Annual Report 08

Skellerup Holdings Limited

SKELLERUP

Contents

The Skellerup Group of companies develops, markets, and distributes technical polymer products for a variety of specialist industrial and agricultural applications.

Founded 98 years ago, today Skellerup is a global company headquartered in New Zealand, with operations in Asia, Europe, the United States and Australasia.

Highlights

- Revenue up 6.6 % to $205.4 million
- EBITDA up 29.4 % to $33.4 million
- NPAT up 60.1 % to $14.7 million
- Continuing focus on technical polymer products into global niche markets
- Successful one-for-four rights issue raised $21.1m
- Divestment of four non-core business units completed major restructuring
- Dairy industry world-wide positive for Agri Division
- Synergies achieved through integration of Tumedei with Gulf Rubber

$205.4 million
Up 6.6 %
OPERATING REVENUE

$33.4 million
Up 29.4 %
EBITDA

$14.7 million
Up 60.1 %
NPAT

Financial Results Summary

Year to 30 June NZ$	2008 $000's	2007 $000's	% change
Operating Revenue	205,417	192,694	6.6 %
Trading EBITDA	33,375	25,796	29.4 %
Trading EBIT	27,870	20,671	34.8 %
Surplus before tax	19,035	13,556	40.4 %
Taxation	(6,402)	(4,375)	46.3 %
Trading Surplus after tax	12,633	9,181	37.6 %
Divestment gain	2,064	-	
Surplus after tax	14,697	9,181*	60.1 %
Total Assets	194,039	202,896	
Total Liabilities	122,241	168,300	
Net Assets	71,798	34,596	107.5 %
Earnings per share	13.09c	-2.31c	
Dividend per share (full year)	6.0c	3.0c	

* before abnormals

Chairman's Message

It is a pleasure to be able to report such an improved result for the group, despite the uncertain economic times experienced worldwide during the second half of the year.

Our emphasis in the past year was on deepening our focus on technical polymer products, and leveraging the collective expertise and resources we hold within the group to extend our market presence into niche markets globally. This strategy has provided us with a reliable and solid base to withstand challenging market conditions, which are forecast to be with us for some time yet.

Overall Group revenues increased 6.6 % to $205.4m this year. Net Profit after Tax increased 60 % to $14.7m from $9.2m (before abnormals) for the year to June 2007. This year's result includes a one-off divestment gain of $2.1m

Our performance this year was boosted by the growing strength of the dairy industry world-wide underpinning our Agri Division; along with the achievement of synergies in our Industrial Division through the integration of last year's acquisition Tumedei, with Gulf Rubber.

The successful divestment of four non-core businesses in line with our strategy of refocusing on key strengths has now enabled us to create a platform that will reinforce Skellerup as a globally recognised, cost-effective supplier of technical polymer products within our niches.

This platform comprises a powerful combination of intellectual property based on research and development expertise; access to lowest-cost manufacturing facilities; cost-effective supply chains; and constantly updated knowledge and understanding of existing and prospective markets for our products.

In late February this year, we undertook a capital raising exercise through a one-for-four rights issue, for the purpose of reducing debt. Although uncertainty within both domestic and global economies made this a potentially difficult time to raise capital, the strong support of major shareholders who underwrote the issue ensured that the initiative was most successful.

Hindsight confirms the wisdom of this initiative for all concerned. The company now has significantly less bank debt, and has delivered on its profit projections for the year under review.

Dividend

The Directors have declared a fully imputed dividend of six cents per share, which will be paid on 24 October 2008 to shareholders registered at 5 pm on 10 October 2008.

The Company's Dividend Reinvestment Plan will be operative for the dividend payment.

Our Annual Meeting will be held in Auckland on Wednesday 29 October 2008, at 2.30 pm in the Ellerslie Convention Centre.

Skellerup People

We owe much of our ongoing resilience within today's increasingly difficult trading environment to the loyalty and competence of long-standing staff members. With a growing world-wide team of highly regarded specialists, and a wealth of institutional knowledge of our markets, we have a sound base from which to approach our future.

There have been a number of changes to the Board composition over the past year. The retirement of Keith Smith as Chairman, signaled in September 2007, led to my appointment as Chairman in December 2007. As Chairman since Skellerup was publicly listed in 2002, Keith provided sound and effective leadership, and it has been a privilege to take over the Chairmanship of a company so well positioned for the future.

I would also like to recognise the significant contribution of Arthur Young, who retired from the Board effective 28 May this year, having also been a founding Director since 2002. Arthur is replaced by John Thompson, the founder of Gulf Rubber (purchased by Skellerup in 2006) – whose 35 years of successful entrepreneurship within the Australasian rubber industry gives him an in-depth understanding of our business.

Looking Ahead

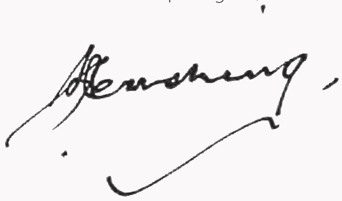
We recognise that the tightening economy - both within New Zealand and internationally - will undoubtedly bring challenging trading conditions over the next year. Our ability to interpret global trends, and use this understanding to leverage the strengths we hold within the Group to make best use of the opportunities that emerge, will largely influence our progress in this environment.

The positive outlook for the dairy industry world-wide is supported by changes in dietary habits towards more dairy products, particularly in Asia. This trend is forecast to continue, underpinning the continuing growth of our Agri division.

We are also experiencing solid growth in demand for our industrial products. This increase in demand is expected to continue, endorsing our recent strategy to focus on core technical polymer capabilities and extend our global presence, leveraging our manufacturing, distribution, and selling competencies.

Over the coming year, we will continue to grow our global reputation as a leading specialist within our niche. We are confident that our platform of sound technical capabilities, our growing presence in all our target markets, and our ability to leverage synergies across the range of companies within the group, will position us to achieve steady strategic growth over the coming years.

Your Board is confident that the group's continuing businesses (following the divestment in April of four non-core business units) can deliver a trading result (NPAT) in the vicinity of $13.5m (which takes into account that this year's result included a $2.1m one-off capital gain).



Sir Selwyn Cushing
Chairman

Managing Director's Report

Over the year, we have continued to implement the strategy to deepen our focus on gaining a stronger presence in the higher growth segments of the global technical polymer market.

Group revenue increased by 6.6 % overall to $205.4 m – however, when adjusted for the 30 April divestment of non-core businesses (Roofing, Conveyor, Containment and Batavian), the increase in revenue for continuing businesses was a pleasing 15.6 %.

Earnings before Interest and Tax (EBIT) for our continuing businesses increased by 42.3 %, reflecting a strong performance achieved through the full integration of Tumedei into our Industrial Division; together with a buoyant and growing global dairy industry .

Our Agri Division reported an increase in sales of 9.7 % to $61.8 m; and the strong growth in EBIT to $15.4m is testament to the soundness of our strategy to focus on our core strengths and leverage the continued worldwide momentum in the dairy industry.

The outlook for our New Zealand dairy business is positive. Our growing exposure to European-based customers will boost our international market growth; together with continued growth within the dairy sector in Asia and other developing regions.

Our Footwear sector performance has increased over previous years, due to the initiatives we have undertaken to develop our own cost-effective manufacturing facility enabling us to expand our footwear business through contract manufacturing.

We completed the integration of Italy-based Tumedei this year, bringing in specific sales expertise from Gulf Rubber to assist with capturing growth opportunities available in Europe. In addition, Gulf Rubber and Tumedei rationalised the manufacture of some products to optimise the use of manufacturing facilities. The planned expansion of Gulf Rubber's business into the USA under its own name, is now well under way. This will enable Gulf to optimise the growth opportunities available in this, the world's largest market for polymer products.

Gulf and Deks – our industrial businesses that service the construction markets – particularly in Australasia and North America – experienced challenging trading conditions throughout the year.

However, this was off-set by Gulf having a better than expected year in other product categories; and a good performance from our Vacuum pump business, supported in the main by oil extraction industry activity.

Tumedei's contribution for the full twelve months (compared with just one month last year), together with solid organic growth and increased earnings from new highly technical products developed by Gulf Rubber, resulted in an increase of 19.1 % in industrial sales (for our continuing businesses) to $115.0 m; and an increase of 5.9 % in EBIT to $12.1 m (despite the negative impact of restructuring costs at Deks and Alucobond).

Strategic Outlook

Within Skellerup Holdings, our core strengths are expertise in technical polymer products; manufacturing facilities and partnerships that optimise costs and quality; and sales and distribution teams that leverage the marketability of our products world-wide.

The strategy over recent years has been to sharpen our focus within our product and industry niches, and extend our core skills geographically. This year's result has been a pleasing re-affirmation of our competence to deliver superior products, while benefiting from the collective technical competence within the group. It demonstrates our capability to draw together the resources and market intelligence that enables us to take advantage of opportunities and trends affecting future opportunities. This strategy will assist us minimise the negative impact of the slowing global economy.

The increased focus on international strongholds for dairy products in Europe and the USA – as well as our traditional Australian and New Zealand markets – has seen us consolidate and expand our market share within those markets.

At the same time, we recognise the increasing importance of dairy production in Asia and South America – and have focused on developing and strengthening a network of relationships that will support our growth into these markets.

By ensuring we have ready access to cost-competitive manufacture, while maximising the use of existing and developing distribution networks, the Industrial division has placed itself in a sound position to capitalise on forecast growth opportunities. The support provided by the positioning of our sales offices in Europe and USA will assist this process..

We have not made any acquisitions this year, preferring to direct our energies into divesting those businesses that contributed least to our core strategy, and integrating recent acquisitions to make best use of our platform of specialist expertise and capability.

While we are not pursuing any acquisition targets currently, we are always open to opportunities that will help us to develop targeted markets or enable us to maximise our impact within specific sectors. In particular, our planned shift to exploit opportunities for outsourced manufacture through partnerships that increase the competitiveness of our businesses has been successful, and will continue.

International Focus Continues to Increase

The international trading environment is changing at a faster rate than ever before , and our aim is to be well ahead of any competition in our ability to identify and build relationships and capabilities in areas that will be more cost-competitive in the future.

For several years now, our geographic revenue mix has trended strongly towards greater international sales. This has been accompanied by an increase in the proportion and numbers of staff and activities offshore – to the extent that over 50 % of staff in the Skellerup Group is now based outside New Zealand, and an increasing number are based outside Australasia.

Our strategy of increasing our international business, has placed us in a strong position to withstand any local economic pressures.

We have now established a global presence, with existing infrastructure and relationships that can be used at comparatively short notice to enable us to react positively to market opportunities world-wide.

Health, Safety and the Environment

In September last year, Skellerup technician Alan Pitcaithley tragically lost his life in an accident at our Woolston factory in Christchurch. Alan was an experienced and highly respected staff member, and all who knew him had enormous difficulty coming

Managing Director's Report

(continued)

to terms with his passing. Our heartfelt sympathies go to Alan's family, as well as his many long-standing friends within Skellerup.

While the details of the accident will never fully be known, we made it our mission to investigate it completely – not only to support the Department of Labour in its extensive investigations over the following six months, but to ensure as far as is humanly possible, that the risk of any such accident happening again is eliminated.

It is rare for there to be no prosecution following a fatality in the New Zealand workplace; however the full Occupational Safety and Health report concluded that Skellerup's procedures for Health and Safety stood up to the toughest scrutiny and there had been no breach by Skellerup of its responsibilities under the Occupational Health and Safety Act.

This accident was a very sobering reminder of our obligations for ensuring Health and Safety procedures in what is a routinely hazardous environment are maintained at the highest level.,

We are increasingly aware of the necessity to measure and reduce our carbon footprint; and have a specialised team working to assess and recommend initiatives that will drive environmentally responsible practices across the board beyond just reducing our carbon output.

Our People

This year saw a major restructuring of Skellerup's Christchurch factory that resulted in 80 redundancies. Whilst it was disappointing to lose so many valued employees, it was pleasing that the majority volunteered to be made redundant, and almost all who were looking for new employment were re-employed – in some cases, before they had left Skellerup.

A restructure of Group Management functions resulted in two highly respected members of the management team pursuing opportunities outside Skellerup.

Ian Borley's role as Industrial Divisional Manager effectively disappeared with the sale of four businesses within this sector; and our CFO role, previously undertaken by Neil Campbell with support from Guy Keogh, was consolidated under Guy's leadership.

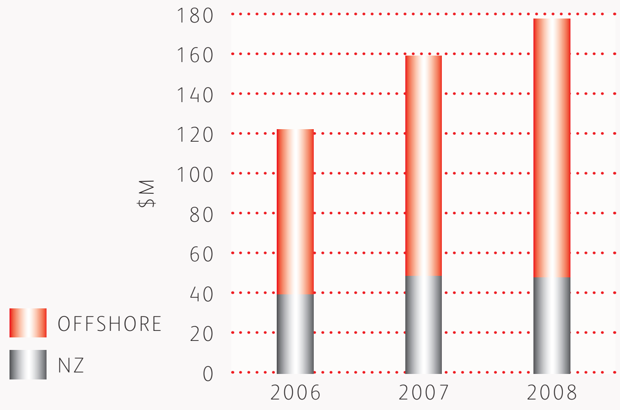
Ian and Neil both contributed to Skellerup's success and growth over the past few years, leading their respective areas with commitment and capability. We wish them well in the new opportunities they are each pursuing.

The integration of Tumedei into Gulf Rubber has brought some key staffing movements, allowing sales staff from Gulf Rubber to gain the benefits of working in a new environment that challenges and extends them, whilst enabling them to operate closer to the markets they service.

Senior Managers from both these companies have made extended visits to other group facilities, prompting initiatives that have rationalised manufacturing to optimise our access to specialised manufacturing plants and expertise, as well as allowing the managers to gain a greater understanding of the wider group which has led to increased co-operation between the companies.

While the numbers of Skellerup staff outside New Zealand continue to increase, in general the cultures of the businesses

Sales Revenue of Continuing Businesses by Market Location



Skellerup is an increasingly global cost-effective supplier of technical polymer products

within the Group are broadly similar – and we find that global standards of conduct are consistent, and the issues associated with business integration are, in general, easy to resolve.

Looking to the Future

Over the past two to three years, we have consolidated and strengthened our position as a global leader in technical polymer products for niche markets.

Our sales teams continue to develop and enhance their relationships with both current and potential future customers, to maximise the value of distribution channels by ensuring they include complementary products currently manufactured or outsourced by the Group.

Prospects for the Dairy industry, both in New Zealand and internationally, are healthy. In the current environment we are confident our Agri business will continue to flourish, through leveraging our deep industry understanding and manufacturing capability through the network of international dairy industry customers we continue to build.

Our Footwear business will continue to expand with the sale of Skellerup branded rubber footwear internationally, as well as through an increase in important long-term partnerships for the contract manufacture of a growing range of niche rubber footwear products.

We continue to consolidate and streamline our Industrial businesses so we will be able to benefit from the forecast 'wave' of industrialisation within developing nations and by gaining market share in the more developed economies through the supply of low cost technical polymer componentry that forms a key element of machinery, vehicles and equipment used in every facet of 21st century work and play.

The model we have used to integrate and expand the Gulf Rubber and Tumedei businesses has proven its worth, enabling us to create significant advantages for those businesses through consolidating key functions, and pooling the expertise and intellectual property held within both teams.

In the coming year, we will focus on selected growth markets that we believe will enable us to increase the geographic spread of our products, as well as reaffirm our position as a global leader in technical polymer products for niche markets.

Supported by a strong management team, a very capable and experienced Board of Directors, and the group of loyal and committed staff that make up the Skellerup family, we will continue to deliver on our strategy and position ourselves for sound future growth.

D Stewart

Donald Stewart
Managing Director

The New Zealand dairy industry is in a significant growth phase as a result of growing global demand for milk-based products.

Agri Division

Skellerup's patented Peach Teats are sold into many of the world's leading calf-raising markets. They are specifically designed to function just like a cow's teat.

The business units that make up our Agri Division reported very favourable trading conditions in the 2007 – 2008 year, based primarily on the strength of the dairy industry, both domestically and internationally.

Earnings before Interest and Tax increased 38.2 % to $15.4 million, on the back of revenue growth of 9.7 % to $61.8m.

The New Zealand dairy industry is currently buoyant, following increases in international milk prices driven by growing global demand from the burgeoning middle classes of developing nations such as China and India.

This has translated into steadily increasing Fonterra payouts over the past three years. At the same time, there have been much lower returns on sheep meat and wool, which has driven many farmers to convert to dairying - particularly in Canterbury and Southland.

Demand is strengthening in key dairy industry markets for our dairy rubberware the world over, including Europe and the USA.

The Skellerup business units that operate in the dairy industry are Dairy International, Dairy New Zealand, Stevens Filterite, Ambic (UK), and Conewango (USA).

Dairy International supplies export customers, plus New Zealand-based Original Equipment Manufacturers (OEMs), with rubber products (liners, tubing and accessories), vacuum pumps and milk pumps.

Significant new revenue from dairy-related rubber products was gained by Dairy International in the USA and Europe; on the back of our technically superior offering (particularly milk tubing) to meet the European BfR food contact regulations.

The restructuring in our Christchurch factory has seen us create an in-line dairy business, with our key manufacturing, technical and Research and Development teams now focused exclusively on the dairy industry.

