities 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.