SKELLERUP

ANNUAL REPORT 2021

Business Review

Financial Statements

Shareholder Information

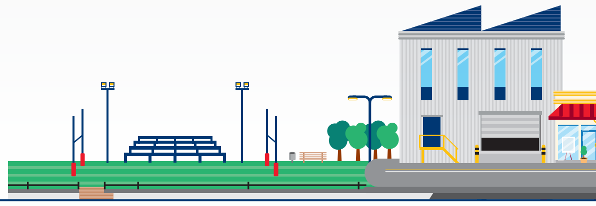
Skellerup is a global leader in the design, manufacture and distribution of precision engineered products. We make essential components, often within larger products used in dairy, potable and waste water, roofing, plumbing, sport and leisure, electrical, health and hygiene, automotive and mining.

We employ a diverse and highly skilled workforce of over 800 people. Our ethos is to develop strong and deep relationships with key partners, in particular original equipment manufacturers (OEMs) and major distributors. Our customers see us as a key part of their R&D team and our branded products carry a strong and reliable reputation.

We are a global business with almost 80% of our revenue derived from international markets. We have manufacturing and distribution facilities and partners in New Zealand, Australia, China, Vietnam, UK, Italy and the USA.

Highlights

Strong financial growth



Revenue growth
11%
$279.5M
(FY20 $251.4m)

Earnings (EBIT)
33%
$56.4M
(FY20 $42.5m)

Earnings (NPAT)
38%
$40.2M
(FY20 $29.1m)

Operating Cashflow
22%
$58.8M
(FY20 $48.0m)

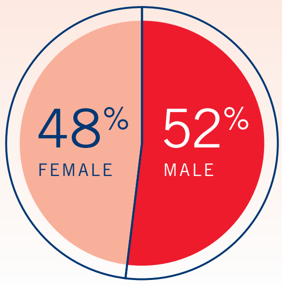
Diverse and experienced team

People
2%
813
(FY20 798)

Total injury rate
35%
0.87
(FY20 1.33)

Education
Regular **cyber-security training for all** office people

Demographic (gender)



(FY20 – f:49% m:51%)

Driving operational efficiency

Productivity

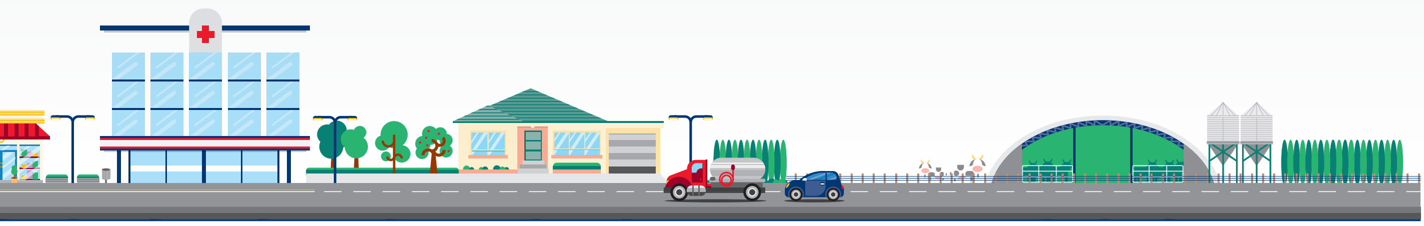
Wigram
Production volume up 10%
On staffing increase of 2%

Jiangsu
Footwear volume up 14%

Vacuum Systems volume up 38%
No change in staffing

ERP Upgrades
3
(FY20 1)

Waste reductions
Elimination
Of cardboard packaging for vacuum systems



Financial return ratio (RONA)

25%

29%

(FY20 23%)

EPS growth

38%

20.6CPS

(FY20 14.9CPS)

Dividend per share growth

31%

17CPS

(FY20 13CPS)

Delivering for our customers

OVER **4,500**
Customers

SOLD TO
73
Countries

OVER **700**
New products to market
last 24 months

3
Acquisitions over last 5 years
(Silclear / Nexus / Simlim)

Years' service for staff

Fewer than 2 years	20%
2 - 10 years	42%
10 -20 years	26%
Greater than 20 years	12%

Focused on community & environment

GHG* emissions

(Tonnes CO_2-e)

2,339

(FY20 2,278)

GHG emissions / revenue

8%

CO_2-e emissions per $1million of revenue

Water reductions

55%

At Jiangsu facility in China

*Greenhouse Gas

Chair Review

It is pleasing to report on the 2021 financial year and with that another record financial result for Skellerup. Audited net profit after tax (NPAT) of $40.2 million represents a 38 per cent improvement over the prior year's record result.

Operating cash flow of $58.8 million was a milestone too, reflecting both record earnings and excellent management of working capital. Accordingly net debt at the end of FY21 stood at $8.7 million. Skellerup's financial position has continued to strengthen, which provides a great platform from which to fund organic investment opportunities and acquisitions that complement and strengthen our business.

In last year's report, the resilience of our business model and strategy was highlighted by the stress test provided by the COVID-19 pandemic. This year's result reaffirms that message and demonstrates that Skellerup's business model and strategy are continuing to deliver substantial growth in earnings and returns to shareholders. FY21 NPAT was 82 per cent higher than achieved five years ago.

The challenges of COVID-19 have brought out the very best in our people and the Board could not be prouder of their unwavering commitment. We thank our people around the world for their outstanding contributions over the past 12 months and the development work done in the years preceding. In some countries, our people have endured long and more restrictive conditions, requiring prolonged periods of time working from home. More recently, the limited supply of some materials, limited freight availability and escalating costs of both materials and freight have required flexible planning, prompt action, and adjustments to ensure customer needs are met. We are extremely grateful for our people's tenacity and adaptability as they remain focused on satisfying customers, improving how we do things and working on new solutions for key customers.