We have grown our dairy business in China significantly and have developed a much better understanding of the market structures in China over the past 12 months. We are in contact with all the major dairy companies in China.

With the help of New Zealand Trade and Enterprise (TradeNZ), we have undertaken market studies in the fragmented South American markets. This intelligence - combined with our own sales calls – brings us in-depth knowledge of the opportunities available to us; and we now have well developed plans to make best use of those opportunities over the coming years.

The long-term outlook for the global dairy market remains positive for our export business and in the short term we also expect increased sales from the Australian dairy market as they recover from the effects of the long-running drought.

With support from the New Zealand Government under the Growth and Innovation Framework, we embarked on the Design Integration Programme with 'Better by Design' this year.

This programme aims to identify our capacity to benefit from design, our current level of design capability, and opportunities to drive business growth through design.

We are already beginning to see benefits accrue from this, as we look to make design an integral part of our product development activity and a fundamental component underpinning our growth strategies.

Dairy New Zealand, which services the Rural Retail channel in New Zealand, was another Skellerup business to benefit from the buoyant dairy market.

Agri Division
(continued)

The innovative square profile of the new VacPlus Square liners minimises the likelihood of cup-slip. This contributes significantly to milking efficiency and ease of use.

We have had a very rewarding launch of a new liner range – VacPlus Square, the first square-barreled liner to be sold in the New Zealand market. It has created a considerable amount of interest as farmers show an increasing interest in products that boost milk yield and accelerate milking speed.

The considerable success of our square liner products marketed through our Conewango business in the USA enabled us to apply learning from the world's biggest dairy market to the New Zealand environment.

Stevens Filterite is our Featherston-based manufacturer of Blue Line filters, which are sold to the Rural Retail channel and Dairy OEM-branded filters for all OEMs for their Australasian requirements.

Another strong performer in our Agri Division this year was the relatively recent addition to the group, Ambic Equipment. Based in Witney (near Oxford in the UK), Ambic manufactures a range of dairy hygiene equipment and is the world's leading supplier of equipment for the prevention and detection of mastitis in dairy cattle. Revenues for Ambic increased by 15 %.

We are seeing benefit from the new plastic injection-moulding machines that have been purchased since Ambic came into Skellerup ownership. These have increased our level of automated production – which has improved quality, while decreasing the cost of production.

The renewed focus on research and development at Ambic has seen a number of new products launched , and with more to come during in the 2008-9 year. This focus on new technology is critical, as imitation products are becoming more prevalent from Asian and eastern-European suppliers.

Our Footwear division celebrated the 50th anniversary of production of the first Red Band gumboots – marked with a very successful and productive marketing campaign. The secret to the long-term success of our Red Bands is simple. We do not compromise quality in manufacture, and we have developed a uniquely robust product – formulated to withstand the harshest environments in New Zealand and Australia. Consequently, the performance of Skellerup Red Bands is very difficult for our competitors to match.

The continued strength and growth of the global agricultural industry secures a bright future for Red Bands and our other related footwear products.

Despite increasing competition in footwear, sales continue to grow both domestically and internationally. New Zealand sales were up by 14.5 %; and international sales were up 75 % on last year as our specialised products gained real traction in new markets.

We have increased our contract manufacturing relationship with LaCrosse footwear of the USA.

Sales of footwear into Australia experienced a record year despite the significant drought. The recent launch into Australia of our new Schoen® work boot range – which was already proven within our domestic market – is showing very promising results and sales of our technical 'Type 3' Fire Fighting footwear were particularly strong.

Looking ahead within the footwear division, we will continue to develop specialised solutions for niche applications which make best use of our technical rubber expertise. There are excellent opportunities to leverage our proprietary formulations for making tough, practical, long-lasting footwear that's tailored to meet the needs of targeted industries.

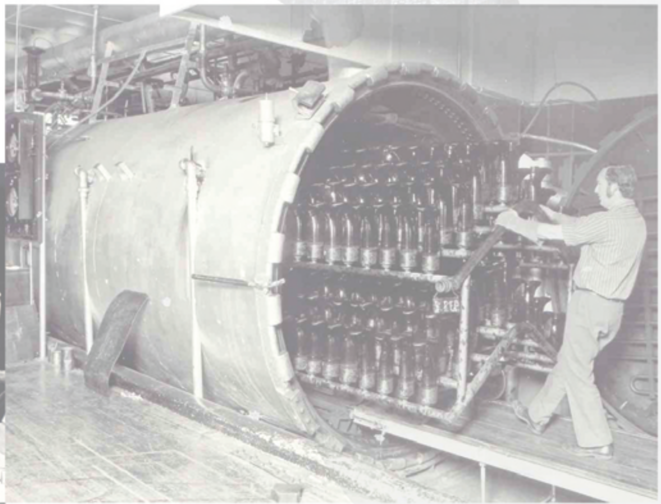
Within the Agri Division overall, our challenge will be to maintain our position as a key supplier of a range of niche polymer products, and to grow our international presence as the market expands.

50 Years of Skellerup Red Bands

"If it weren't for your Gumboots…?"

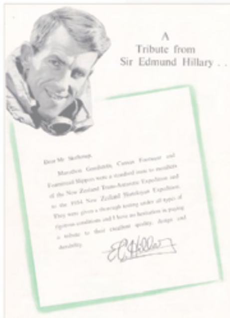
GUMBOOT MANUFACTURING 1958

GUMBOOT CURING THEN (1970)



GUMBOOT CHAIN 1958

GUMBOOT CHECKING 1958



SIR EDMUND HILLARY ENDORSES SKELLERUP 1958

FIRST DESPATCH 1958

There are not many symbols of Kiwiana that are more widely recognised than the Skellerup Red Band Gumboot!

When the first Red Band rolled off the production line in Woolston, Christchurch in October 1958, no-one could have foreseen that this rugged and versatile staple of Kiwi farmers would sell literally millions of pairs, throughout the world – and remain virtually unchanged for the next 50 years and beyond!

"They were an instant hit with our rural community back then, and with the passage of time the popularity and reputation of Red Bands only seems to continue to grow" says Paul Randall, Skellerup's Footwear Divisional Manager.

Red Bands now roll off the production line in Skellerup's factory in Jiangsu, China, at a rate of up to 1,000 pairs every day. Except for the addition of a sponge insole for added comfort, Skellerup Red Bands are made from the same 19 components they always have been.

The boots have built-in UV inhibitors and heavy duty non-clog soles, which – together with their high quality ingredients – make them much more adaptable and durable than the many cheap imitations in the marketplace.

GUMBOOT CURING NOW (2008)

1988

1992

1995

NEW ZEALAND FASHION WEEK 2006

1997

2008

Although the formulations have evolved, Skellerup Red Bands are still hand-made to the original specifications that have been tested in the toughest environments for the last 50 years.

Six different rubber formulations are used in every boot, and almost every component is made by Skellerup. It is this attention to detail and quality that makes them tough enough to withstand everything the NZ farmer can throw at them.

Red Bands were probably the first 'short' gumboot manufactured in the world – sized to reach mid calf height rather than all the way to the knee.

The comfort factor – designed for a wider foot typical of New Zealanders – together with their extraordinary resilience, has made the boots the choice not only of rural farmers in New Zealand, but they are also growing in popularity, for farmers and other users, in Australia, the UK, America, and Asia.

Industrial Division

Sales within our Industrial Division (when adjusted for the divestment of four non-core businesses) increased by 19.2 % to $115m, with EBIT increasing by a pleasing 5.9 %.

The divisional result was impacted by the costs of integrating Tumedei into the Group, and restructuring costs in Deks, Alucobond and Gulf Rubber New Zealand.

The Tumedei integration involved a detailed evaluation of the products manufactured within Tumedei and Gulf Rubber. Products manufactured by both companies were analysed by manufacturing processes, as well as their existing and potential distribution channels. This enabled key decisions to be made on the best location for the manufacture of each product.

We also reviewed Tumedei's staffing structure in production, logistics and sales, to ensure we are providing appropriate support to streamline and grow the company's business.

As a result, significantly more resources were deployed to Tumedei. Two key members of our New Zealand and Australian Gulf Rubber Sales teams have relocated to Italy, and additional staff have been recruited to drive the sales growth in Tumedei's existing and potential markets.

Tumedei's traditionally successful product lines – fabric reinforced and rubber coated diaphragms, together with specialised rubber products used for diverse applications such as automotive CNG and LPG conversions – continue to sell well.

The combination of export distribution channels made available to both Tumedei and Gulf Rubber has broadened the horizons of both companies.

While both companies already sell significant volumes into the United States through agency partners, our plan to set up a dedicated sales and warehousing facility in the Chicago area to service Tumedei and Gulf Rubber within the next 12 months will greatly expand our ability to supply and develop the USA markets.

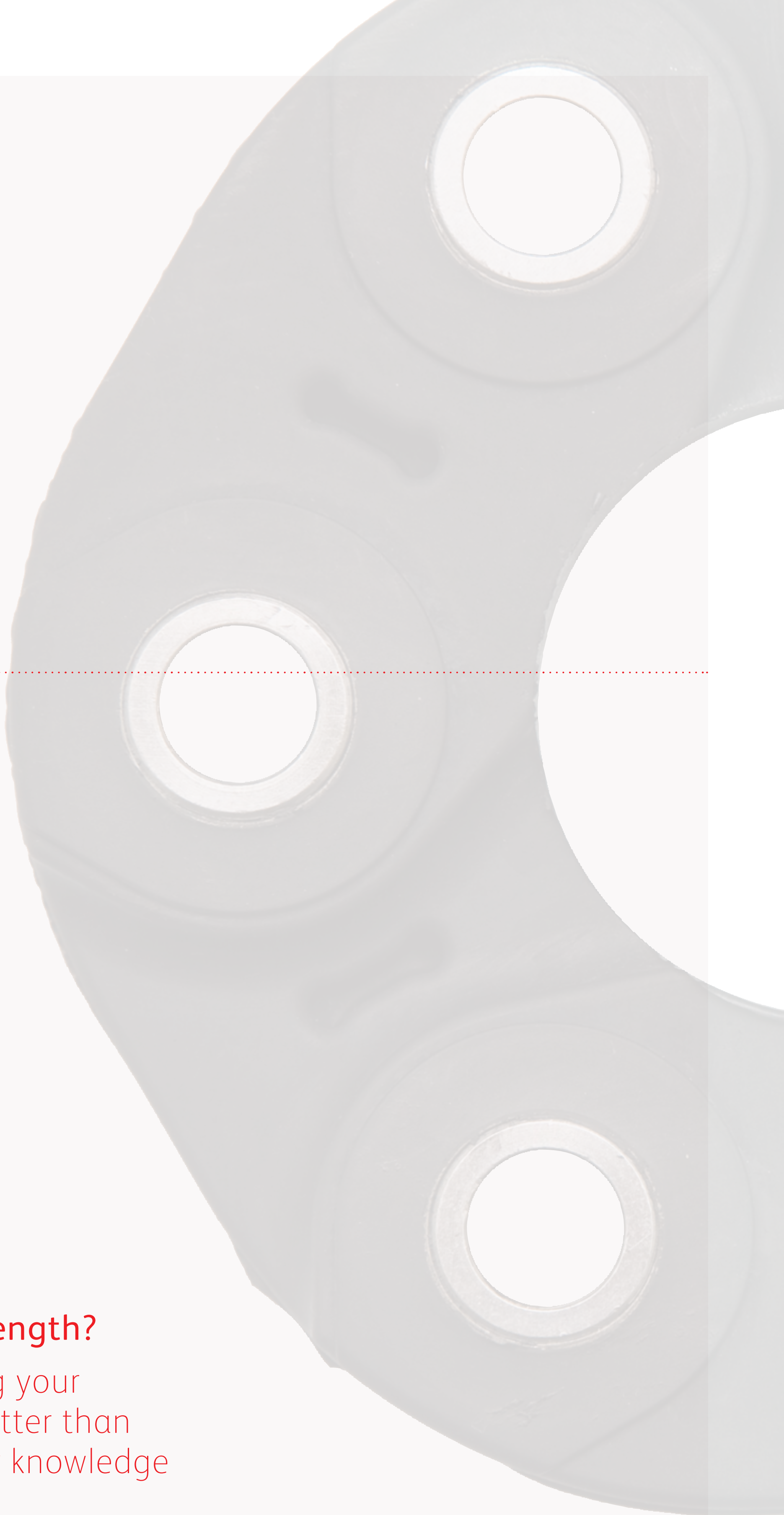
Gulf Rubber Australia has now absorbed the distribution of Skellerup's specialised Flexiflo® protective systems, for which orders remain strong particularly in Australia's domestic mining market. There is considerable potential for Flexiflo® in other offshore mining industries, and we will continue to explore opportunities in those areas.

Together with its manufacturing partner in Vietnam, Gulf has now commissioned a new factory to produce a rubber coupling product, used as a vital component in drive shafts in rear wheel drive and 4WD vehicles.

As 4WD and AWD vehicles continue to gain in popularity world-wide, this new product has significant potential.

Masport Inc – our USA-based distributor of Industrial vacuum pumps – provided another good result this year, on the back of increasing oil extraction industry activity. Masport is also close to completing development of a new product offering for this market, which we believe will be a driver of additional growth.

Based in Melbourne, Australia, Deks manufactures and distributes roof flashing and roofing washer products. While sales increased by a pleasing 17 % this year, earnings were down, in the main due to relocation and restructuring costs.



What’s the secret to Skellerup’s continuing strength?

We believe that it’s knowing your product and your market better than anyone else, and using your knowledge in the most effective way.

Industrial Division
(continued)

Together with its Vietnamese manufacturing partner, Gulf Rubber is now producing rubber coupling units for the motor industry, specifically for use in the drive shafts of rear wheel drive and 4WD vehicles

We expect that our plans to increase outsourcing will enhance future profitability, and provide an increasing revenue stream.

The key success for Deks this year was obtaining distribution rights for Perform – a lead replacement flashing product manufactured in Denmark. More information about Perform is provided on page 17.

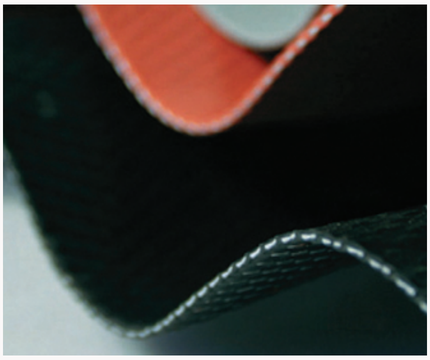
Overall, our Industrial Division continues to grow strongly. This year's performance has been firmly underpinned by our focus on leveraging our core strengths in development, manufacture and distribution of technical rubber products for industrial applications.

The divestment of non-core businesses in Roofing, Containment, Conveyor, and Batavian – has enabled us to rationalise and restructure our businesses within this division. We have reduced duplication of resources and gained synergies through combining production expertise, co-locating similar manufacturing processes, and sharing distribution channels.

We recognise that while our results to date have already validated the wisdom and practicality of this strategy, there remains a significant amount of work to do to achieve the efficiencies that we are aiming for across the division.

Over the coming year, we will continue to seek opportunities to focus our activities within our functional niche, and exploit those specialist capabilities in increasingly widespread global markets.

Case Study



Perform flashings can be cut and shaped to any roof contour, and require no fastenings. Their strength and stability increase as they harden.

Introducing Perform – The Future of Roofing Products

For centuries, lead flashings and roofing products have dominated the construction industry. Their reliability and durability has served communities well, but toxicity and heightened safety concerns have seen lead banned from building codes in an increasing number of countries around the world.

Enter Perform – a new generation of roofing material that combines the best qualities of lead with safety and ease of use that has never been seen before in a roofing product. Perform is distributed exclusively by Deks in Australasia.

Perform is a lightweight composite product made of stretchable aluminium, which is molded into a special type of rubber polymer. Unlike lead, it's made from 100 % environmentally safe materials – there's no leaching from chemicals or colouring agents, and there is no chance of contamination in handling or water run-off.

Perform can be molded to almost any shape, just like lead, but it is a third of the weight of lead, and is therefore easier to handle and quicker to install – saving costs for the user.

Suitable for all roofing shapes and sizes, Perform can be cut with a Stanley knife or tin snips and shaped to the roof surface. Once stretched out and fully shaped to the roof contour, Perform requires no fastening to the roofing, and becomes stable and increases its strength over time. It can even be folded over the edges of the roofing material and left to harden, giving even greater reliability.

It is supplied in black, grey or terracotta red, but can be painted to blend beautifully with any roof colour.

"With a ten-year warranty, the benefits of an environmentally friendly formulation, superb waterproofing qualities and unprecedented ease of use – this product has to be the roof flashing of the future" says Karl Whitten, National Sales and Marketing Manager.

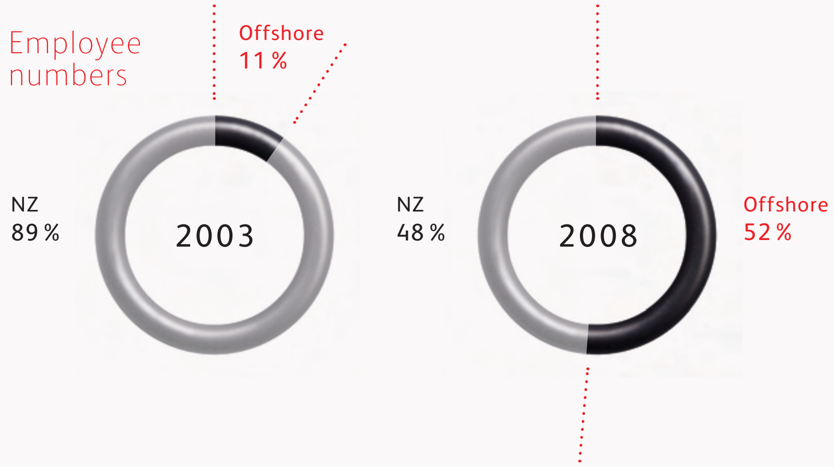
Deks secured the distribution rights to Perform (which is manufactured in Denmark), earlier this year and the market response to its release has been very encouraging.

The company aims to incorporate Perform into its Dektite roofing range in the near future, replacing lead products altogether, and providing a safe, durable, easy to use, and environmentally friendly alternative to traditional roofing materials.

Creating a Global Presence

In the past five years, the percentage of our staff based outside New Zealand has grown from around 11 % to over 50 %.

They are based in China, Vietnam, USA, UK, Italy, and Australia.



Skellerup is no longer just a Kiwi dream. The Company is well on its way to consolidating its position as a global leader in the supply of niche technical polymer products.

Skellerup's strategy of focusing on technical polymer products over the past few years has been complemented by a commitment to becoming a leader in their niche markets on every continent.

Recognising the depth and strength of our capability within this sector, we have determinedly set out to get the best from world-wide opportunities for our products.

As the world's markets grow and change, Skellerup people lead the analysis.

Several years ago, for example, we recognised the potential and likelihood that the emerging Asian middle class population would change dietary habits, seeking western products including – importantly – a wide range of dairy products.

Setting up our Jiangsu factory in China, and progressing manufacturing partnerships in other parts of Asia, was a logical next step, enabling us not only to access cost-competitive manufacturing facilities, but giving us a head start in supplying the growing local dairy industry.

Similarly, our Industrial division was able to predict demand for technical rubber products in Europe; and the acquisitions, and subsequent leverage of the synergies between Gulf Rubber and Tumedei are now beginning to generate significant revenue streams within growing European markets.

Skellerup doesn't stop there, however. Always hungry for opportunities to extend our global expertise, we are now looking to strengthen our sales and manufacturing relationships in the USA.

Our existing businesses are constantly providing information on both production and marketing opportunities in adjacent regions, which can make best use of the intellectual capital we hold in technical polymer manufacture – within environments where our products are keenly sought after, and where manufacturing costs are competitive.

As the Skellerup family of companies has grown, our staff has become increasingly multi-national. In the past five years, the percentage of our staff based outside New Zealand has grown from around 11 % to over 50 %. They are based in China, Vietnam, USA, UK, Italy, and Australia.

Many of our sales and research staff travel regularly from their home bases to neighbouring countries, developing relationships with prospective new customers or possible future manufacturing or distribution partners, and honing their understanding of the markets and environments where our products have greatest relevance.

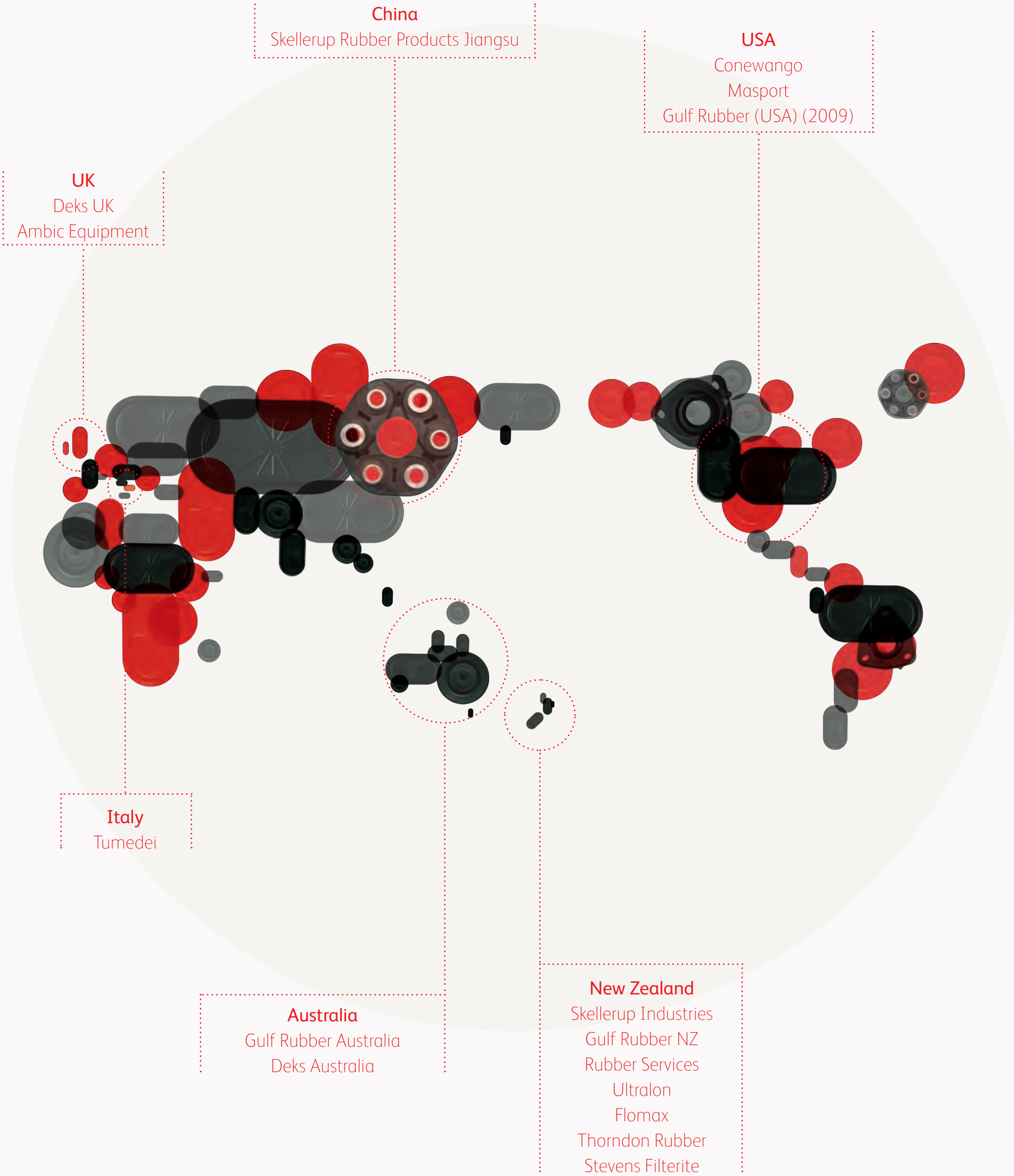
The proportion of our overall revenue that's generated offshore has also grown – from less than half in 2005, to more than 65 % of the total today. Our products are now used in over 60 countries in every continent – even Antarctica!

This has been no accident.

With tougher economic conditions expected to impact globally in the next few years, we've recognised the importance of spreading risk.

We're making sure our activities are best placed world-wide to ensure continued stability and steady growth of earnings into the future.

Skellerup is continuing to grow its international operations. We currently operate in Europe, Asia America and Australasia; and our products are sold into more than 60 countries.




After more than 50 years with the company,
Brian McFall is still passionate, enthusiastic and
excited to be part of Skellerup's continuing growth.

The Secret to Skellerup Success: Our People

In a world that seems increasingly uncertain for business, what is the secret to Skellerup's ongoing reliability?

We've pondered this question over the past few years – recognising that no company can afford to be complacent today.

One of the most striking characteristics people comment on, when they join the Skellerup family, is the number of staff who have worked within Skellerup for many, many years. The depth and breadth of specialist knowledge they bring to their roles, is one of the things that makes Skellerup's environment rich in intellectual property.

Take Brian McFall, for example. As a twenty-year-old 'newbie' to the footwear industry, he joined our Christchurch factory staff a few months before the company's iconic Red Band gumboots first rolled off the production line in 1958.

At that time, Skellerup Footwear (Marathon Rubber Footwear Ltd) employed around 500 people at Woolston, making around half of New Zealand's total footwear requirements. Brian immediately loved the family atmosphere – "It was like living in a small town!"

"My first job was putting the metal last for sandshoes on the conveyor belt – which was then taken away for someone else to fix the upper to. As time went on, I was trained in a huge number of different operations involved in making different kinds of footwear. I never realised how complicated the processes are to make high quality, durable footwear."

Within three years, Brian was offered a promotion to be training manager in the sewing room – an attractive option to be in charge of a room full of women! Just as he was about to accept the role, however, he was offered the opportunity to become a trainee pattern cutter and designer.

"Looking back, it might have been a key decision in my career" says Brian. "It gave me the chance to be involved in a hands-on way – I loved it so much, I couldn't believe they were paying me to do it!"

Brian clearly had outstanding abilities in the area and went on to become Skellerup Footwear's Chief Designer – instrumental in developing a huge range of gumboots, sandshoes, thongs, and other footwear.

As part of his role, he developed quality control systems and became responsible for supervision of three sewing rooms. In 1984 he was appointed Assistant General Manager of Skellerup Footwear – a role he held until 1996. For several years, he was also a Director of Skellerup Footwear.

More than 50 years since his start at Skellerup, he is still as fascinated making footwear as he was at the start. He has travelled extensively for the company – working in Taiwan, Sri Lanka, Thailand, Philippines, India, Puerto Rico, USA and Italy. More recently, he has been a fundamental part of the success of the new Skellerup gumboot factory in Jiangsu, China – teaching staff with no background in footwear how to make gumboots. He continues to fly to China every six to eight weeks to continue this role.

Brian says that part of Skellerup's success has been because Skellerup has a huge 'bank' of expertise in the highly specialised, long-standing staff within the company – plus a deeply embedded culture of producing quality products that last.

"Working with rubber formulations is very challenging" he says "You only have a short window to make the boots after you've made the rubber material. After a boot is assembled, it has to be cured at 133°C for over an hour. You can't afford to make a mistake anywhere in the process."

Fifty years on, and on the eve of another trip to China (this time to check on the efficiencies of the factory ahead of a release of new boots planned for later this year), Brian is still passionate, enthusiastic and excited to be part of Skellerup's continuing success story.

"I'm more and more aware of the many others in the company – now not just in little old New Zealand, but all over the world - who have a level of specialist knowledge in technical rubber products, based on many years of being involved in research and production.

There are so many who have been a part of this great company for decades, and the combination of their in-depth knowledge and the leading-edge technologies that we apply to our products is unbeatable. I am delighted to still be a part of this!"

Health, Safety and Environment Report

Health and Safety

The 2007/2008 year would undoubtedly be one of the most challenging years for Health and Safety within the history of Skellerup.

During September 2007 at Skellerup's Christchurch manufacturing facility, we suffered the tragic fatality of a long-standing and well respected colleague and friend. This prompted a major focus for the HR Team - both to assist the Department of Labour in its very detailed investigation of the event, and also to learn from the incident to ensure as far as is humanly possible, that the risk of any such accident happening again is eliminated.

It is testimony to the robust processes that underpin Skellerup's health and safety systems that after six months of investigation, no prosecution was made.

Health and Safety auditing of sites globally through the Key Element Assessment (KEA), and also the ACC Partnership Programme (NZ only), has continued. The KEA Health and Safety Audits continue to produce sound results, with all sites showing steady improvements, and a number of sites showing marked improvements. The improvements in KEA scores almost always result in a drop in accident rates in these businesses.

Our internet-based Health and Safety / Hazard Management system is accessed by all our businesses across the globe. This is providing more accurate reporting which greatly assists us to manage our Health and Safety.

The in-house safety recognition scheme 'SafeMate' has been well supported with nominations received from throughout the organisation. This programme endorses a consultative process to workplace safety, with a systematic planned approach to identifying and managing hazards.

The response from Skellerup employees is encouraging, and suggests a healthy culture is developing in which health and safety is not only accepted, but has become part of our daily language and everyday practices.

Environmental Initiatives

Our joint initiative with Christchurch City Council to achieve objectives of waste reduction, water and energy efficiency for our business site in Christchurch, was very successful.

Building on this, we are now working with EECA (Energy and Efficiency Conservation Authority) to further improve our waste reduction position and energy efficiency on site.

Some of the initiatives we have implemented over the past year include:

- Re-piping of exhaust compressor air to pre-heat raw material components
- Mixing of High kW rubber batches is scheduled for when there is a low kW peak load on the national grid
- Significant reduction of waste through recycling programmes

The de-commissioning of the coal boiler at the Christchurch manufacturing facility has resulted in a 50% reduction in this site's carbon footprint – a timely and pleasing improvement for us!

We remain keenly interested in ensuring our operating practices, both within New Zealand and at our many manufacturing facilities around the globe, are environmentally responsible, and play their part in minimising any adverse environmental impact from the Group's activities.

Board of Directors

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

Sir Selwyn Cushing, KNZM, CMG, FCA. Chairman

Sir Selwyn Cushing was appointed as Chairman during December 2007, following the retirement of Keith Smith who had been Chairman since the Company listed on the NZSX in June 2002.

Sir Selwyn has had a varied and broad-ranging career with many of New Zealand's highest-profile companies, including the Chairmanship of Air New Zealand, Brierley Investments, Carter Holt Harvey, Electricity Corporation, Huttons Kiwi, and Whitcoulls Group. He was also a Director of Skellerup Industries Limited (the original Skellerup listed company) in the 1980s.

He has also served as a government-appointed member of the Securities Commission and the NZ Apple and Pear Marketing Board. His other current Directorships include NZ Rural Property Trust, PGG Wrightson, and Rural Equities.

Donald Stewart, B.Com, Managing Director

Donald has been Managing Director for Skellerup since 1992, and was Chief Executive of Viking Pacific Holdings from 1999 – 2002. He previously held a number of management positions within Skellerup.

Donald is a Board Member of Sport and Recreation New Zealand (SPARC), a former Director of Lyttleton Port Company and is a past Chairman of the Canterbury Rugby Football Union.

David Mair, B.E. MBA, Director

David's background of international operations management experience provides an excellent fit with the Company's expansion of manufacturing capability and market penetration particularly in Asia.

David is Chairman of Stainless Design Limited and a Director of High Modulus International Limited. He is a former Executive Director of Interlock Group and was a Vice President of Asia Pacific Operations and an Operational Council Member of ASSA ABLOY (Sweden).

John Thompson, Director

John was the founder of Gulf Rubber (Sydney and Auckland), which Skellerup purchased in January 2006.

He has had over 35 years experience in all aspects of the rubber industry globally, with particular expertise in sourcing highly technical polymer products from Asia.

His experience also extends to the establishment of joint venture manufacturing relationships in Asia and Central America.

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

A former Chief Executive of Caxton Group, Liz is Chairman of listed company Life Pharmacy Limited and a director of EBOS Group Limited. She is also Chairman of the Audit, Risk and Finance Committee of the Ministry of Health; external Monetary Policy Advisor to the Governor of the Reserve Bank of New Zealand; and a member of the University of Waikato Management Studies Advisory Board.

Liz was previously Chairman of Meritec Group Limited and Industrial Research Limited; Deputy Chairman of the Public Trust; and a Commissioner of both the Commerce Commission and the Earthquake Commission.

She has been a Director of the Health Funding Authority, PHARMAC; Air New Zealand Limited; New Zealand Tennis Incorporated; Sport & Recreation NZ; and Trust Bank New Zealand. She has also been a member of the Financial Reporting Standards Board of the Institute of Chartered Accountants of New Zealand.

Graham Fraser, B.Com, Director

Graham has an extensive background in the dairy and rural sector.

He was Chairman of the NZ Dairy Board in 1999, having been a Director of the NZ Cooperative Dairy Company since 1991.

Graham is a Director of Live Stock Improvements and Ag Research; and was formerly New Zealand's Special Agricultural Trade Envoy.

Corporate Governance Policy

Corporate Governance Policy

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

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

Code of Ethics

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

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

Role of Board of Directors

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

The Board's role is to:

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

Board Size and Structure

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

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

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

Board Committees

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

1. Audit and Risk Management Committee

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

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

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

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

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

2. Remuneration Committee

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

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

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

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

3. Board Nomination Committee

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

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

Organisational Structure and Financial Reporting

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

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

Internal Financial Control and Risk Management

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

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

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

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

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

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

Shareholder Relations

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

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

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

Financial Statements

Contents

Auditor's Report

ERNST & YOUNG

To the shareholders of Skellerup Holdings Limited

We have audited the financial statements on pages 28 to 74. The financial statements provide information about the past financial performance of the Company and Group and their financial position as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 32 to 39.

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

Directors' Responsibilities

The Directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the Company and Group as at 30 June 2008 and of their financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express and 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 judgments made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Ernst & Young provides other assurance services to the Company and Group.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements on pages 28 to 74:

- comply with generally accepted accounting practice in New Zealand; and
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Company and Group as at 30 June 2008 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 3 September 2008 and our unqualified opinion is expressed as at that date.

Ernst + Young

Auckland

Directors' Responsibility Statement

FOR THE YEAR ENDED 30 JUNE 2008

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Skellerup Holdings Limited and Group as at 30 June 2008 and the results of their operations and cash flows for the year ended 30 June 2008.