The growth in earnings is the outcome of our teams continuing to focus on working closely with key customers to provide engineered products used in a range of critical applications we interface with every day. Skellerup's products are critical to the supply of safe potable (drinkable) water; the production of milk and milk products; the performance of appliances in your homes and workplaces; health and hygiene in hospitals, shops and homes; the safety and comfort of your sporting and leisure equipment; and to the integrity of the roof systems on your homes and workplaces. Our CEO, David Mair, provides more detail in his statement and for a visual representation, please see pages 8 to 9 of this report.

We embrace our responsibility to develop our people, provide them with a safe and vibrant place to work, and to grow our business in a sustainable and efficient way. In recent years several frameworks have been developed for reporting on environmental, social and governance matters (ESG). Rather than adopting one of these frameworks, our focus has been on sharing with you what we do. You can read more on our ESG approach and achievements on pages 26 to 27 of this report and on our website. As the frameworks are maturing, we are evaluating the merits of adoption to enhance how we present this information in the future.

Skellerup has a global footprint, with businesses in New Zealand, Australia, China, Italy, the UK and the US. Our Board have a diverse range of skills, knowledge and governance experience to deal with the complexities that come with operating an international business.

In August 2020, Paul Shearer, Senior Vice-President – Sales and Marketing for Fisher & Paykel Healthcare, joined as a Director, and his skill set has further strengthened the Board. Our collective experience has been especially critical over the past 18 months and the Board are committed to the work required to govern what is a growing worldwide business. Gaining detailed and regular insight into Skellerup's businesses is a key part of being an effective board. While COVID-19 has restricted international travel over the past 12 months, we have visited sites in New Zealand to observe and understand our operating environments and meet with our people. The profiles and skills of our Board are on pages 28 to 31 of this report and on our website.

The Directors are very pleased to announce a final dividend, imputed to 50 per cent, of 10.5 cents per share, which takes the total full-year dividend to 17.0 cents per share, a 31 per cent increase on the prior year. The final dividend will be paid on 15 October 2021 with a record date of 1 October 2021.

We are pleased with our record result in FY21 and, in line with our strategy, will continue to focus on working closely with key customers to provide engineered products used in a range of critical applications and to look for investment opportunities that complement and contribute to our ongoing growth.

We expect FY22 will again be challenging given continued disruptions due to the COVID-19 pandemic, but this will also provide opportunities for growth.

We look forward to the challenge and thank shareholders for their ongoing support and trust in the Board, executive and employees of Skellerup.

EM Coutts

Elizabeth (Liz) Coutts
Chair and Director

> “The growth in earnings is the outcome of our teams continuing to focus on working closely with key customers to provide engineered products used in a range of critical applications we interface with every day.”

What We Do

Skellerup designs and manufactures components and products used in a wide range of everyday applications that often must meet stringent food, drinking water, hygiene and safety standards.

Industrial & Retail

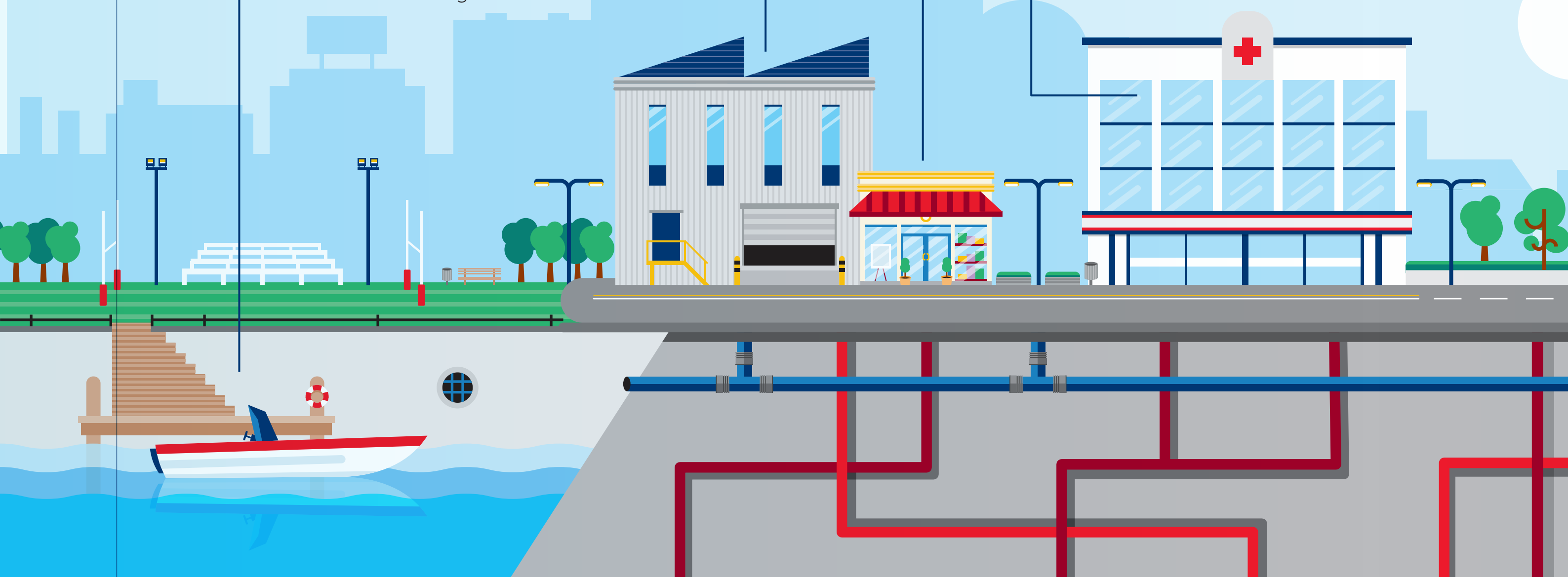
- Valves and seals for control systems used in food, liquid, and material processing plants
- Flashings, washers, sealing and insulation products for roofing, solar, plumbing and HVAC applications
- Gaskets, joiners, couplings and seals for potable, waste and stormwater pipes
- Covers and lids for water, fire and electrical services on streets
- Components for mobile equipment
- Components for point-of-sale devices

Medical & Health

- Face masks and protective equipment for hospital operating theatres
- Filters and seals used in respiratory devices
- Orthotics and prosthetics
- Hygiene and sanitisation devices
- Hospital equipment and visual management systems

Recreation

- Foam used in marine decking
- Foam used in ski and snowboard boot liners
- Foam used in protective equipment for field sports including rugby and hockey
- Foam for buoyancy applications and fender systems
- Gumboot throwing!