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

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

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

The Directors are pleased to present the financial statements of Skellerup Holdings Limited for the year ended 30 June 2008.

This Annual Report is dated 3 September 2008 and is signed in accordance with a resolution of the Directors made pursuant to Section 211 of the Companies Act 1993.

For and on behalf of the Directors

Sir Selwyn Cushing
Chairman of the Board of Directors

D.J. Stewart
Managing Director

Financial Statements

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

Continuing operations	NOTES	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Revenue					
Operating revenue from continuing operations	2	**176,993**	153,058	**14,680**	15,349
Less cost of sales		**108,364**	93,920	**-**	-
Gross profit		**68,629**	59,138	**14,680**	15,349
Plus other income	3	**2,648**	266	**107**	46
Less distribution expenses		**14,155**	29,591	**-**	-
Less marketing expenses		**15,065**	13,274	**-**	-
Less administration expenses		**17,638**	17,214	**2,255**	2,953
Profit/(loss) for the year from continuing operations before tax and finance costs		**24,419**	(675)	**12,532**	12,442
Less finance costs	4	**8,835**	7,115	**6,895**	5,632
Profit/(loss) for the year from continuing operations before tax		**15,584**	(7,790)	**5,637**	6,810
Less income tax expense/(credit)	5	**5,217**	(3,065)	**(915)**	5
Net profit/(loss) for the year from continuing operations		**10,367**	(4,725)	**6,552**	6,805
Discontinued operations					
Profit for the year from discontinued operations	6	**4,330**	2,299	**-**	-
Net profit/(loss) for the year		**14,697**	(2,426)	**6,552**	6,805
Earnings per share					
From continuing and discontinued operations:					
Basic earnings per share	21	**13.090**	(2.309)	**-**	-
Diluted earnings per share	21	**13.090**	(2.309)	**-**	-
From continuing operations:					
Basic earnings per share	21	**9.233**	(4.498)	**-**	-
Diluted earnings per share	21	**9.233**	(4.498)	**-**	-

Financial Statements (continued)

BALANCE SHEET

AS AT 30 JUNE 2008

	NOTES	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Current Assets					
Cash and cash equivalents	8	**7,780**	10,631	**644**	-
Trade and other receivables	9	**43,721**	42,980	**66**	329
Inventories	10	**32,892**	38,607	**-**	-
Tax refund	9	**4,719**	633	**221**	129
Derivative financial assets	22	**-**	453	**-**	-
Total Current Assets		**89,112**	93,304	**931**	458
Non-Current Assets					
Property, plant and equipment	12	**43,168**	41,622	**1**	3
Deferred tax assets	5	**4,284**	6,329	**954**	35
Goodwill	13	**47,254**	51,807	**-**	-
Other intangible assets	13	**6,217**	7,707	**-**	-
Derivative financial assets	22	**1,004**	2,127	**431**	2,134
Investments & advances	14	**3,000**	-	**84,186**	132,754
Total Non-Current Assets		**104,927**	109,592	**85,572**	134,926
Total Assets		**194,039**	202,896	**86,503**	135,384
Current Liabilities					
Bank overdraft	8	**-**	-	**-**	547
Trade and other payables	15	**28,680**	25,037	**1,135**	2,479
Provisions	16	**8,065**	24,215	**100**	102
Borrowings	17	**24**	55,000	**-**	55,000
Income tax payable	5	**1,588**	-	**-**	-
Derivative financial liabilities	22	**1,153**	881	**-**	-
Total Current Liabilities		**39,510**	105,133	**1,235**	58,128
Non-Current Liabilities					
Provisions	16	**501**	517	**23**	-
Borrowings	17	**81,857**	61,835	**25,500**	43,000
Derivative financial liabilities	22	**360**	789	**-**	-
Deferred tax liabilities	5	**13**	26	**129**	704
Total Non-Current Liabilities		**82,731**	63,167	**25,652**	43,704
Total Liabilities		**122,241**	168,300	**26,887**	101,832
Net Assets		**71,798**	34,596	**59,616**	33,552
Attributable to equity holders of the parent					
Share capital	18	**44,254**	23,613	**44,254**	23,613
Reserves	19	**(4,351)**	(6,215)	**301**	1,430
Retained earnings	20	**31,895**	17,198	**15,061**	8,509
Total Equity		**71,798**	34,596	**59,616**	33,552

For and on behalf of the Board, which authorised these financial statements on 3 September 2008.

Sir Selwyn Cushing Chairman

D.J. Stewart Managing Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

GROUP	NOTES	FULLY PAID ORDINARY SHARES $000	HEDGING RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	RETAINED EARNINGS $000	TOTAL $000
Balance at 1 July 2006		22,209	3,892	(1,401)	28,005	52,705
Gain/(loss) on cash flow hedges	19	-	(4,938)	-	-	(4,938)
Income tax on items taken directly to equity	5	-	1,620	-	-	1,620
Foreign currency translations	19	-	-	(5,388)	-	(5,388)
Net income/(expense) recognised directly in equity		-	(3,318)	(5,388)	-	(8,706)
Net profit/(loss) for the year		-	-	-	(2,426)	(2,426)
Total recognised income and expense for the year		-	(3,318)	(5,388)	(2,426)	(11,132)
Issue of share capital	18	1,404	-	-	-	1,404
Dividends	20	-	-	-	(8,381)	(8,381)
Balance at 30 June 2007		23,613	574	(6,789)	17,198	34,596
Movements on cash flow hedges	19	-	(1,081)	-	-	(1,081)
Income tax on items taken directly to equity	5	-	360	-	-	360
Foreign currency translations	19	-	-	2,585	-	2,585
Net income/(expense) recognised directly in equity		-	(721)	2,585	-	1,864
Net profit for the year		-	-	-	14,697	14,697
Total recognised income and expense for the year		-	(721)	2,585	14,697	16,561
Issue of share capital	18	21,134	-	-	-	21,134
Transaction costs	18	(493)				(493)
Balance at 30 June 2008		**44,254**	**(147)**	**(4,204)**	**31,895**	**71,798**

PARENT	NOTES	FULLY PAID ORDINARY SHARES $000	HEDGING RESERVE $000	RETAINED EARNINGS $000	TOTAL $000
Balance at 1 July 2006		22,209	318	10,088	32,615
Movements on cash flow hedges	19	-	1,660	-	1,660
Income tax on items taken directly to equity	5	-	(548)	-	(548)
Net income recognised directly in equity		-	1,112	-	1,112
Net profit for the year		-	-	6,805	6,805
Total recognised income and expense for the year		-	1,112	6,805	7,917
Issue of share capital	18	1,404	-	-	1,404
Dividends	20	-	-	(8,384)	(8,384)
Balance at 30 June 2007		23,613	1,430	8,509	33,552
Movements on cash flow hedges	19	-	(1,703)	-	(1,703)
Income tax on items taken directly to equity	5	-	574	-	574
Net income recognised directly in equity		-	(1,129)	-	(1,129)
Net profit for the year		-	-	6,552	6,552
Total recognised income and expense for the year		-	(1,129)	6,552	5,423
Issue of share capital	18	21,134	-	-	21,134
Transaction costs	18	(493)			(493)
Balance at 30 June 2008		**44,254**	**301**	**15,061**	**59,616**

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	GROUP		PARENT	
		2008 $000	2007 $000	2008 $000	2007 $000
Cash flows from operating activities					
Receipts from customers		**212,529**	195,081	**-**	-
Interest received		**547**	266	**107**	46
Dividends received		**4**	-	**8,700**	6,700
Payments to suppliers and employees		**(187,870)**	(171,311)	**(2,794)**	(2,389)
Income tax paid	5	**(6,608)**	(5,745)	**(96)**	(119)
Interest paid		**(9,353)**	(7,366)	**(7,415)**	(5,884)
Management fees received		**-**	-	**5,980**	8,649
Net cash flows from / (used in) operating activities	28	**9,249**	10,925	**4,482**	7,003
Cash flows from investing activities					
Proceeds from sale of discontinued operations	6	**9,462**	-	**-**	-
Proceeds from sale of property, plant and equipment		**45**	-	**-**	-
Payments for property, plant and equipment		**(7,293)**	(13,102)	**-**	(2)
Payments for acquisition of business assets & liabilities	25	**-**	(20,032)	**-**	-
Payments for intangible assets		**(29)**	-	**-**	-
Proceeds (to) from related party		**-**	-	**48,568**	(37,267)
Net cash flows from / (used in) investing activities		**2,185**	(33,134)	**48,568**	(37,269)
Cash flows from financing activities					
Proceeds from issue of equity shares	18	**21,134**	1,404	**21,134**	1,404
Transaction cost of equity shares		**(493)**	-	**(493)**	-
Proceeds from borrowings		**37,625**	29,394	**-**	32,000
Repayment of borrowings		**(72,500)**	-	**(72,500)**	-
Dividends paid to equity holders of parent	20	**-**	(8,381)	**-**	(8,384)
Net cash flows from / (used in) financing activities		**(14,234)**	22,417	**(51,859)**	25,020
Net increase / (decrease) in cash and cash equivalents		**(2,800)**	208	**1,191**	(5,246)
Cash and cash equivalents at the beginning of the year		**10,631**	10,396	**(547)**	4,699
Effect of exchange rate fluctuations		**(51)**	27	**-**	-
Cash and cash equivalents at the end of the year	8	**7,780**	10,631	**644**	(547)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

1. CORPORATE INFORMATION

The financial statements of Skellerup Holdings Limited for the year ended 30 June 2008 were authorised for issue in accordance with a resolution of the directors on 3 September 2008.

Skellerup Holdings Limited is registered under the Companies Act 1993 incorporated in New Zealand and listed on the New Zealand Exchange.
Skellerup Holdings Limited is an issuer for the purposes of the Financial Reporting Act 1993.
The nature of the operations and principal activities of the Group are described in the Segment Information under Note 27.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

The consolidated financial statements for the twelve months ended 30 June 2008 have been prepared in accordance with the New Zealand equivalent of International Financial Reporting Standards.

This is the first set of financial statements prepared based on the New Zealand equivalent of International Financial Reporting Standards (NZ IFRS) which is compliant with International Financial Reporting Standards (IFRS) and comparatives for the 12 months ending 30 June 2007 have been restated accordingly. Reconciliations of equity for 30 June 2007 and 1 July 2006 under NZ IFRS to the balances reported in the 30 June 2007 financial statements are detailed in Note 32.

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

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Skellerup Holdings Limited and its subsidiaries as at 30 June 2008 ('the Group').

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

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.
Unrealised losses are eliminated unless costs cannot be recovered.

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

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

(c) New accounting standards and interpretations

NZ IFRS standards which have been issued but not yet effective and have not been adopted for the Annual Report ending 30 June 2008, are as follows:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL STATEMENTS	APPLICATION DATE FOR GROUP*
NZ IFRS 8	Operating Segments	New standard replacing NZ IAS 14 Segment Reporting, which adopts a management approach to segment reporting.	1 January 2009	NZ IFRS 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements.	1 July 2009
NZ IAS 23 (revised)	Borrowing Costs	The amendments to NZ IAS 23 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	The amendments to NZ IAS 23 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial statements.	1 July 2009
NZ IAS 1 (revised)	Presentation of Financial Statements	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	The amendments are expected to only affect the presentation of the Group's financial statements and will not have a direct impact on the measurement and recognition of amounts under the current NZ IAS	1 July 2009
Amendments to NZ IAS 32 and NZ IAS 1	Revised Amendments to NZ IAS 32 Financial Instruments: Presentation and NZ IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation	The amendment to NZ IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to NZ IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.	1 January 2009	The Group does not expect these amendments to impact the financial statements of the Group.	1 July 2009
NZ IFRS 3 (revised) and NZ IAS 27 (amended)	NZ IFRS 3 Business Combinations (revised) and NZ IAS 27 Consolidated and Separate Financial Statements (amended)	NZ IFRS 3 (revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. NZ IAS 27 (amended) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amendment standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.	1 July 2009	The changes introduced by NZ IFRS 3 (revised) and NZ IAS 27 (amended) must be applied prospectively and will affect future acquisitions.	1 July 2009

Adoption of new accounting standards The Group has adopted NZ IFRS 7 – Financial Instrument Disclosure which became effective from 1 January 2008. The adoption of this standard has no affect on the income or financial position of the Group. The standard only affected the disclosure requirements of Financial Instruments.

(d) Business combinations

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

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

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

(e) Segment reporting

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

(f) Foreign currency translation

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

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

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

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

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

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

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

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

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

(g) Property, plant and equipment

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

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

Buildings – 40 years

Plant and equipment – over 2 to 20 years

Furniture fittings & other – 5 to 10 years

Impairment

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

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

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

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

Impairment losses are recognised in the income statement.

Disposals

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

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

(h) Goodwill

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

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

Goodwill is not amortised.

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

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

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

Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

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

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

(i) Intangible assets

Intangible assets acquired separately are capitalised at cost at the date of acquisition.

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

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

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

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

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

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

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

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

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

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

(j) Recoverable amount of non-current assets

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

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

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

(k) Investments

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

(l) Inventories

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

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

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

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

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

(m) Trade and other receivables

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

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

(n) Cash and cash equivalents

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

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

(o) Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations

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

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

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

(p) Investments and Other Financial Assets

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

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Gains and losses on financial assets are exclusive of interest and dividends which are recognised separately.

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

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

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

(q) Interest-bearing loans and borrowings

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

Borrowing costs are recognised as an expense when incurred.

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

(r) Provisions and employee benefits

Provisions

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

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

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

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

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

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

Employee benefits

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

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

(ii) Long service leave

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

(s) Employee Share Purchase Scheme

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

The interest free loan is recorded on the Balance Sheet as a current asset.

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

(t) Leases

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

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

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

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

(u) Contributed equity

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

(v) Revenue

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

Sale of goods

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

Rendering of services

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

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

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

Interest

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

Dividends

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

Rental income

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

(w) Government grants

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

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

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

(x) Income tax

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

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

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

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

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

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

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

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

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

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

(y) Other taxes

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

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

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

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

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

(z) Earnings per share

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

(aa) Derecognition of financial instruments

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

(ab) Derivative financial instruments and hedging

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

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

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

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

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

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

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

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

(i) Fair value hedges

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

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

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

(ii) Cash flow hedges

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

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs.

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

(iii) Hedges of a net investment

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

(ac) Significant account judgements and assumptions

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

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

(1) Impairment of Goodwill

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

(2) Warranty Provisions

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

(3) Estimation of Useful Lives of Assets

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

The depreciation changes are disclosed in Note 12.

(4) Recovery of the Deferred Tax Asset

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

The deferred tax asset is disclosed in Note 5.

(5) Impairment of Non Financial Assets other than Goodwill

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

(6) Management's Expectation of Future Payments

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

2. OPERATING REVENUE

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

	NOTE	GROUP		PARENT	
		2008 $000	2007 $000	2008 $000	2007 $000
Continuing operations:					
Sale of goods		**176,798**	152,818	**-**	-
Management fees from subsidiaries		**-**	-	**5,980**	8,649
Rental revenue		**195**	240	**-**	-
Dividends from subsidiaries		**-**	-	**8,700**	6,700
Continuing operations - operating revenue		**176,993**	153,058	**14,680**	15,349
Discontinued operations:					
Sale of goods	6	**28,424**	39,636	**-**	-
Total Group operating revenue		**205,417**	192,694	**14,680**	15,349

3. OTHER INCOME

	NOTE	GROUP		PARENT	
		2008 $000	2007 $000	2008 $000	2007 $000
Continuing operations					
Interest income		**547**	266	**107**	46
Government Grants received		**458**	-	**-**	-
Gain on disposal of property, plant and equipment		**21**	-	**-**	-
Dividends received		**4**	-	**-**	-
Foreign currency gains		**1,394**	-	**-**	-
Other sundry income		**224**	-	**-**	-
Continuing operations - other income		**2,648**	266	**107**	46
Discontinuing operations:					
Gain on divestment	6	**1,914**	-	**-**	-
Total other income		**4,562**	266	**107**	46

4. FINANCE COSTS

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Interest on bank overdrafts and borrowings	**7,918**	6,775	**5,985**	5,292
Bank facility fees	**910**	340	**910**	340
Interest on finance leases	**7**	-	**-**	-
Total finance costs	**8,835**	7,115	**6,895**	5,632

5. TAXATION

(A) Income statement

	NOTE	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Current income tax					
Current income tax charge/(credit)		**3,921**	3,440	**(1,011)**	32
Prior year adjustments		**432**	(284)	**-**	(27)
Effect of movements in foreign currencies		**(589)**	185	**-**	-
Deferred income tax					
Relating to origination and reversal of temporary differences		**3,001**	(5,273)	**-**	-
Effect of change in future tax rates		**174**	-	**96**	-
Prior year adjustments		**(687)**	-	**-**	-
Total income tax expense/(credit)		**6,252**	(1,932)	**(915)**	5
Continuing operations		**5,217**	(3,065)	**(915)**	5
Discontinued operations	6	**1,035**	1,133	**-**	-
Total income tax expense/(credit)		**6,252**	(1,932)	**(915)**	5

(B) Amounts charged to equity

	NOTE	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Reserves					
Deferred tax on forward exchange and interest rate swap derivatives taken to the hedge reserve	19	**360**	1,620	**574**	(548)
Deferred tax on unrealised foreign exchange gains in year taken to foreign currency revaluation reserve	19	**77**	-	**-**	-
Adjustment to goodwill due to the fair valuing of assets acquired on the purchase of companies	13	**-**	(146)	**-**	-
Total income tax to reserves		**437**	1,474	**574**	(548)

(C) Reconciliation

	NOTE	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Profit from continuing operations		**15,584**	(7,790)	**5,637**	6,810
Profit from discontinued operations	6	**5,365**	3,432	**-**	-
Total profit/(loss)		**20,949**	(4,358)	**5,637**	6,810
Total profit as reported		**20,949**	(4,358)	**5,637**	6,810
Less tax		**6,252**	(1,932)	**(915)**	5
Net profit/(loss) after tax		**14,697**	(2,426)	**6,552**	6,805
Tax at parent company rate		**6,914**	(1,438)	**1,860**	2,247
Effect of change in future tax rates		**174**	-	**96**	-
Adjustments for prior years		**(256)**	(284)	**-**	(31)
Non deductibles/(non taxables)		**(673)**	(683)	**(2,871)**	(2,211)
Effect of different foreign tax rates		**132**	(74)	**-**	-
Tax benefit from utilising losses not previously recognised		**(84)**	-	**-**	-
Effect of movements in foreign currencies		**45**	547	**-**	-
Total income tax/(credit)		**6,252**	(1,932)	**(915)**	5

5. TAXATION (continued)

(D) Recognised deferred tax assets and liabilities

	NOTE	GROUP 2008 Current Income Tax $000	2008 Deferred Income Tax $000	2007 Current Income Tax $000	2007 Deferred Income Tax $000
Opening balance		**633**	**6,303**	(1,926)	(443)
Charged to income		**(3,921)**	**(3,001)**	(3,440)	5,273
Prior year adjustments		**(432)**	**687**	284	-
Deferred tax benefit not available		**-**	**(15)**	-	-
Payments		**6,608**	**-**	5,745	-
Effect of change in future tax rates		**-**	**(174)**	-	-
Tax liability on acquisition of subsidiary		**-**	**-**	(1,198)	-
Charged to equity					
Deferred tax on forward exchange and interest rate swap derivatives taken to the hedge reserve	19	**-**	**360**	-	1,620
Deferred tax on unrealised foreign exchange gains in year taken to foreign currency revaluation reserve	19	**-**	**77**	-	-
Adjustment to goodwill due to the fair valuing of assets acquired on the purchase of companies	13	**-**	**-**	-	(146)
Effect of foreign currency movements		**243**	**34**	1,168	(1)
Closing balance		**3,131**	**4,271**	633	6,303
Amounts recognised in the balance sheet:					
Tax asset		**4,719**	**4,284**	633	6,329
Tax liability		**(1,588)**	**(13)**	-	(26)
Net current tax asset		**3,131**	**4,271**	633	6,303

	GROUP 2008 Deferred Income Tax $000	2007 Deferred Income Tax $000
(i) Deferred Tax Liabilities		
Accelerated depreciation	**(1,312)**	(321)
Gross deferred tax liabilities	**(1,312)**	(321)
(ii) Deferred Tax Assets		
Inventory	**409**	614
Restructuring	**211**	4,791
Annual leave, long service leave and sick leave	**1,441**	1,557
Doubtful debts	**222**	273
Warranty	**424**	438
General	**1,255**	950
Derivatives	**368**	(299)
Adjustment for deferred tax on income statement adjustments for sales cut-off, employment entitlements & liability provisions	**-**	297
Adjustment for deferred tax on movements through the hedge reserve that impact on the Income Statement	**-**	462
Adjustment for the deferred tax on assets revaluation reserve not previously recorded under previous GAAP	**-**	(3,862)
Adjustment for the deferred tax on the fair value of assets acquired on purchase of subsidiaries credited to goodwill	**-**	1,403
Loss available for future offset	**1,253**	-
Gross deferred tax assets	**5,583**	6,624
Set-off deferred tax liabilities	**(1,312)**	(321)
Net deferred tax assets	**4,271**	6,303

5. TAXATION (continued)

	NOTE	PARENT			
		2008 Current Income Tax $000	2008 Deferred Income Tax $000	2007 Current Income Tax $000	2007 Deferred Income Tax $000
Opening Balance		**129**	**(669)**	45	(121)
Credited to income due to future tax benefit of loss		**-**	**1,011**	-	-
Charged to income		**-**	**-**	(39)	-
Charged to income – previous year		**(4)**	**5**	-	-
Payments		**96**	**-**	119	-
Effect of change in future tax rates		**-**	**(96)**	-	-
Charged to equity					
Deferred tax on adjustments for sales cut-off, employment entitlements and liability provisions		**-**	**-**	4	-
Deferred tax on interest rate swap derivatives taken to the hedge reserve	19	**-**	**574**	-	(548)
Closing balance		**221**	**825**	129	(669)
Amounts recognised in the balance sheet:					
Tax asset		**221**	**954**	129	35
Tax liability		**-**	**(129)**	-	(704)
Net current tax asset/(liability)		**221**	**825**	129	(669)

	PARENT	
	2008 Deferred Income Tax $000	2007 Deferred Income Tax $000
(i) Deferred Tax Liabilities		
Derivatives	**(129)**	(704)
Gross deferred tax liabilities	**(129)**	(704)
(ii) Deferred Tax Assets		
Provisions:		
Annual leave, long service leave (incl. sick leave)	**37**	34
Accelerated depreciation	**-**	1
Loss available for future off set	**827**	-
Other	**90**	-
Gross deferred tax assets	**954**	35
Set off deferred tax liabilities	**(129)**	(704)
Net deferred tax asset/(liability)	**825**	(669)

Imputation credit account

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Balance at beginning of period	**13,007**	12,965	**3,855**	4,566
Attached to dividends received	**-**	-	**4,285**	3,300
Attached to dividends paid	**-**	(4,099)	**-**	(4,099)
Income tax paid in New Zealand	**1,894**	4,141	**96**	88
Total Imputation Credits	**14,901**	13,007	**8,236**	3,855

6. DISCONTINUED OPERATIONS

(A) Detail of discontinued operations

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

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

(B) Financial performance of discontinued operations

	2008 $000	2007 $000
Revenue	**28,424**	39,636
Less cost of sales	**18,859**	27,654
Gross profit	**9,565**	11,982
Plus sundry income	**27**	-
Less overheads	**6,141**	8,550
Plus gain on disposal	**1,914**	-
Profit before tax	**5,365**	3,432
Less attributable income tax	**1,035**	1,133
Net Profit from discontinued operations	**4,330**	2,299

(C) Assets and liabilities

	2008 $000	2007 $000
Assets		
- Trade & Other Debtors	**1,335**	-
Liabilities		
- Trade & Other Creditors	**166**	-
Net Assets attributable to discontinued operations	**1,169**	-

The net assets are included in the Group's balance sheet at 30 June 2008. The Group retained responsibility to collect debtors and realise payables as part of the terms and conditions of sale of the divested businesses.

(D) Assets & liabilities and cash flows from divestments

Details of assets and liabilities disposed of are as follows:

	NOTE	2008 $000	2007 $000
Assets			
Property plant & equipment		**632**	-
Goodwill		**540**	-
Trade & other debtors		**9,046**	-
Inventory		**5,306**	-
Total assets		**15,524**	
Liabilities			
Less trade & other payables		**4,645**	-
Net Assets disposed attributable to discontinued operations		**10,879**	-
Net Consideration received or receivable:			
- Proceeds received		**9,462**	-
- Proceeds receivable		**1,328**	-
- Plus debenture note	14	**3,000**	-
- Less cost of divestments		**997**	-
Net proceeds		**12,793**	-
Net gain on divestments		**1,914**	-
Add tax benefit on deductible expenditure		**150**	-
Net Profit after tax of divestments		**2,064**	

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

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

7. EXPENDITURE INCLUDED IN NET PROFIT FOR THE YEAR

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

	NOTE	GROUP		PARENT	
		2008 $000	2007 $000	2008 $000	2007 $000
Remuneration of auditors:					
Audit of the financial statements by parent company auditor		**254**	274	**53**	48
Other services provided by parent company auditor (NZ IFRS & IT assurance services)		**44**	69	**-**	-
Other auditors fees for the audit of the financial statements		**78**	98	**-**	5
Total remuneration of auditors		**376**	441	**53**	53
Employee benefits expense:					
Wages & Salaries (including annual leave, long service and sick leave)		**48,053**	41,162	**1,163**	1,325
Termination benefits		**245**	5,615	**-**	350
Total employee benefit expenses		**48,298**	46,777	**1,163**	1,675
Depreciation and amortisation expense:					
Depreciation of property, plant and equipment	12	**4,853**	5,063	**2**	6
Amortisation of intangible assets	13	**652**	62	**-**	-
Total depreciation and amortisation expense		**5,505**	5,125	**2**	6
Restructuring expenses					
Restructuring expenses are included in the 2007 year as distribution and administration expenses		**-**	17,914	**-**	350
Research and development costs		**774**	1,150	**-**	-
Donations		**3**	20	**-**	-
Rentals & operating lease costs					
- Property, vehicles and plant & equipment		**5,194**	6,228	**35**	35
Foreign currency losses		**-**	3,653	**-**	-
Ineffective portion of cash flow hedges:					
- Interest rate swaps		**95**	-	**-**	-
- Foreign currency contract		**98**	-	**-**	-
Total ineffective portion of cash flow hedges		**193**	-	**-**	-

8. CASH AND CASH EQUIVALENTS

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

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

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Cash and bank balances	**7,780**	10,631	**644**	(547)
Total cash and bank balances	**7,780**	10,631	**644**	(547)

9. TRADE AND OTHER RECEIVABLES

	NOTE	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Trade receivables		**40,877**	40,014	**-**	-
Less allowance for doubtful debts		**904**	833	**-**	-
		39,973	39,181	**-**	-
GST/VAT receivable		**858**	1,158	**-**	-
Other		**2,890**	2,641	**66**	329
Sub Total		**43,721**	42,980	**66**	329
Tax Refund	5	**4,719**	633	**221**	129
Total receivables		**48,440**	43,613	**287**	458

The average credit period on sales of goods is 66 days. No interest is charged on the trade receivables.

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

Before accepting a new customer, the Group verifies the potential customer's credit quality and defines credit limits by customer. Limits and the credit performance of the customers are reviewed monthly. Of the trade receivables balance at the end of the year, $1.3 Million (2007: $1.1 Million) representing 3.5 % of the trade receivables are due from the Group's largest customer.

Included in the Group's trade receivable balance are debtors with a carrying amount of $15.5 Million (2007:$11.9 Million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. Apart from retention of title, and in some cases, registration of NZ overdue debts on the Personal Property Security Register, the Group does not hold any other collateral over these balances.

Ageing of past due trade receivables:

	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
1-30 days	**10,076**	8,410	**-**	-
30-60 days	**4,947**	1,993	**-**	-
60 days plus	**494**	1,452	**-**	-
Total past due trade receivables	**15,517**	11,855	**-**	-
Movement in the allowance for doubtful debts:				
Balance at the beginning of the year	**833**	1,033	**-**	-
Impaired losses recognised	**176**	(38)	**-**	-
Amounts written off as uncollectable	**(91)**	(12)	**-**	-
Impairment losses reversed	**(14)**	(150)	**-**	-
Balance at the end of the year	**904**	833	**-**	-

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

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

10. INVENTORIES

	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Raw materials at cost	**5,564**	9,424	-	-
Work in progress at cost	**5,315**	4,405	-	-
Finished goods at cost	**22,013**	24,778	-	-
Total inventories	**32,892**	38,607	-	-

The cost of inventories is net of $1.3 Million (2007: $1.7 Million) in respect of write downs across all categories of inventory to net realisable value. Movements are included in the cost of sales.

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

11. CONSTRUCTION CONTRACTS

Contracts in progress at 30 June 2008:

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Recognised and included in the financial statements as amounts due:				
Construction projects in progress	**1,009**	7,718	-	-
Profits recognised on Projects in Progress	**300**	2,415	-	-
Progress claims made to customers	**(1,267)**	(10,133)	-	-
Contracts in progress	**42**	-	-	-

At 30 June 2008, retentions held for contract work undertaken, which is included in Trade Receivables, is $340,069 (2007: $354,847).

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

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land $000	Freehold buildings $000	Plant and Equipment $000	Furniture, fittings and other $000	Capital expenditure in Progress $000	Total $000
Cost						
Balance 1 July 2006	184	1,847	32,203	5,851	3,711	43,796
Additions	-	-	11,024	(1,498)	(2,478)	7,048
Additions through business acquisitions	-	-	1,663	-	-	1,663
Disposals	-	-	(1,840)	(584)	-	(2,424)
Net foreign currency exchange differences	(2)	4	110	5	-	117
Balance 30 June 2007	182	1,851	43,160	3,774	1,233	50,200
Additions	-	185	7,810	531	(1,233)	7,293
Disposals	-	-	(430)	(400)	-	(830)
Disposals through businesses sold	-	-	(782)	(321)	-	(1,103)
Impaired Assets	-	(310)	(10,750)	-	-	(11,060)
Net fair value adjustment to goodwill	-	-	5,512	-	-	5,512
Net foreign currency exchange differences	-	2	5,185	81	-	5,268
Balance 30 June 2008	**182**	**1,728**	**49,705**	**3,665**	**-**	**55,280**
Accumulated depreciation and impairment						
Balance 1 July 2006	-	154	2,202	2,936	-	5,292
Depreciation expense	-	26	4,330	707	-	5,063
Disposals	-	-	(633)	(443)	-	(1,076)
Net foreign currency exchange differences	-	-	(79)	(622)	-	(701)
Balance 30 June 2007	-	180	5,820	2,578	-	8,578
Depreciation expense	-	29	3,971	853	-	4,853
Disposals	-	-	(423)	(352)	-	(775)
Disposals through businesses sold	-	-	(202)	(269)	-	(471)
Impaired Assets	-	-	(1,852)	-	-	(1,852)
Net foreign currency exchange differences	-	-	1,747	32	-	1,779
Balance 30 June 2008	**-**	**209**	**9,061**	**2,842**	**-**	**12,112**
Carrying value						
As at 30 June 2007	182	1,671	37,340	1,196	1,233	41,622
As at 30 June 2008	**182**	**1,519**	**40,644**	**823**	**-**	**43,168**

Capital expenditure in progress at balance date was $296,388 (2007: $1,232,550), which is included in plant & equipment.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

PARENT	Furniture, fittings and other $000
Cost	
Balance 1 July 2006	30
Additions	3
Balance 30 June 2007	33
Balance 30 June 2008	**33**
Accumulated depreciation and impairment	
Balance 1 July 2006	24
Depreciation expense	6
Balance 30 June 2007	30
Depreciation expense	2
Balance 30 June 2008	**32**
Carrying value	
As at 30 June 2007	3
As at 30 June 2008	**1**

13. GOODWILL & INTANGIBLE ASSETS

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

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

	GROUP			PARENT
YEAR ENDING 30 JUNE 2007	GOODWILL $000	SOFTWARE $000	TOTAL $000	TOTAL $000
As at 1 July 2006	41,259	5,114	46,373	-
Acquired	12,645	2,676	15,321	-
Disposals	-	-	-	
Deferred tax on fair value adjustments	146	-	146	-
Amortisation	-	(62)	(62)	-
FX Revaluation of foreign balances	(2,243)	(21)	(2,264)	
As at 30 June 2007	51,807	7,707	59,514	-
Cost (gross carrying amount)	51,807	8,000	59,807	-
Accumulated amortisation	-	(293)	(293)	-
Net carrying amount	51,807	7,707	59,514	-

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

13. GOODWILL & INTANGIBLE ASSETS (continued)

(B) Goodwill disposals and impairment

(i) Discontinued operations

Goodwill related to the business divested during the year, totals $540,000 and has been recovered from the sale proceeds as referenced in Note 6.

(ii) Impairment

Goodwill related to the Alucobond business unit has been impaired due to the recoverable amount of the assets being less than the carrying amount. The recoverable amount is based on management's estimate of the realisable value of such assets.

(C) Impairment tests for goodwill

(i) Description of cash generating units

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

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

The net present value of future estimated cash flows exceed the recoverable amount of goodwill allocated to each cash generating unit based on a value in use calculation. A discount rate of 10.4% has been applied to discount future cash flows to their present value.

(ii) Assumptions used to determine the recoverable amount

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

A number of attributes contribute to the overall growth of these businesses over the future five year period under review. The growth percentages range from approximately 3% to 15% per annum across the various business units.

(iii) Sensitivity to assumption changes

Estimates made of future cash flows are based on current market conditions - our businesses are no different to any other business trading on international markets, with future cash flows being influenced by price changes, foreign currency movements and competitor activities. Any significant changes in the above assumptions would have only minimal impact on the goodwill valuation.

14. INVESTMENTS AND ADVANCES

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Debenture Note (secured)	**3,000**	-	**-**	-
Investment in subsidiaries	**-**	-	**46,633**	46,633
Advance to subsidiaries	**-**	-	**37,553**	86,121
Total investments and advances	**3,000**	-	**84,186**	132,754

The Debenture Note relates to vendor finance provided to Tiri Group Ltd on divestment of the non core businesses. The note is interest bearing with a floating rate and for a term of three years. The interest rate applicable at balance date was 12.5% per annum.

15. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Trade payables	**15,962**	13,034	**-**	-
Employee entitlements	**1,534**	1,468	**300**	89
ACC partnership accrual	**198**	147	**-**	-
Sundry payables & accruals	**9,757**	9,141	**106**	1,404
Goods and services tax	**1,229**	1,247	**729**	986
Total trade and other payables	**28,680**	25,037	**1,135**	2,479

The average credit period on purchases of all goods and services represents an average of 37 days' credit. The Group has financial risk management policies in place to ensure that all payables are met within acceptable terms and conditions of purchase.

ACC Partnership Programme:

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

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

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

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

The Group has chosen a stop loss limit of 250 % of the industry premium. The stop loss limit means the Group will only carry the total cost of claims of up to $765,000.

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

An external independent actuarial valuer, Mark Weaver [B.A. (Econometrics) FIAA, FINZA)] of Melville, Jessup and Weaver, has calculated the Group's liability, and the valuation is effective 30 June 2008. There are no qualifications contained in the actuarial valuer's report. The value of the liability at 30 June 2008, which has been recognised on the Balance Sheet, is $198,000 (2007, $147,000).

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

16. PROVISIONS

	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Provisions				
Employee entitlements	**5,922**	6,286	**123**	102
Warranties	**1,371**	1,634	**-**	-
Restructuring costs	**1,273**	16,812	**-**	-
Total provisions	**8,566**	24,732	**123**	102
Current	**8,065**	24,215	**100**	102
Non-current	**501**	517	**23**	-
Total provisions	**8,566**	24,732	**123**	102

GROUP	WARRANTIES $000	RESTRUCTURING COSTS $000
Balance 1 July 2006	1,017	-
Additional provisions recognised	804	17,914
Reductions arising from payments / sacrifices of economic benefits	(187)	(1,102)
Balance 30 June 2007	1,634	16,812
Additional provisions recognised	**606**	**-**
Reductions arising from payments / sacrifices of economic benefits	**(869)**	**(15,539)**
Balance 30 June 2008	**1,371**	**1,273**
PARENT		
Balance 1 July 2006	-	-
Additional provisions recognised	-	350
Reductions arising from payments / sacrifices of economic benefits	-	(350)
Balance 30 June 2007	-	-
Balance 30 June 2008	-	-

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

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

(iii) The provision for restructuring costs represents the present value of the directors' best estimate of the direct costs of the restructuring which was announced on 5 June 2007 that are not associated with the ongoing activities of the Group. Restructuring is expected to be completed during the next 12 months. The restructuring costs expected to be incurred relate mainly to employment benefits and plant impairment.

17. INTEREST BEARING LOANS AND BORROWINGS

		NOTE	EFFECTIVE INTEREST RATE	GROUP CARRYING AMOUNT	PARENT CARRYING AMOUNT
As at 30 June 2008					
Current Liabilities					
Secured					
Obligations under Finance Leases			8.06 %	24	-
Total current liabilities				**24**	
Non-current Liabilities					
Secured					
- at amortised cost					
BANK LOANS					
NZD Term Loans	NZD 25,500		8.24 %	**25,500**	**25,500**
AUD Term Loans	AUD 22,820		7.53 %	**28,726**	**-**
GBP Term Loan	GBP 3,900		6.40 %	**10,199**	**-**
EUR Term Loan	EUR 8,400		5.38 %	**17,366**	**-**
				81,791	**25,500**
Obligations under Finance Leases		26		**66**	**-**
Total non-current liabilities				**81,857**	**25,500**
As at 30 June 2007					
Current Liabilities					
Secured					
- at amortised cost					
BANK LOANS					
NZD term loan	NZD 55,000		8.62 %	55,000	55,000
Overdraft				-	547
Total current liabilities				55,000	55,547
Non-current Liabilities					
Secured					
- at amortised cost					
BANK LOANS					
NZD Term Loans	NZD 43,000		8.62 %	43,000	43,000
AUD Term Loans	AUD 7,820		6.99 %	8,605	-
GBP Term Loan	GBP 3,900		6.20 %	10,151	-
				61,756	43,000
Obligations under Finance Leases		26		79	-
Total non-current liabilities				61,835	43,000

The carrying amounts disclosed above approximate fair value.

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

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

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

During the year the ANZ National Bank Limited provided a waiver to a technical breach of covenants which allowed Tumedei SpA to accede to the Charging Group on a conditional basis.

18. CONTRIBUTED EQUITY

	GROUP & PARENT	
	NUMBER	VALUE $000
As 30 June 2007		
Balance beginning of year	104,581,458	22,209
Ordinary shares issued in lieu of dividends under the dividend reinvestment scheme	1,086,325	1,404
Balance end of year	105,667,783	23,613
As 30 June 2008		
Balance beginning of year	**105,667,783**	**23,613**
Ordinary shares issued under the renounceable rights issue on 31 March 2008	**26,416,946**	**21,134**
Transaction costs	**-**	**(493)**
Balance end of year	**132,084,729**	**44,254**

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

Capital management

When managing capital, the directors' objective is to ensure the entity continues as a going concern, as well as maintaining optimal returns to shareholders and benefits for other stakeholders. The directors also aim to maintain a capital structure that ensures the most efficient capital structure.

19. RESERVES

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Reserve balances				
Hedging reserve	**(147)**	574	**301**	1,430
Foreign currency revaluation reserve	**(4,204)**	(6,789)	**-**	-
Total reserves	**(4,351)**	(6,215)	**301**	1,430

	GROUP		PARENT	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Hedging reserve				
Balance at beginning of the year	**574**	3,892	**1,430**	318
Gain/(loss) recognised on cash flow hedges:				
- Forward foreign exchange contracts	**49**	(6,598)	**-**	-
- Interest rate swaps	**(1,130)**	1,660	**(1,703)**	1,660
- Income tax related to gains /(losses) recognised in equity	**360**	1,620	**574**	(548)
Balance end of year	**(147)**	574	**301**	1,430
Foreign currency revaluation reserve				
Balance at beginning of the year	**(6,789)**	(1,401)	**-**	-
Gain/(loss) on a hedge of net investment	**1,947**	(3,571)	**-**	-
Arising on translation of foreign operations	**561**	(1,817)	**-**	-
Income tax related to gains/(losses) recognised in equity	**77**	-	**-**	-
Balance end of year	**(4,204)**	(6,789)	**-**	-

The hedging reserve recognises the fair value of the effective derivatives held to hedge interest rate and foreign currency risk.

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

20. RETAINED EARNINGS

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Balance at beginning of the year	**17,198**	28,005	**8,509**	10,088
Net profit for the year	**14,697**	(2,426)	**6,552**	6,805
Payment of dividends	**-**	(8,381)	**-**	(8,384)
Balance at end of the year	**31,895**	17,198	**15,061**	8,509

No dividends were paid during the year ended 30 June 2008. In October 2006 and April 2007 the total dividend paid was 8 cents per share.

The Group dividend for 2007 is less than the parent due to dividends retained by the Group on shares held by the Employee Share Trustee Company.

	2008		2007	
DIVIDENDS	CENTS PER SHARE	TOTAL $000	CENTS PER SHARE	TOTAL $000
Recognised amounts:				
Fully paid ordinary shares				
- Final prior year	**-**	**-**	5.0	5,248
- Interim current year	**-**	**-**	3.0	3,133
Unrecognised amounts:				
- Final dividend	**6.0**	**7,925**	-	-
Total dividends		**7,925**		8,381

The unrecognised amount does not take account of dividend reinvestment plan option available to shareholders.

21. EARNINGS PER SHARE

	GROUP	
BASIC & DILUTED	2008 CENTS PER SHARE	2007 CENTS PER SHARE
Earning per share:		
From continuing operations	**9.233**	(4.498)
From discontinuing operations	**3.857**	2.189
Total earnings per share	**13.090**	(2.309)
The net tangible asset per share	**9.958**	(29.978)

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

	GROUP	
	2008 $000	2007 $000
Net profit for the year	**14,697**	(2,426)
Less profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	**4,330**	2,299
Earnings used in the calculation of basic earnings per share from continuing operations	**10,367**	(4,725)
Weighted average number of ordinary shares for the purposes of earnings per share	**112,272,020**	105,057,133

22. FINANCIAL INSTRUMENTS

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

Categories of financial instruments

	CASH & BANK BALANCES $000	TRADE & OTHER RECEIVABLES $000	DERIVATIVES $000	FINANCE NOTE $000	TOTAL FINANCIAL ASSETS $000
GROUP					
2008					
Designated at fair value	**7,780**	**-**	**1,004**	**-**	**8,784**
Receivables	**-**	**43,721**	**-**	**-**	**43,721**
Held to maturity	**-**	**-**	**-**	**3,000**	**3,000**
Total Financial Assets	**7,780**	**43,721**	**1,004**	**3,000**	**55,505**
2007					
Designated at fair value	10,631	-	2,580	-	13,211
Receivables	-	42,980	-	-	42,980
Total Financial Assets	10,631	42,980	2,580	-	56,191
PARENT					
2008					
Designated at fair value	**644**	**-**	**-**	**-**	**644**
Receivables	**-**	**66**	**-**	**-**	**66**
Total Financial Assets	**644**	**66**	**-**	**-**	**710**
2007					
Receivables	-	329	-	-	329
Total Financial Assets	-	329	-	-	329

	TRADE & OTHER PAYABLES $000	BORROWINGS $000	DERIVATIVES $000	TOTAL FINANCIAL LIABILITIES $000
GROUP				
2008				
Designated at fair value	**-**	**-**	**1,513**	**1,513**
Recorded at amortised cost	**28,680**	**81,881**	**-**	**110,561**
Total Financial Liabilities	**28,680**	**81,881**	**1,513**	**112,074**
2007				
Designated at fair value	-	-	1,670	1,670
Recorded at amortised cost	25,037	116,835	-	141,562
Total Financial Liabilities	25,037	116,835	1,670	143,542
PARENT				
2008				
Recorded at amortised cost	**1,135**	**25,500**	**-**	**26,635**
Total Financial Liabilities	**1,135**	**25,500**	**-**	**26,635**
2007				
Recorded at amortised cost	2,479	98,547	-	101,026
Total Financial Liabilities	2,479	98,547	-	101,026

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

22. FINANCIAL INSTRUMENTS (continued)

Instruments used by the Group

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

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

Derivative financial instruments

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Current assets				
- Forward currency contract held for trading	**-**	453	**-**	-
Non-current assets				
- Interest rate swaps – cash flow hedge	**1,004**	2,127	**431**	2,134
Current liabilities				
- Forward currency contracts held for trading	**1,153**	881	**-**	-
Non-current liabilities				
- Forward currency contracts held for trading	**360**	789	**-**	-

(i) forward exchange contracts - cash flow hedges

The Group imports a large proportion of its raw materials and finished goods, and has exports sales to a number of customers. Where possible, currency positions are offset between export receipts and import payments. The net position is hedged against highly probabLe forecasted sales and purchases. The main currency exposures are in US dollars, Euros and Australian dollars.

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

	NOTIONAL AMOUNT		AVERAGE EXCHANGE RATES	
	2008 NZ$000	2007 NZ$000	2008	2007
BUY USD / SELL NZD	**13,487**	13,293	**0.6677**	0.6638
Maturing 2-28 months				
BUY NZD / SELL AUD	**1,164**	588	**0.8587**	0.8500
Maturing 1-2 months				
BUY NZD / SELL EUR	**482**	15,512	**0.5190**	0.5415
Maturing 1-10 months				
BUY USD / SELL AUD	**2,340**	6,308	**0.8069**	0.7853
Maturing 1-24 months				
BUY EUR / SELL NZD	**-**	2,838	**-**	0.5637
Maturing 1-6 months				

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

Movements in the cash flow hedge reserve are recorded in the statement of changes in equity.

22. FINANCIAL INSTRUMENTS (continued)

(ii) interest rate swaps - cash flow hedges

Interest bearing loans of the Group bear an average variable interest rate of 7.89 %. In order to protect against interest rate volatility, the Group entered into interest rate swap contracts under which it has the right to receive interest at variable rates and pay interest at fixed rates. Swaps in place cover approximately 78 % (2007, 98 %) of the principal outstanding. The fixed interest rates range between 4.27 % and 7.39 % (2007, 5.01 % and 7.68 %).

At 30 June 2008, the notional principal amounts and maturity dates of the interest rate swaps are as follows:

		GROUP		PARENT	
	MATURITY DATE	2008 $000	2007 $000	2008 $000	2007 $000
		NZD	NZD	NZD	NZD
NZD Swap 6.15 %	30-Dec-10	**12,500**	28,000	**12,500**	28,000
NZD Swap 6.41 %	25-Sep-08	**-**	35,000	**-**	35,000
NZD Swap 7.68 %	30-Dec-08	**-**	35,000	**-**	35,000
		AUD	AUD	AUD	AUD
AUD Swap 6.14 %	4-Jul-08	**4,000**	4,000	**-**	-
AUD Swap 7.26 %	4-Jul-13	**4,000**	-	**-**	-
AUD Swap 7.39 %	30-Jan-12	**6,500**	-	**-**	-
AUD Swap 7.33 %	27-Jun-11	**5,000**	-	**-**	-
		EUR	EUR	EUR	EUR
EUR Swap 4.27 %	30-Jun-10	**8,000**	-		-
		GBP	GBP	GBP	GBP
GBP Swap 5.85 %	4-Oct-10	**3,900**	-	**-**	-
GBP Swap 5.01 %	4-Jul-07	**-**	3,900	**-**	-
		USD	USD	USD	USD
USD Swap 4.25 %	28-Feb-11	**5,000**	-	**-**	-

The interest rate swaps require settlement of net interest receivable each 90 days. Swaps which are matched directly against the appropriate loans and interest expense are considered highly effective. These swaps are measured at fair value and all gains attributable to the hedge risk are taken directly to equity and reclassified to the income statement when the interest expense is recognised.

The USD swap was not matched directly against an appropriate loan at balance date and therefore was the only swap classified as ineffective and the fair value charged directly to the income statement.

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

(iii) hedge of net investment in foreign operations

As at June 2008, the following foreign currency loans were held as a designated hedge of the net investment in foreign subsidiaries in Australia, United Kingdom and Italy:

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Australian dollars	**AUD 19,820**	AUD 4,820	**-**	-
Great British pounds	**GBP 3,900**	GBP 3,900	**-**	-
Euro	**EUR 8,400**	-	**-**	-

Credit risk

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

22. FINANCIAL INSTRUMENTS (continued)

Foreign currency denominated monetary assets and monetary liabilities

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

		2008			2007	
	$000	$000	$000	$000	$000	$000
	Current Assets	Current Liabilities	Net Monetary Assets	Current Assets	Current Liabilities	Net Monetary Assets
USD	**4,845**	**4,008**	**837**	4,605	2,578	2,027
AUD	**9,787**	**5,556**	**4,231**	11,506	3,852	7,654
CNY	**9,196**	**1,030**	**8,166**	14,187	2,563	11,624
GBP	**1,075**	**159**	**916**	784	192	592
EUR	**2,934**	**1,550**	**1,384**	2,221	650	1,571
	NZD	NZD	NZD	NZD	NZD	NZD
NZD Equivalent	**29,322**	**16,075**	**13,247**	29,891	10,572	19,319

Maturity analysis of financial assets and liabilities

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

Year ending 30 June 2007	<6 Months $000	6-12 Months $000	1-5 Years $000	>5 Years $000	Total $000
GROUP					
FINANCIAL ASSETS					
Cash & cash equivalents	10,631	-	-	-	10,631
Trade & other receivables	38,682	3,298	1,000	-	42,980
Derivatives	985	532	1,063	-	2,580
	50,298	3,830	2,063	-	56,191
FINANCIAL LIABILITIES					
Trade & other payables	22,533	2,504	-	-	25,037
Interest bearing loans	4,927	59,927	68,035	-	132,889
Derivatives	1,200	470	-	-	1,670
	28,660	62,901	68,035	-	159,596
Net total	21,638	(59,071)	(65,972)	-	(103,405)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

The Board reviews and agrees policies for managing financial risk.

Risk exposures and responses

(i) Interest rate risk

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

The level of debt is disclosed in Note 17.

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

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Financial assets				
- Loan note	**3,000**	-	**-**	-
- Cash & cash equivalents	**7,780**	10,631	**644**	-
Financial liabilities				
- Bank overdrafts	**-**	-	**-**	547
- Bank loans	**18,006**	4,204	**13,000**	-
Net exposure	**(7,226)**	6,427	**(12,356)**	(547)

Interest rate swap contracts in Note 22, with a fair value of $1,004,000 (2007, $2,127,000), are exposed to fair value movements if interest rates change.

The Group's policy is to constantly monitor its interest rate exposure and to hedge the volatility arising from interest rate changes by entering into interest rate swap contracts that cover a minimum of 50% of the variable interest rate debt. At 30 June 2008, the Group held interest rate swaps which covered 77% of the variable interest rate debt.

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

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2008 $000	2007 $000	2008 $000	2007 $000
GROUP				
+1% (100 basis points)	**(121)**	(28)	**1,471**	992
-0.5% (50 basis points)	**60**	14	**(736)**	(495)
PARENT				
+1% (100 basis points)	**(87)**	(4)	**115**	488
-0.5% (50 basis points)	**44**	2	**57**	(243)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk

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

Where possible, export receipt cash flows are netted against import payment cash flows to minimise the exposure of foreign currency rate movements. The remaining net foreign currency position is covered by forward currency contracts. The Group seeks to cover 80% to 100% of the net foreign currency cash flow forecast, for the next 12 month period with foreign currency contracts. Where the net foreign currency cash flows can be reliably forecasted beyond the future 12 months period, such cash flows are also covered by foreign currency contracts to 80% of the forecast cash flows.