Skellerup has extensive expertise in combining materials including rubber (including silicone and liquid silicone), plastic, and metals to meet these demanding requirements.

Transport

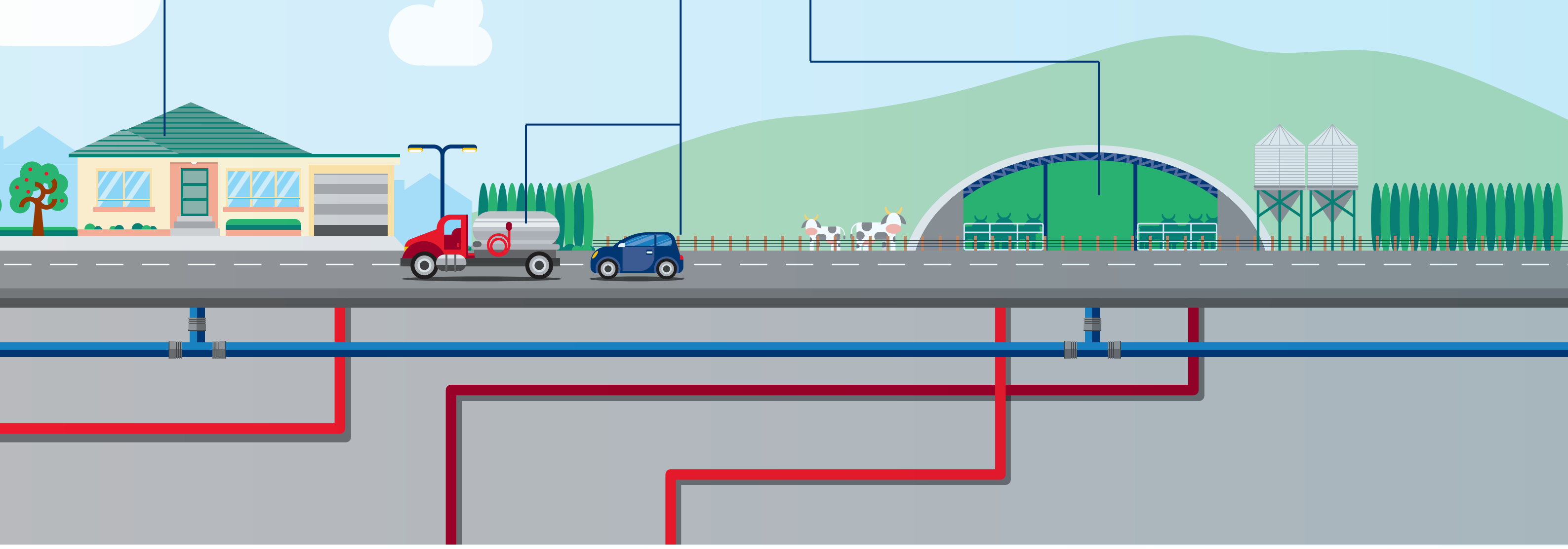
- Vacuum systems on trucks for transportation of water and liquid waste
- Seals, injectors and drive shaft couplings for motor vehicles (cars and trucks)
- Seals and gaskets for GPS and payment applications and systems

Residential

- Seals, diaphragms, and valves used in home appliances (washing machines, dryers, dishwashers, refrigerators and gas cooktops), hot water systems and heating systems
- Diaphragms and seals for residential and commercial irrigation systems
- Seals and cartridges used in taps and showerheads in kitchens and bathrooms
- Flashings, washers, sealing products and insulation for roofing, solar, plumbing and HVAC applications
- Gaskets, joiners, couplings and seals for potable, waste and stormwater pipes
- Bedding and furniture materials

Dairy

- Milking liners, tubing, filters and components for dairy milking systems
- Animal hygiene products
- Protective rubber footwear
- Pumps for dairy milking systems
- Valves and seals for irrigation systems



Global Reach

Skellerup is a global business. We employ over 800 people spanning multiple geographies. Our people collaborate across teams and locations to serve our customers all around the world. Our world-class manufacturing and distribution facilities are based in New Zealand, Australia, China, Vietnam, UK, Italy and the US.

North America

29%

Of Group Revenue

Central & South America

1%

Of Group Revenue

Potable and waste water, appliances and automotive

(Gulf, Tumedei and Skellerup)

Design, manufacture and distribution in New Zealand, Australia, North America, Asia, UK and Europe

Roofing, construction and plumbing

(Deks)

Design, manufacture and distribution in New Zealand, Australia, North America, Asia, UK and Europe

Sport, Leisure, Health & Medical

(Ultralon and Nexus)

Design, manufacture and distribution in New Zealand, Australia, North America, Asia, UK, Europe and Central America

Extraction and waste

(Masport and Flexiflo)

Design, manufacture and distribution in New Zealand, Australia, North America, and China and Europe

Agri

(Skellerup, Conewango Ambic, Silclear and Stevens)

Design, manufacture and distribution in New Zealand, Australia, UK, Europe, China, North America and South America

CEO Review

Leading Skellerup on behalf of over 6,000 shareholders and more than 800 employees is a great privilege, opportunity and responsibility.

I am delighted with the excellent results our team have delivered over the past 12 months. These were not achieved by accident; they are a credit to and a reflection of the skill and commitment of our people working through very challenging times. I am extremely grateful to and proud of our team across the world for the outcomes delivered on behalf of our shareholders.

FY21 net profit after tax (NPAT) was a record $40.2 million, a 38 per cent increase over our previous record achieved in both FY20 and FY19.

Revenue growth from new and existing products, operational improvements at our facilities and good management of our indirect costs all contributed to this result. NPAT is a key financial measure but so is cash. In FY21, we achieved a record operating cash flow of $58.8 million - up 22 per cent on the prior record achieved in FY20. These achievements have enabled us to fund our capital expenditure requirements, reduce debt and substantially lift our dividend, as outlined by our Chair, Liz Coutts, in her report. You can read more about our financial results on pages 20 to 23.