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

(iii) Credit risk

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

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

The counter parties who hold the debenture note and cash are considered a low credit risk.

(iv) Liquidity risk

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

At balance date the liquidity risk is considered to be low with the bank facility not fully drawn, compliance with bank covenants, and forecasted cash flows reporting positive operating cash generation for the Group over the next financial year.

24. RELATED PARTIES

The consolidated financial statements incorporate the following significant companies :-

a) Subsidiary Companies	Country of Incorporation	Holding 2008	Holding 2007	Balance Date
Skellerup Industries Limited	New Zealand	100 %	100 %	30 June
Ultralon Products (NZ) Limited	New Zealand	100 %	100 %	30 June
Skellerup BRC Limited	New Zealand	100 %	100 %	30 June
Skellerup Footwear Limited	New Zealand	100 %	100 %	30 June
Flomax International Limited	New Zealand	100 %	100 %	30 June
*Conewango Products Corp	United States	100 %	100 %	30 June
*Masport Inc.	United States	100 %	100 %	30 June
*Deks Industries Pty Limited	Australia	100 %	100 %	30 June
*Skellerup Industrial Pty Limited	Australia	100 %	100 %	30 June
*Skellerup Rubber Products Jiangsu Limited	China	100 %	100 %	30 June
*Stevens Filterite Limited	New Zealand	100 %	100 %	30 June
*Thorndon Rubber Co. Limited	New Zealand	100 %	100 %	30 June
*Rubber Services Limited	New Zealand	100 %	100 %	30 June
*Jenco Products Pty Limited	Australia	100 %	100 %	30 June
*Ambic Equipment Limited	United Kingdom	100 %	100 %	30 June
*Gulf Rubber Australia Pty Limited	Australia	100 %	100 %	30 June
*Gulf Rubber NZ Limited	New Zealand	100 %	100 %	30 June
*Tumedei SpA	Italy	100 %	100 %	30 June

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

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

Skellerup BRC Limited is 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:

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

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

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

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

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

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

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

Rubber Services Limited performs custom rubber mixing, mouldings and roller recovery.

Jenco Products Pty Limited distributed primarily rubber components to the Australian plumbing industry.

Ambic Equipment Limited is a marketer and distributor of products for dairy cattle teat hygiene.

Gulf Rubber Australia Pty Limited and **Gulf Rubber NZ Limited** are involved in the design and manufacture of highly technical rubber and associated polymer products.

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

24. RELATED PARTIES (continued)

(b) Transactions with Related Parties

	PARENT	
	2008 $000	2007 $000
Advances to subsidiaries	**37,553**	86,121

The parent company provides a treasury service to all subsidiary companies. Funds are advanced and banking facilities arranged to ensure each subsidiary has sufficient funds available for trading. There are no maturity dates for these advances and interest is charged to foreign subsidiaries. Interest rates charged range from 5%-10% per annum. The advances are unsecured. There has been no forgiveness of debt.

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

	2008 $000	2007 $000
Management fees	**5,980**	8,649
Dividends	**8,700**	6,700
Total management fees and dividends	**14,680**	15,349

The above are eliminated on consolidation with the Group.

(c) Loans to Related Parties

	NOTE	GROUP		PARENT	
		2008 $000	2007 $000	2008 $000	2007 $000
Loans to employees under the Share Purchase Scheme	29	**54**	168	**-**	-

(d) Compensation of key management

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

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
Short term benefits:				
- directors fees	**855**	900	**855**	900
- senior management remuneration	**1,972**	2,102	**347**	746
- termination benefits	**292**	350	**292**	350

25. ACQUISITIONS OF SUBSIDIARIES

No acquisitions were undertaken during the year ending 30 June 2008

In the year ending 30 June 2007, the Group acquired the shares of Tumedei SpA, a company incorporated in Italy. This acquisition was settled on 31 May 2007. A special purpose company, Skellerup Italy Srl, was incorporated in Italy to acquire the shares of Tumedei SpA. On completion of the acquisition Skellerup Italy Srl and Tumedei SpA have been amalgamated and now trade as Tumedei SpA.

Tumedei SpA has a manufacturing plant in Ala, and offices in Bologna, Italy. It specialises in manufacturing and distributing highly technical polymer products for European based customers.

The fair value of the identifiable assets and liabilities of Tumedei SpA as at the date of acquisition were:

	2007 $000 Recognised on Acquisition	2007 $000 Carrying Value
Current assets	2,769	2,769
Current liabilities	(4,098)	(4,098)
Non-current assets	651	651
Property plant & equipment	1,663	1,663
Net assets acquired	985	985
Goodwill arising from acquisition	12,647	
Cash paid for acquisition	13,632	

During the year ending 30 June 2007, a deferred settlement of $6,400,000 was paid which related to the acquisition of Gulf Rubber Australia Limited and Gulf Rubber NZ Limited, which were acquired in February 2006.

The cash flow relating to acquisition for the year ending 30 June 2007 is as follows:

	2007 $000
Cash paid for acquiring shares in Tumedei SpA	13,632
Cash paid for deferred settlement	6,400
Total cash flow outflow relating to acquisition	20,032

Goodwill arising on acquisition

Goodwill arose in the business combination of Tumedei SpA due to the consideration paid included amounts relating to the benefit of expected synergies, revenue growth, future market development, research and development capabilities, and the assembled workforce. These benefits are not recognised separately from Goodwill as the future economic benefits arising from them cannot be reliably measured and they do not meet the definition of identifiable intangible assets.

The Group also acquired the customer lists and customer relationships of Tumedei SpA on acquisition. These assets could not be reliably measured and separately recognised from Goodwill because they are not capable of being separated from the business.

During the year ending 30 June 2008, the Property Plant and Equipment was fair valued. The adjustment to provisional fair value accounting resulting from this valuation was $5,512,000 which has been credited against the Goodwill on acquisition.

Legal fees and consulting fees associated with the acquisition were expensed to Goodwill. In addition adjustments to bring the accounting policies in line with the Group were adjusted through Goodwill. These items were not considered material.

Impact of acquisition on the results of the Group

Included in the Net Profit after Tax for the year ending 30 June 2008, is $1,016,000 (2007, $63,000), being the full year contribution from the Tumedei SpA acquisition.

26. LEASE COMMITMENTS

Group as lessee

Operating lease commitments

The Group has entered into commercial leases on properties, motor vehicles, and plant.

The motor vehicle leases, and plant leases, have an average life between 1 and 3 years.

The properties have a life ranging between 1 and 6 years. Some property leases have rights of renewal.

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Payments recognised as an expense				
- Minimum lease payments	**5,194**	6,228	**35**	35
Non-cancellable operating lease commitments				
- No later than 1 year	**4,733**	3,471	**35**	35
- Later than 1 yr and no later than 5 years	**11,113**	2,617	**-**	-
- Later than 5 years	**1,145**	2,803	**-**	-
Total non-cancellable operating lease commitments	**16,991**	8,891	**35**	35

Finance leases

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

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Minimum future lease payments	**95**	115	**-**	-
Present value of future lease payments	**90**	79	**-**	-
Reported as:				
- Current liability	**24**	-	**-**	-
- Term liability	**66**	79	**-**	-

Group as lessor

The Group does sublease surplus areas of leased properties.

Sublease arrangements range from short terms to 2 year periods.

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Rentals receivable recognised as Revenue	**195**	240	**-**	-

27. SEGMENT INFORMATION

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

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

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

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

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

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

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

The inter segment revenue for the year was $3.7M (2007, $2.5M) and relates to a range of vacuum pumps which the industrial segment manufactures and transfers to the Agri segment to sell to external customers.

BUSINESS SEGMENT ANALYSIS

Year ending 30 June 2008	CONTINUING OPERATIONS				DISCONTINUING OPERATIONS	
	AGRI	INDUSTRIAL	ELIM	SUB TOTAL	INDUSTRIAL	TOTAL
REVENUE						
Sales to customers	61,837	114,961		176,798	28,424	**205,222**
Inter & Intra Segment Revenue	11,371	24,521	(35,892)			**-**
Unallocated Revenue	-	-	-	195	-	**195**
Total Revenue	**73,208**	**139,482**	**(35,892)**	**176,993**	**28,424**	**205,417**
RESULT						
Segment EBIT	**15,354**	**12,049**		**27,403**	**3,451**	**30,854**
Plus net divestment gain				-	1,914	**1,914**
Less unallocated expenses				2,984		**2,984**
Profit before tax & finance costs				24,419	5,365	**29,784**
Less finance expenses				8,835	-	**8,835**
Profit before tax				15,584	5,365	**20,949**
Less taxation				5,217	1,035	**6,252**
Net profit after tax				**10,367**	**4,330**	**14,697**
ASSETS & LIABILITIES						
Segment Assets	53,395	111,280		164,675	1,335	**166,010**
Segment Liabilities	8,929	23,551		32,480	166	**32,646**
Unallocated Assets & (Liabilities)				(61,566)	-	**(61,566)**
Net Assets	**44,466**	**87,729**		**70,629**	**1,169**	**71,798**
CASH FLOW						
Segment EBIT	15,354	12,049		27,403	5,365	**32,768**
Depreciation & amortisation	2,279	2,909		5,188	266	**5,454**
Movement in working capital	355	1,346		1,701	6,201	**7,902**
Finance expenses & tax	-	-		(15,726)	(1,035)	**(16,761)**
Unallocated Operating Cash Flows	-	-		(20,114)	-	**(20,114)**
Net Cash flow from Operating Activities	**17,988**	**16,304**		**(1,548)**	**10,797**	**9,249**

27. SEGMENT INFORMATION (continued)

BUSINESS SEGMENT ANALYSIS

Year ending 30 June 2007	CONTINUING OPERATIONS				DISCONTINUING OPERATIONS	
	AGRI	INDUSTRIAL	ELIM	SUB TOTAL	INDUSTRIAL	TOTAL
REVENUE						
Sales to customers	56,359	96,459		152,818	39,636	192,454
Inter & Intra Segment Revenue	10,790	25,444	(36,234)	-	-	-
Unallocated Revenue				240	-	240
Total Revenue	67,149	121,903	(36,234)	153,058	39,636	192,694
RESULT						
Segment EBIT	11,108	11,373		22,481	3,432	25,913
Less restructuring costs				17,914		17,914
Less unallocated expenses				5,242		5,242
Profit/(loss) before tax & finance costs				(675)	3,432	2,757
Less finance expenses				7,115		7,115
Profit/(loss) before tax				(7,790)	3,432	(4,358)
Less taxation				3,065	1,133	1,932
Net profit/(loss) after tax				(4,725)	2,299	(2,426)
ASSETS & LIABILITIES						
Segment Assets	56,455	109,433		165,888	17,095	182,983
Segment Liabilities	8,849	20,105		28,954	4,179	33,133
Unallocated Assets & (Liabilities)				(115,254)		(115,254)
Net Assets	47,606	89,328		21,680	12,916	34,596
CASH FLOW						
Segment EBIT	11,108	11,373		22,481	3,432	25,913
Depreciation & amortisation	1,930	2,433		4,363	681	5,044
Movement in working Capital	(2,070)	130		(1,940)	(1,279)	(3,219)
Finance Expenses & Tax	-	-		(11,778)	(1,133)	(12,911)
Unallocated Operating Cash Flows	-	-		(3,902)	-	(3,902)
Net Cash flow from Operating Activities	10,968	13,936		9,224	1,701	10,925

27. SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENT ANALYSIS

Year ending 30 June 2008	CONTINUING OPERATIONS						DISCONTINUING OPERATIONS	
	NZ	AUSTRALIA	USA	OTHER	ELIM	SUB TOTAL	INDUSTRIAL	TOTAL
REVENUE								
Sales to customers	75,058	54,626	24,651	22,463		176,798	28,424	**205,222**
Inter & Intra Segment Revenue	26,750	-	-	9,142	(35,892)	-	-	**-**
Unallocated Revenue						195	-	**195**
Total Revenue	**101,808**	**54,626**	**24,651**	**31,605**	**(35,892)**	**176,993**	**28,424**	**205,417**
RESULT								
Segment EBIT	**15,083**	**5,574**	**2,274**	**4,472**		**27,403**	**3,451**	**30,854**
Plus net divestment gain						-	1,914	**1,914**
Less unallocated expenses						2,984	-	**2,984**
Profit before tax & finance costs						24,419	5,365	**29,784**
Less finance expenses						8,835	-	**8,835**
Profit before tax						15,584	5,365	**20,949**
Less taxation						5,217	1,035	**6,252**
Net profit after tax						10,367	4,330	**14,697**
ASSETS & LIABILITIES								
Segment Assets	68,730	40,554	8,511	46,880		164,675	1,335	**166,010**
Segment Liabilities	4,881	12,324	5,602	9,673		32,480	166	**32,646**
Unallocated Assets & (Liabilities)						(61,566)		**(61,566)**
Net Assets	**63,849**	**28,230**	**2,909**	**37,207**		**70,629**	**1,169**	**71,798**
CASH FLOW								
Segment EBIT	15,083	5,574	2,274	4,472		27,403	5,365	**32,768**
Depreciation & amortisation	2,500	1,058	186	1,444		5,188	266	**5,454**
Movement in working Capital	3,466	(803)	(699)	(263)		1,701	6,201	**7,902**
Finance Expenses & Tax	-	-	-	-		(15,726)	(1,035)	**(16,761)**
Unallocated Operating Cash Flows	-	-	-	-		(20,114)		**(20,114)**
Net Cash flow from Operating Activities	**21,049**	**5,829**	**1,761**	**5,653**		**(1,548)**	**10,797**	**9,249**

27. SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENT ANALYSIS

Year ending 30 June 2007	CONTINUING OPERATIONS						DISCONTINUING OPERATIONS	
	NZ	AUSTRALIA	USA	OTHER	ELIM	SUB TOTAL	INDUSTRIAL	TOTAL
REVENUE								
Sales to customers	71,595	47,141	25,891	8,191		152,818	39,636	192,454
Inter & Intra Segment Revenue	28,923	-	-	7,311	(36,234)	-	-	-
Unallocated Revenue						240	-	240
Total Revenue	100,518	47,141	25,891	15,502	(36,234)	153,058	39,636	193,694
RESULT								
Segment EBIT	14,165	5,272	2,173	871		22,481	3,432	25,913
Less restructuring costs						17,914	-	17,914
Less unallocated expenses						5,242	-	5,242
Profit/(loss) before tax & finance costs						(675)	3,432	2,757
Less finance expenses						7,115	0	7,115
Profit/(loss) before tax						7,790	(3,432)	4,358
Less taxation						3,065	1,133	1,932
Net profit/(loss) after tax						(4,725)	2,299	(2,426)
ASSETS & LIABILITIES								
Segment Assets	90,466	28,507	8,735	38,180		165,888	17,095	182,983
Segment Liabilities	10,041	8,271	6,324	4,318		28,954	4,179	33,133
Unallocated Assets & (Liabilities)						(115,254)		(115,254)
Net Assets	80,425	20,236	2,411	33,862		21,680	12,916	34,596
CASH FLOW								
Segment EBIT	14,165	5,272	2,173	871		22,481	3,432	25,913
Depreciation & amortisation	2,636	806	113	808		4,363	681	5,044
Movement in working Capital	(4,536)	122	2,678	(204)		(1,940)	(1,279)	(3,219)
Finance Expenses & Tax	-	-	-	-		(11,778)	(1,133)	(12,911)
Unallocated Operating Cash Flows	-	-	-	-		(3,902)		(3,902)
Net Cash flow from Operating Activities	12,265	6,200	4,964	1,475		9,224	1,701	10,952

Acquisition of non-current assets cannot be differentiated between segments since they are utilised collectively by all segments.

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

28. CASH FLOW RECONCILIATION

RECONCILIATION OF NET PROFIT AFTER TAX TO NET CASH FLOW FROM OPERATIONS

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Net profit/(loss) after tax	**14,697**	(2,426)	**6,552**	6,805
Adjustments for:				
- Depreciation	**4,853**	5,063	**2**	6
- Amortisation	**652**	62	**-**	-
- Movement in deferred tax	**2,392**	(447)	**(920)**	(4)
- Impaired assets written off to restructuring provision	**11,641**	-	**-**	-
- Movement in provisions and accruals	**(3,568)**	11,844	**(701)**	(19)
- Foreign currency movements on translating foreign assets and liabilities	**(3,654)**	6,159	**-**	-
- Bad debts written off	**113**	27	**-**	-
- Ineffective portion of cash flow hedges charged to Income Statement	**193**	-	**-**	-
- Loss on sale of assets	**-**	74	**-**	-
- Working capital items divested and reported as investment activity	**(8,290)**	-	**-**	-
- Net movement in working capital	**(9,780)**	(9,431)	**(451)**	215
Net cash inflow/(outflow) from operating activities	**9,249**	10,925	**4,482**	7,003

29. EMPLOYEE SHARE SCHEME

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

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

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

As a result of the offer to employees, 290,000 shares were issued at $1.13 per share on 31 March 2006 representing 0.277% of the total ordinary shares of the Company. At 30 June 2008 the outstanding loan to employees was $53,615 (2007: $167,672) and is repayable within three years of the shares being issued. The shares issued to employees are held in trust by the Skellerup Holdings Employee Share Trustee Company Ltd for a period of three years from the date of issue. The loan is repayable in the event that the employee is no longer employed by the Company by selling the shares on the market.