CASE STUDY

Skellerup in the community

In May 2021, Skellerup launched a limited-edition Pink Band gumboot in support of Breast Cancer Foundation NZ to help raise awareness and assist those affected by the disease, particularly within rural communities. Nine New Zealanders are diagnosed with breast cancer every day, a third of whom live outside the main centres and have the added complexities of access to treatment and taking time off farm for treatment. Five dollars from every pair sold was donated to Breast Cancer Foundation NZ and our Wigram team held a Pink Ribbon Breakfast raising additional money.

Skellerup continued its support of Gumboot Friday in 2021. The Key to Life Charitable Trust, started by Mike King in 2010, run the I Am Hope youth-and community-focused support group to help educate and fund counselling for young people. Gumboot Friday is their key national fundraising initiative and this year was held on 28 May. We are proud to support the work of Mike and his remarkable team who help our young people as we know mental health is a real issue in the lives of our people and our communities.

Today there is a great deal of focus on measuring business success through a broader lens than traditional financial metrics. This very overt emphasis may seem relatively new, but the imperative to build a business with sustainable financial returns has always been central to our business philosophy. We continue to work closely with customers to innovate and grow. To do this successfully we develop and invest in our people, minimise waste and we make a positive contribution to the communities and environments in which we operate.

Earlier this year I wrote to our teams about purpose. There are five groups of people we consider:

1. Customers – without demanding customers, we have no business and no opportunities to develop new solutions. We must keep developing true customer focus – good for our customers and good for Skellerup.
2. Suppliers – we want to be a demanding but fair customer of our suppliers. We want to be the best supplier to our customers and the best customer for our suppliers.
3. Employees – we have a responsibility to look after our employees and pay them well. We offer training based on attitude and willingness to learn but it is not an automatic right for all employees.
4. The community that we influence, which is made up of our customers, our suppliers and our staff (that includes their family and friends). This is the immediate scope of our influence and we focus on integrity in all our dealings.
5. Shareholders – the shareholders are the owners of the business and deserve a good return from the business for the choice they make to invest in Skellerup.

COVID-19 has challenged our business leaders and teams to change the way in which we operate and to embed new processes to keep our people safe while maintaining the flow of the many essential products we supply to customers all over the world.

Several of our teams used this opportunity to review and permanently change our processes and invest in systems to improve how we interact with customers.

Our emphasis on health and safety is evident in our results. Most importantly, we have active teams at every site owning their programmes. For FY21, we achieved a significant improvement on all metrics. Lost-time injuries were reduced, and we did not have any serious harm incidents. We engage external parties to help identify improvements and we invest in our facilities to eliminate risks. You can read more about our approach to health and safety and our results on page 24 to 25.

CASE STUDY

Ensuring the safe supply of potable water

In past reports I have mentioned how we work closely with customers to create solutions for problems they face. Often this requires a combination of deep material science, engineering, tooling and process expertise to ensure our products deliver more value for customers. In FY21, we concluded a project to reformulate compounds for a range of potable water products in Australia. Supplying products critical to the delivery of safe water and food means we must therefore meet strict and evolving standards. By working closely with the customer and local regulatory authorities we have demonstrated a capability and understanding that has enhanced customers' trust in our products and this is now resulting in additional growth opportunities.

CASE STUDY

DEKS providing faster sealing solutions

Dektites have long been synonymous with sealing penetrations through metal roofs in New Zealand, Australia, North America and Europe. In 2019 DEKS launched the Rapid Flash Dektite. This lead-free, self-adhesive product substantially reduces installation time and provides superior water sealing properties. Proof of its benefits are sales, which grew by 68 per cent during FY21.

CASE STUDY

Rapid growth for U-DEK® marine decking

U-DEK marine decking has been developed using Ultralon's unique formulations to produce world-leading closed-cell cross-linked foam. Ultralon® foam is used where performance is critical. The consistent cell structure in this product has seen it used in orthotics, prosthetics, ski and snow boots as well as in protective headgear and sportswear for many years. In recent years, our U-DEK marine decking sales have surpassed all other applications including a 54 per cent increase in sales in FY21. Leading sporting and leisure boat manufacturers in the US, New Zealand, Australia, Asia and Europe are using U-DEK on their boat decks due its superior performance, durability, comfort and cosmetic appearance.

Photo Credit: Lissa Photography

Industrial Division

Our Industrial Division designs and manufactures products that often combine multiple materials such as rubber, plastic and metals to perform in a wide range of critical applications. During FY21 sales growth and gross margin improvements combined to increase earnings before interest and tax (EBIT) by 57 per cent over the prior corresponding period (pcp) to a record $32.7 million.

FY21 revenue growth was broad-based across our product range and geography. Products used in potable (drinkable) and waste water applications across the world continue to be the largest slice of Industrial Division revenue. During FY21 we achieved growth in our largest US and Australian markets. Our capability to change our product formulations to meet increasingly demanding standards and combine materials to deliver valuable solutions to our key customers has been - and will remain - key to our ongoing growth.

Working with customers to understand their needs and designing products that perform is the common thread across our Industrial Division's businesses. This approach helped drive significant growth for our roofing and construction products and our marine foam products during FY21. We expect this approach will generate significant growth for our vacuum systems business in FY22 as we launch two new key products to the market.

While we are focused on growing the business, we are also disciplined in eliminating business that generates marginal returns and requires disproportionate resource to do so. During FY21 we discontinued a small range of products used in roofing applications in the US. We managed the exit well and continue to work with the customer on new product developments.

Agri Division

Our Agri Division is primarily focused on and is a world leader in the design and manufacture of essential consumables for the global dairy industry. We also design and manufacture rubber footwear for farming and specialty applications including fire, forestry and electricity. During FY21, sales growth and gross margin improvements combined to increase EBIT by 20 per cent over the pcp to a record $30.5 million.

Skellerup is the second largest manufacturer of food-grade dairy rubberware in the world. Our products are critical to the supply of fresh milk and milk products. The US and New Zealand remain our largest markets, but Europe and Asia were the fastest-growing regions in FY21. Growth in Europe was helped by the successful integration of Silclear, acquired during FY20. Silclear designs and manufactures silicone tubing and consumables used in dairy sheds globally but particularly in Europe. A broadened product range and a European presence provide a strong platform for future growth.

Our Wigram facility is the largest in our Group and the hub for the design and manufacture of our dairy rubberware products. Throughout FY21 we continued to improve our processes to meet a nine per cent increase in demand without significant capital investment nor increases in operating costs. We have further plans to increase capacity for relatively low investment to ensure we meet growing demand in our international markets.

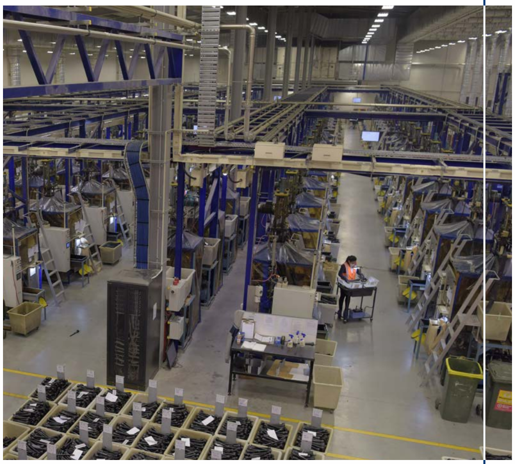
Skellerup's Red Band gumboot is synonymous with New Zealand. In FY21, sales grew not only through traditional rural channels but also in urban markets. Everyone appreciates the quality and durability of the Red Band.

Process improvements generated gains that helped offset the impact of increased raw material and freight transport costs. Indirect costs were well managed, and our hedging programme offset the impact of a stronger New Zealand dollar. As a result, Agri Division EBIT increased by $5.1 million over FY20.

CASE STUDY

World-leading dairy business

Skellerup's dairy rubberware design, manufacture and distribution facility in Wigram, Christchurch, New Zealand, which opened in November 2016, supplies essential food-grade dairy consumables to over 100 customers in 24 countries around the world.



CASE STUDY

Acquisitions to enhance our business

In November 2019 we added Silclear to the Skellerup Group. Silclear design and manufacture food-grade silicone rubber tubing, diaphragms, valves and liners particularly for the dairy industry. Growth in demand has resulted in an additional manufacturing shift and an increase in the size of our team. We expect to continue to grow sales of this product range and to seek further opportunities to expand the Skellerup Group so we can further enhance what we offer to our customers.

CASE STUDY

Investing in better business

During FY21 we invested in improving our information systems platform for several businesses within the Group.

Project Vanilla was the upgrade of our platform for our Agri Division business in Wigram, Christchurch, New Zealand. It had been 15 years since the previous implementation and the business has changed markedly in the meantime! The name Vanilla was chosen to symbolise our objective to simplify and adopt standardised business processes and tools, enabling access to more insightful information, a more secure environment and ultimately better outcomes for our customers and people. The project was successfully concluded in March providing the business with the platform we need for business growth.

Project Tika involved changing the platform for two of our Industrial Division businesses. Tika means exact. Delivering precise, reliable products for our customers is key to our success. Having an information systems platform that underpins this is critical. This project was successfully completed in May.

Processes and Systems

Accurate and timely information is critical to making good decisions. Over the past five years we have invested steadily in improving our business processes and the related information systems across the Group. This continued during FY21. We believe there are three critical elements to getting these investments right. The first is to standardise business processes to eliminate waste and simplify data structures and information flows. The second is committing substantive internal resource to own the projects. The third is to ensure we have platforms that are secure and minimise cyber security risks. These three elements are the cornerstone of our philosophy to ensure we have robust, secure information systems that provide our teams with the information they need to enable them to make good decisions.

The Future

I started this statement reflecting on what we have achieved in FY21. We are very pleased with the outcomes, but, other than building on what we have learnt and achieved, FY21 is now firmly in our rear-vision mirror. COVID-19 unfortunately remains ever present and continues to cause challenges and disruptions. To date, we have navigated the impacts of restricted supply of raw materials, congested freight channels (and increased costs on both) and interruption to manufacturing operations. However, these risks have not abated and with COVID-19 variants arising, we will need to continue to be quick and agile to react to these impacts and more. In addition, we have a pipeline of new products and opportunities for the future.

I am confident we have the team and capabilities to overcome these challenges and deliver further revenue and earnings growth.

David W. Mair

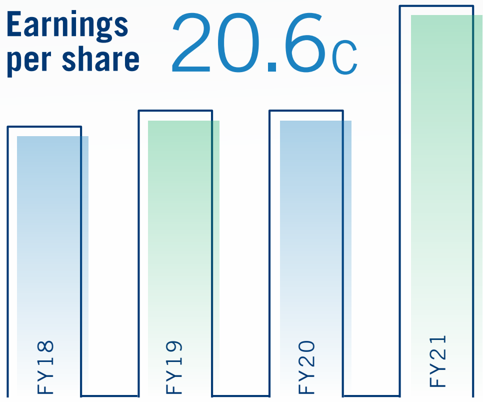
David Mair
Chief Executive Officer
and Director

"We continue to work closely with customers to innovate and grow. To do this successfully we develop and invest in our people, minimise waste and we make a positive contribution to the communities and environments in which we operate."

Skellerup Strengths

01 Proven track record of earnings and cashflow growth

Excellent year-on-year performance with a robust balance sheet, growing cash flow, low debt and a strong dividend yield.