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. At balance date the Directors are Donald Stewart and Guy Keogh.

The Directors estimate the fair value of each employee advance granted at the time of the purchase on market on behalf of the selected employee. Due to the market purchase and sale features of the scheme, and the scheme agreement arrangements, the Directors consider any such value to be immaterial. Shares subject to this scheme vest three years from the date of purchase.

30. CONTINGENT LIABILITIES

As at 30 June the Group provided the following guarantees:

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Bank guarantees	**75**	75	**75**	75
Performance bonds	**560**	572	**-**	-
Letters of credit	**102**	239	**-**	-
Lease guarantee	**-**	13	**-**	-
Total contingent liabilities	**737**	899	**75**	75

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

31. SIGNIFICANT EVENTS AFTER BALANCE DATE

There are no events subsequent to balance date that require additional disclosure.

32. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENT OF INTERNATIONAL REPORTING STANDARDS (NZ IFRS)

The impact of adopting NZ IFRS on the total equity and profit after tax as reported under previous New Zealand generally accepted Accounting Practices (NZ GAAP) are illustrated below.

(i) Reconciliation of total equity as presented under previous NZ GAAP to that under NZ IFRS

TOTAL EQUITY AS AT 1 JULY 2006 (TRANSITIONAL DATE)		GROUP						PARENT			
		SHARES	ASSET REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL EQUITY	SHARES	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
		$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000
Reported under previous GAAP as at 1 July 2006		22,209	1,242	(1,401)	-	26,963	**49,013**	22,209	-	10,097	**32,306**
A1	Adjustment to sales cut off to record revenue in line with the Revenue Recognition standard	-	-	-	-	(251)	**(251)**	-	-	(13)	**(13)**
A2	Additional accruals required for employees benefits	-	-	-	-	(362)	**(362)**	-	-	-	**-**
A3	Recognise ACC insurance liability and Restoration liability not previously recorded under previous GAAP	-	-	-	-	(171)	**(171)**	-	-	-	**-**
A4	Recognition of the Deferred Tax on the above items impacting the income statement for the period	-	-	-	-	250	**250**	-	-	4	**4**
A5	Recognition of the Hedge Reserve relating to Forward Contract derivatives	-	-	-	5,336	-	**5,336**	-	-	-	**-**
A6	Recognition of the Hedge Reserve relating to Interest Rate Swap derivatives	-	-	-	474	-	**474**	-	474		**474**
A7	Recognition of the Deferred Tax on the Hedge Reserve for Forward Exchange Contract derivatives	-	-	-	(1,762)	-	**(1,762)**	-	-	-	**-**
A8	Recognition of Deferred Tax on the Hedge Reserve for Interest Rate Swap derivatives	-	-	-	(156)	-	**(156)**	-	(156)	-	**(156)**
A9	Revaluation of Inventory to recognise purchasing of inventory at spot, - previously recorded at hedge rates	-	-	-	-	658	**658**	-	-	-	**-**
A10	Recognition of Deferred Tax on the Inventory adjustment to spot FX rates	-	-	-	-	(217)	**(217)**	-	-	-	**-**
A11	Recognition of the Deferred Tax on the revaluation of fixed assets previously not recorded under previous GAAP	-	-	-	-	(3,862)	**(3,862)**	-	-	-	**-**
A12	Transfer Assets Revaluation Reserve to Retained Earnings. Assets transferred on transition at deemed cost	-	(1,242)	-	-	1,242	**-**	-	-	-	**-**
A13	Initial recognition of Deferred Tax balances at 1 July 2006 not recognised under previous GAAP	-	-	-	-	3,755	**3,755**	-	-	-	**-**
Reported Equity under IFRS as at 1 July 2006		22,209	-	(1,401)	3,892	28,005	**52,705**	22,209	318	10,088	**32,615**

32. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENT OF INTERNATIONAL REPORTING STANDARDS (NZ IFRS) (continued)

TOTAL EQUITY AS AT 30 JUNE 2007		GROUP						PARENT			
		SHARES	ASSET REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL EQUITY	SHARES	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
		$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000
Reported under previous GAAP as at 30 June 2007		23,613	1,302	(6,789)	-	19,159	**37,285**	23,613		8,518	**32,131**
B1	Adjustment to Sales cut off to record revenue in line with the Revenue Recognition standard	-	-	-	-	(376)	**(376)**	-	-	(13)	**(13)**
B2	Additional accruals required for employees benefits	-	-	-	-	(363)	**(363)**	-	-	-	**-**
B3	Recognise ACC insurance liability and Restoration liability not previously recorded under previous GAAP	-	-	-	-	(185)	**(185)**	-	-	-	**-**
B4	Recognition of the Deferred Tax on the above items impacting the income statement for the period	-	-	-	-	297	**297**	-	-	4	**4**
B5	Recognition of the Hedge Reserve relating to Forward Contract derivatives	-	-	-	(1,261)	-	**(1,261)**	-	-	-	**-**
B6	Recognition of the Hedge Reserve relating to Interest Rate Swap derivatives	-	-	-	2,134	-	**2,134**	-	2,134	-	**2,134**
B7	Recognition of the Deferred Tax on the Hedge Reserve for Forward Exchange Contract derivatives	-	-	-	405	-	**405**	-	-	-	**-**
B8	Recognition of Deferred Tax on the Hedge Reserve for Interest Rate Swap derivatives	-	-	-	(704)	-	**(704)**	-	(704)	-	**(704)**
B9	Reverse the amortisation of Goodwill expensed under previous GAAP	-	-	-	-	2,174	**2,174**	-	-	-	**-**
B10	Recognise the impact of revaluing inventory to spot FX rates which have previously been recorded at hedge rates	-	-	-	-	(997)	**(997)**	-	-	-	**-**
B11	Revaluation of Debtors & Creditors to spot FX rates	-	-	-	-	(413)	**(413)**	-	-	-	
B12	Recognising Deferred Tax on movements through the Hedge Reserve that impact on the income statement	-	-	-	-	462	**462**	-	-	-	**-**
B13	Recognition of the Deferred Tax on the revaluation of Fixed Assets not recorded under previous GAAP	-	-	-	-	(3,862)	**(3,862)**	-	-	-	**-**
B14	Transfer Assets Revaluation Reserve to Retained Earnings. Assets transferred on transition at deemed cost	-	(1,302)	-	-	1,302	**-**	-	-	-	**-**
Reported Equity under IFRS as at 30 June 2007		23,613	-	(6,789)	574	17,198	**34,596**	23,613	1,430	8,509	**33,552**

32. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENT OF INTERNATIONAL REPORTING STANDARDS (NZ IFRS) (continued)

THE ABOVE CHANGES TO EQUITY RESULTS IN MOVEMENTS TO THE DEFERRED TAX AS FOLLOWS

		GROUP		PARENT	
		AS AT 1-JUL-06	AS AT 30-JUN-07	AS AT 1-JUL-06	AS AT 30-JUN-07
		$,000	$,000	$,000	$,000
A/B4	Deferred Tax on income statement adjustments for sales cut off employment entitlements, and liability provisions	250	297	4	4
A/B7	Deferred Tax on forward exchange derivatives taken to the Hedge Reserve	(1,762)	405	-	-
A/B8	Deferred Tax on interest rate swap derivatives taken to the Hedge Reserve	(156)	(704)	(156)	(704)
A11	Recognition of the Deferred Tax on the inventory adjustment to spot FX rates	(217)	-	-	-
B12	Recognising Deferred Tax on movements through the Hedge Reserve that impact on the Income Statement	-	462	-	-
A11,	Recognition of the Deferred Tax on the Revaluation of Fixed Assets	(3,862)	(3,862)	-	-
A13	Initial recognition of Deferred Tax balances at 1 July 2006 not recognised under previous GAAP	3,755	-	-	-
	Total increase/(decrease) in Deferred Tax	**(1,992)**	**(3,402)**	**(152)**	**(700)**

A1, B1 Adjustments made to sales cut off to reflect the transfer of risks and rewards in the products that were in transit to customers over cut off at each year end.

A2, B2 Adjustments made to employee entitlements, particularly relating to long service leave and sick pay provisions to reflect the fair value of future liabilities.

A3, B3 Additional provisions for the liability of medical costs relating to our ACC Partnership Programme.

A4, B4 Accounting for the Deferred Tax on the above items which impact on the Income Statement and result in a temporary difference for tax purposes.

A5, B5 The Foreign Exchange Contract derivatives have now been recognised on Balance Sheet at fair value.

A6, B6 The Interest Rate Swap derivatives have now been recognised on Balance Sheet at fair value.

A7, B7 Recognition of the Deferred Tax on the Forward Exchange Contract derivatives referred to at A5, B5.

A8, B8 Recognition of the Deferred Tax on the Interest Rate Swap derivatives referred to at A6, B6.

A9, B10 Revaluation of Inventory to spot foreign currency rates where inventory was originally accounted for at hedged rates when purchased.

A10, B12 Recognition of the Deferred Tax on the inventory revaluations referred to in A9, B10.

A11, B13 Recognition of Deferred Tax on Fixed Asset Revaluations not recognised under previous GAAP.

A12, B13 Transfer of the Asset Revaluation Reserve to Retained Earnings to reflect the Property Plant & Equipment being transitioned under NZ IFRS at deemed cost.

B9 Amortisation of Goodwill previously expensed to the Income Statement has been reversed to carry Goodwill in the Balance Sheet at the valuation on transition date.

32. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENT OF INTERNATIONAL REPORTING STANDARDS (NZ IFRS) (continued)

(ii) Reconciliation of profit before tax under previous NZ GAAP to that under NZ IFRS

	GROUP 30 JUNE 2008 $,000	PARENT 30 JUNE 2008 $,000
Prior year Profit/(Loss) before Tax as previously reported under previous NZ GAAP	(4,324)	6,810
NZ GAAP to NZ IFRS transitional adjustments		
Sales Cut Off to comply with the Revenue Recognition standard	(125)	-
Additional employee benefit expenditure	(1)	-
Additional Liability recognised from the ACC partnership insurance contract	(14)	-
Reversal of amortisation previously expensed	2,174	-
Revalue inventory to adjust imported products to spot valuation instead of at hedged foreign currency rates as at 30 June 2007	(1,410)	-
Reversal of inventory revaluation at 30 June 2006 where imported products were revalued to spot valuation instead of at hedged foreign currency rates	(658)	-
Adjusted prior year net profit/(loss) before tax under NZ IFRS	(4,358)	6,810
Tax (charge)/credit		
Prior year Tax credit as reported under previous NZ GAAP	4,961	(5)
Tax effect on above transitional IFRS adjustments -- sales cut off, employee benefits and liability provisions	47	-
Net Tax effect on Inventory revaluations –		
Inventory revaluation decrease in 2007	462	-
Reversal of Inventory revaluation increase in 2006	217	-
Reversal of deferred tax for prior year recorded under previous GAAP	(3,755)	-
Adjusted prior year tax (charge)/credit under NZ IFRS	1,932	(5)
Prior year net profit/(loss) after tax under NZ IFRS	(2,426)	6,805

(iii) Explanation of material adjustments to Cash Flow Statement

There are no material differences between the cash flow statement presented under NZ IFRS and the cash flow presented under previous NZ GAAP.

Other Annual Report Disclosures

DIRECTORS

(a) Directors holding office during the year

Sir Selwyn Cushing	(Non-executive Director)	appointed 26 September 2007
Donald Stewart	(Executive Director)	
Elizabeth Coutts	(Independent Director)	
Graham Fraser	(Independent Director)	
David Mair	(Independent Director)	
John Thompson	(Non-executive Director)	appointed 28 May 2008
Leigh Davis	(Independent Director)	resigned 26 September 2007
Keith Smith	(Independent Director)	resigned 21 December 2007
Arthur Young	(Independent Director)	resigned 28 May 2008

(b) Remuneration of Directors

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Sir Selwyn Cushing	**59**	-	**59**	-
Donald Stewart	**509**	558	**509**	558
Elizabeth Coutts	**60**	57	**60**	57
Graham Fraser	**55**	54	**55**	54
David Mair	**55**	32	**55**	32
John Thompson	**9**	-	**9**	-
Leigh Davis	**9**	54	**9**	54
Keith Smith	**45**	88	**45**	88
Arthur Young	**54**	57	**54**	57
Total remuneration of Directors	**855**	900	**855**	900

EMPLOYEE REMUNERATION

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

Remuneration Range	No. of Employees	Remuneration Range	No. of Employees	Remuneration Range	No. of Employees
$100K-$110K	13	$170K-$180K	2	$250K-$260K	1
$110K-$120K	10	$180K-$190K	3	$260K-$270K	1
$120K-$130K	6	$190K-$200K	5	$280K-$290K	2
$130K-$140K	11	$200K-$210K	1	$480K-$490K	1
$140K-$150K	5	$210K-$220K	5	$500K-$510K	1
$150K-$160K	5	$220K-$230K	1		
$160K-$170K	4	$240K-$250K	1		

STATEMENT OF DIRECTORS' SHAREHOLDINGS

Directors held the following equity securities in the Company

	Non beneficial interest 30 June 2008	Held beneficially 30 June 2008	Held by associated persons 30 June 2008
Sir Selwyn Cushing	812,500		8,089,803
Elizabeth Coutts			276,062
Graham Fraser			51,995
Donald Stewart		338,664	265,620
David Mair			1,611,759
John Thompson			8,860,169

Other Annual Report Disclosures (continued)

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

		Number of shares acquired	Class of Shares	Consideration paid	Date of transaction
Sir Selwyn Cushing	(rights issue)	4,172,398	Ordinary	3,337,918	31/03/2008
Elizabeth Coutts		22,800	Ordinary	20,092	27/02/2008
	(rights issue)	47,200	Ordinary	37,940	31/03/2008
		76,062	Ordinary	67,375	23/04/2008
Graham Fraser	(rights issue)	10,399	Ordinary	8,319	31/03/2008
Donald Stewart	(rights issue)	120,857	Ordinary	96,685	31/03/2008
David Mair	(rights issue)	1,611,759	Ordinary	1,288,907	31/03/2008

SHAREHOLDER INFORMATION

Substantial Security Holders

Pursuant to Section 26 of the Securities Amendment Act 1988, the substantial security holders as at 27 August 2008 were as follows:

AMP Capital Investors Limited	25,716,022	19.469 %
Balmain Trust and related entities	8,935,169	6.765 %
Sir Selwyn Cushing	8,089,803	6.125 %

Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at 27 August 2008

1	AMP Investment Strategic Equity Growth Fund	9,973,370	7.551 %
2	NZGT Nominees Limited - AIF Equity Fund	9,345,553	7.075 %
3	N Z Superannuation Nominees Limited	6,160,631	4.664 %
4	H & G Limited	5,376,874	4.071 %
5	Investment Custodial Services Limited (A/C 990018567)	5,040,323	3.816 %
6	S K Shares Limited	4,741,054	3.589 %
7	Gallagher Holdings Limited	3,647,408	2.761 %
8	Accident Compensation Corporation	3,576,489	2.708 %
9	Investment Custodial Services Limited (A/C 9900 22598)	1,946,000	1.473 %
10	Masfen Securities Limited	1,889,725	1.431 %
11	DM2 Investment Trust	1,611,759	1.220 %
12	Tepler Nominees Limited	1,605,351	1.215 %
13	Rotorua Trust Perpetual Capital Fund Limited	1,587,500	1.202 %
14	Custodial Services Limited	1,514,083	1.146 %
15	ABNED Nominees NZ Limited	1,398,955	1.059 %
16	National Nominees New Zealand Limited	1,206,056	0.913 %
17	TEA Custodians Limited	1,169,798	0.886 %
18	Leveraged Equities Finance Limited	1,161,952	0.880 %
19	Investment Custodial Services Limited (A/C C)	1,096,902	0.830 %
20	Seajay Securities Limited	1,041,173	0.788 %

As at 27 August 2008, Skellerup Holdings Limited had 132,084,729 fully paid ordinary shares on issue.

Distribution of Shareholding as at 27 August 2008

Size of shareholding	Total shares held %
1 - 4,999	3.91
5,000 - 9,999	6.52
10,000 - 49,999	21.68
50,000 - 99,999	5.63
100,000 - 499,999	9.37
500,000 - 999,999	2.84
1,000,000 and over	50.05
	100.00

Corporate Information

BOARD OF DIRECTORS

Sir Selwyn Cushing, KNZM, CMG, FCA
CHAIRMAN

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

G.A. Fraser, B.Com

D.W. Mair, B.E., M.B.A

D.J. Stewart, B.Com
MANAGING DIRECTOR

J.C. Thompson

MANAGEMENT

D.J. Stewart, B.Com
MANAGING DIRECTOR

G.P. Keogh, C.A.
CHIEF FINANCIAL OFFICER

J.H. Greenwood, B.Com F.C.A.
COMPANY SECRETARY

REGISTERED OFFICE

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Mt Wellington
Auckland
New Zealand

PRINCIPAL PLACE OF BUSINESS

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New Zealand