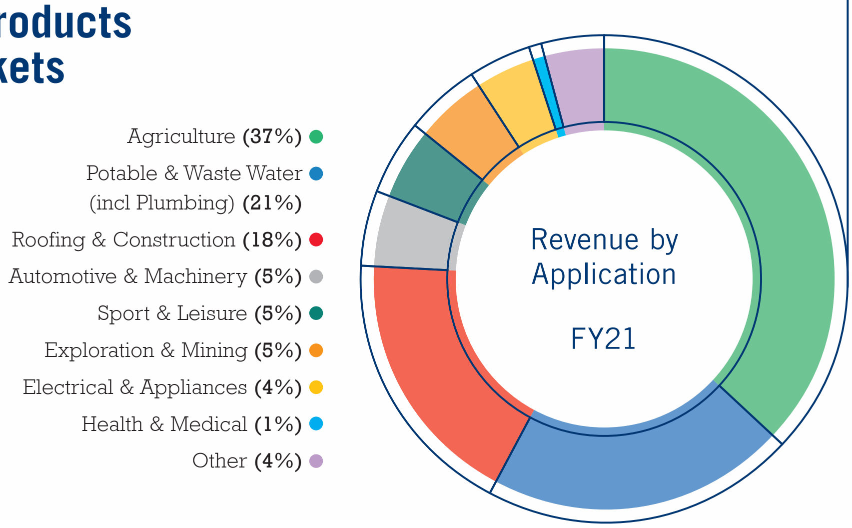
02 A track record for rapid R&D

Our team know their markets and are constantly delivering new products and improvements. Our deep customer relationships mean our development investment is based on real customer needs.

Over 700 new products in the last two years

03 Focus on products in key markets

Our products are essential components in the delivery of food, water, infrastructure and health.



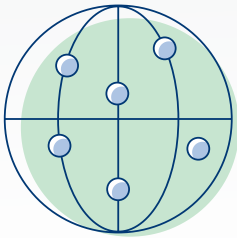
04 Highly experienced technical team

Our team are highly skilled and trained, from our technical salespeople through to our product designers; we understand our customers and markets

Global team

813

across 6 countries



05 Customer relationships with growth potential

We have strong and deep relationships with our 4,500 customers, particularly OEM customers, where we continue to deliver new products and developments.

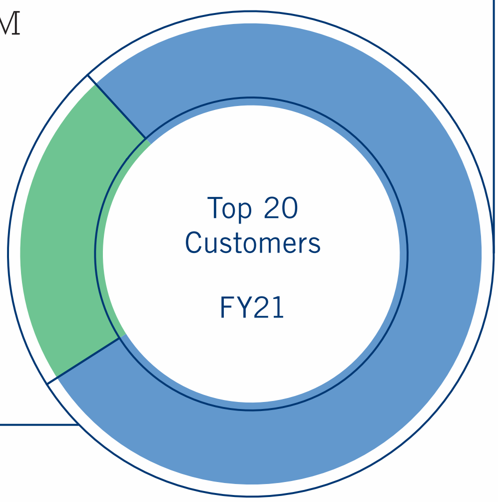
15

Of our top 20 customers in FY21 were also top 20 customers in FY17.

5

New inclusions to our top 20 customers since FY17.

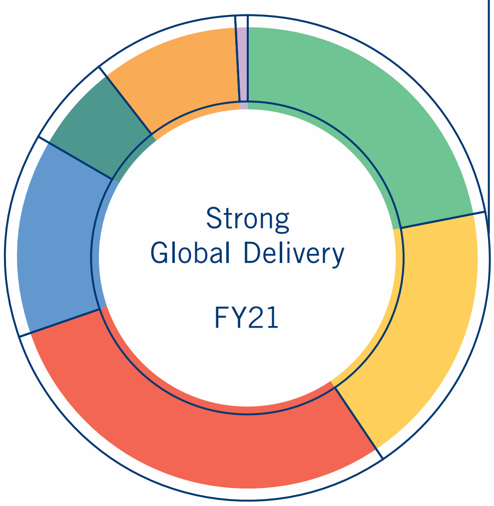
Our top 20 customers shows a balance of strong long-term customers and new business growth.



06 Strong relationships across global markets

We are a global business with world-class manufacturing and distribution facilities allowing us to serve customers and markets all around the world.

New Zealand (22%)
Australia (18%)
US (29%)
Europe (14%)
UK & Ireland (6%)
Asia (10%)
Other (1%)



Financial Review

We are committed to delivering sustainable growth in financial returns for our shareholders, providing opportunities and growth for our employees, and assurance for our customers that we will continue to provide them with the essential engineered solutions they need now and in the future.

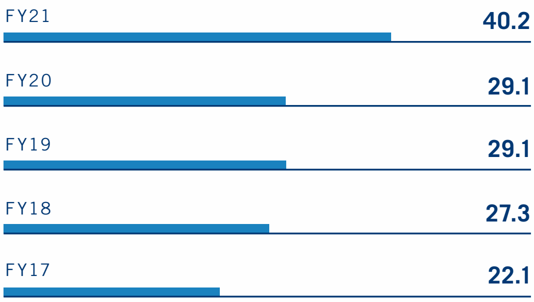
FY21 Group Earnings and Dividends

For the year ended 30 June 2021 (FY21), Skellerup recorded a record audited net profit after tax (NPAT) of $40.2 million, achieved a record operating cash flow of $58.8 million, and declared a gross dividend pay-out of 17 cents per share (50 per cent imputed). The NPAT achieved is a 38 per cent improvement on the record result achieved in the prior corresponding period (pcp).

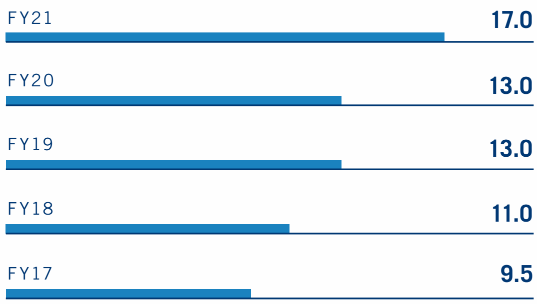
Operating cash flow improved by 22 per cent on the pcp due to the growth in earnings and continued sound management of working capital. Inventory held at year-end was down four per cent on the prior year-end and receivables continued to be well managed, representing 55 days outstanding at year-end.

The gross dividend pay-out declared is up 4 cents (31 per cent) on the pcp and represents a gross yield[1] of 4.1 per cent for shareholders.

Net Profit After Tax ($m)



Dividend Declared (cents per share)



[1] Gross yield is determined by comparing the FY21 dividends paid and declared totalling 17 cents per share (50% imputed) with the closing share price on 30 June 2021.

To enable Directors and management to lead Skellerup and measure our results, we segment our financial results into two divisions – Industrial and Agri.

Industrial Division

Industrial Division sales were a record $177.4 million, up 12 per cent on FY20. EBIT was $32.7 million – also a record and up 57 per cent on FY20.

Our Industrial Division focuses on international markets, working closely with customers to design and manufacture products that often combine multiple materials such as rubber, plastic and metals to perform in a wide range of critical applications. During FY21, sales growth was broad-based. Growth in market share from the sale of existing and new products in all markets for potable and waste water, roofing and plumbing, sport and leisure, and appliance applications increased revenue by $19.5 million.

Sales growth from higher-margin new products helped increase the overall gross margin percentage despite the impact of recent increases in raw material and freight costs and the stronger New Zealand dollar. The growth in sales was achieved without any overall increase in indirect costs. As a result, FY21 Industrial Division EBIT increased by $11.8 million over the prior year. This improvement includes $1.2 million from the US and Australian governments' COVID-19 support which related to FY20, but conditions meant this could not be recognised until FY21.

Agri Division

Agri Division sales were a record $102.2 million, up nine per cent on FY20. EBIT was $30.5 million, also a record and up 20 per cent on FY20.

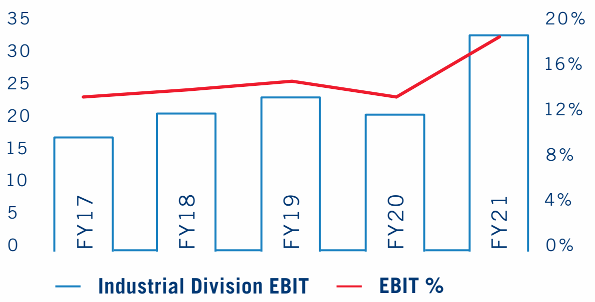
Our Agri Division is primarily focused on and is a world leader in the design and manufacture of essential consumables for the global dairy industry. During FY21, sales growth was achieved in all markets, particularly Europe, New Zealand and Asia. Sales were also boosted by a full-year contribution from Silclear (acquired in November 2019). Skellerup's Agri Division also designs and manufactures rubber footwear for farming and specialty applications including fire, forestry and electricity. Sales growth in the New Zealand market, particularly through hardware channels, contributed to the overall $8.6 million increase in FY21 Agri Division revenue.

Revenue growth was further boosted by improved operational performance at our key manufacturing facilities in New Zealand and China. Process improvements generated gains which more than offset the impact of increased raw material and freight transport costs. Indirect costs were well managed, and our hedging programme offset the impact of a stronger New Zealand dollar. As a result, EBIT increased by $5.1 million over FY20.

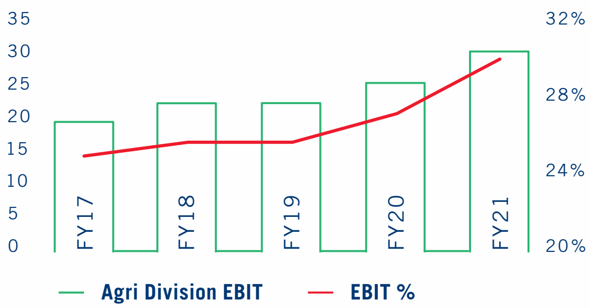
Corporate

Corporate costs were up $3.0 million on the prior year due to provisioning for costs associated with defending a claim against a business Skellerup sold in 2008 as well as increased performance-related employee expenses.

Industrial Division EBIT ($m)



Agri Division EBIT ($m)



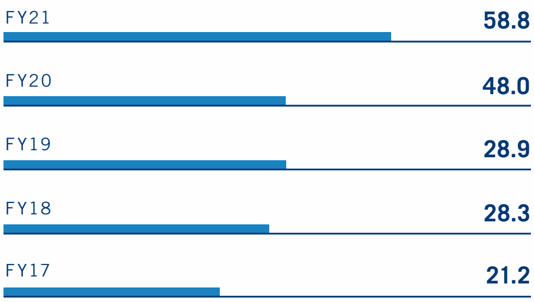
FY21 Financial Position

A continued and close focus on receivables was maintained given the heightened risks arising from the interruptions to supply chains and markets. Receivables closed FY21 up 10 per cent on the prior year-end, just below the 11 per cent increase in revenue. Restricted availability of some raw materials was anticipated, allowing us to build buffer levels where possible, although more recently this has been difficult. Longer shipping times has resulted in increased levels of inventory in transit to both our own and our customers' warehouses. Despite these challenges a detailed focus enabled a four per cent reduction of inventory at the end of FY21 compared with the prior year-end. Consequently, operating cash flow of $58.8 million was up 22 per cent on the pcp.

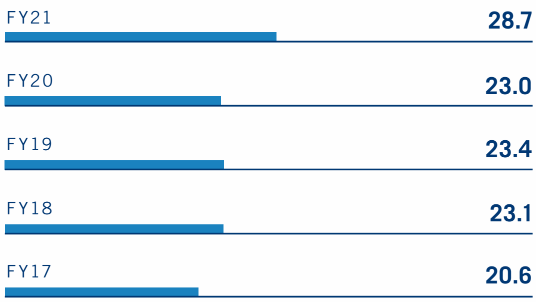
Our business model of customer-focused development, the benefit of our investment in our Wigram facility completed in 2016 and partnerships with our manufacturing partners mean our capital expenditure was again below depreciation in FY21. As a result, the net book value of plant, property and equipment reduced by $2.4 million, or three per cent, over the prior year-end. Investment in improving our information systems to provide better business information increased intangible assets by $1.7 million over the previous year-end.

The combination of record earnings and operating cash flows with sound capital management meant net debt reduced to $8.7 million - just 3 per cent of our total assets and down $19.8 million on the prior year-end.

Operating Cash Flow ($m)



Return on Net Assets (%)



Five-year financial summary

The table below shows the financial results and position of the Skellerup Group for each of the last five years. Over this five-year period, revenue has grown by 33 per cent and NPAT has increased by 82 per cent. The sustained earnings growth has enabled an increase in the gross dividend pay-out (excluding imputation credits) of 79 per cent over the same period.

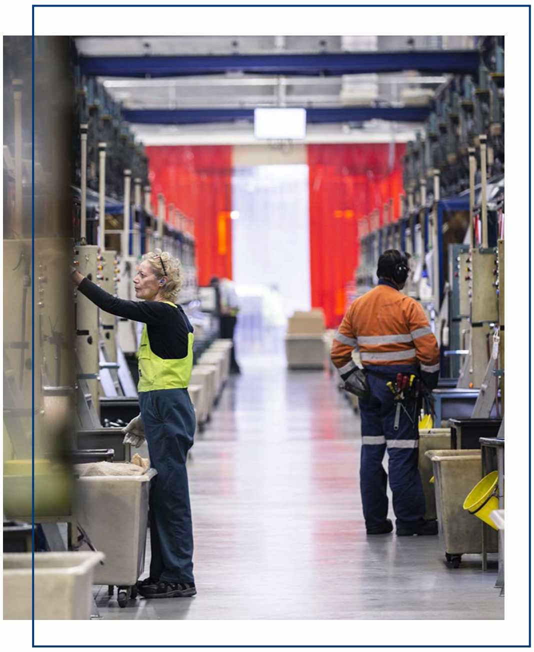
Period Ending $000	FY21	FY20	FY19	FY18	FY17
Total Revenue	279,515	251,389	245,792	240,408	210,322
EBIT	56,361	42,486	41,798	39,781	32,824
Finance Costs	2,081	2,582	1,785	1,863	1,414
Share of net profit of associates	(35)	(73)	23	-	-
Profit before Tax	54,245	39,831	40,036	37,918	31,410
Tax	14,070	10,767	10,973	10,641	9,300
Net Profit After Tax	40,175	29,064	29,063	27,277	22,110
EPS (c)	*20.6*	*14.9*	*15.0*	*14.1*	*11.5*
Dividend (c)	*17.0*	*13.0*	*13.0*	*11.0*	*9.5*
Operating Cash Flow	58,796	48,006	28,920	28,345	21,229
Cash Reserves (Net Debt)	(8,736)	(28,513)	(36,576)	(30,719)	(35,755)
Total Assets	284,874	283,642	257,059	252,025	237,932
Total Liabilities	88,725	99,079	78,667	79,739	78,685
Net Assets	196,149	184,563	178,392	172,286	159,247
Return on Net Assets	28.7%	23.0%	23.4%	23.1%	20.6%

Skellerup People

Our people stay close to customers so we can work with them to understand their needs and provide solutions that perform.

As our business has grown and changed, our needs have too. Our global team have grown to 813 people, an increase of 15 (2 per cent) on the previous 12 months and an increase of 55 (7 per cent) on five years earlier. These increases compare to revenue growth of 11 per cent over the past year and 33 per cent during the past five years.

Our teams are based in New Zealand, Australia, the US, China, the UK and Italy. Since COVID-19 first appeared, we have had no significant redundancies; in fact, our businesses have adapted and grown. This reflects the ability of our teams to learn and adapt, and the resilience of our businesses to external shocks. Our diverse teams are essential to Skellerup's future success and responding to the ever-changing environment we operate in. We do not discriminate on gender or gender identity, race, ethnicity, cultural background, physical ability or attributes, age, sexual orientation, religious or political beliefs. A breakdown of our gender composition is shown on page 4 of this report.



We believe capital allocation is one of the key responsibilities for senior management. Capital allocation is aligning our best people equipped with the required financial resources to focus on the big projects that will make a meaningful improvement to our business. The development of our human capital or people is linked to this. In FY21 (as highlighted in the CEO's statement) we invested significant financial and human capital in upgrading our information systems. The commitment of our people to these projects was excellent and ensured successful implementation. Equally their involvement in these projects developed their skills and expertise to perform in a more effective manner in their day-to-day roles, be it customer service, operations or accounting. Ultimately all these improvements translate to better experiences for our customers, development and satisfaction for our employees, and greater returns for our shareholders. On-the-job development of our people is complemented by formal skills, leadership and functional training across the Group. Over the past 12 months, some of our business and team leaders have studied management, financial and commercial papers at short courses and as part of university programmes. We will continue to invest in the development of our people to grow leaders and our business.

COVID-19 has starkly demonstrated the importance of having an organisation that is resilient, flexible and adaptable. Our leaders and teams throughout the world have navigated the impacts of this - not just on their work but also on their personal lives - with outstanding skill and tenacity. For many of our people in Europe, the US and Australia, they have either adapted to prolonged stints of working from home or to changes in behaviour needed to work in our facilities around the world.

We look forward to the time when COVID-19 is under control, but having flexible working arrangements to ensure we retain and attract the right people will remain a key part of how we do business. We have had for many years and will continue to have roles that suit working from home, flexible hours and part-time arrangements.

Skellerup's footprint is global and includes working with manufacturing partners, international suppliers and customers throughout the world. The strength of our relationships has enabled us to successfully introduce new products remotely, since our old model required engineers to visit in person. Skellerup does not employ child or slave labour and we ensure that our key partners have the same standard. Regardless of our global footprint, our commitment to maintaining a high standard of ethics in how we operate and do business is uniform across the world. Each year, we work with our leaders to ensure they and their teams spend time reviewing and discussing the behaviours that are required (as outlined in our Code of Ethics) and, equally importantly, how they respond in the event they do witness or suspect behaviour inconsistent with this Code. We also educate on key policies including Information Security and Acceptable Use of Skellerup property. This is supplemented by regular online cyber security training. We consider education is a key defence against unwanted intrusions to our business.

The protection and safety of our people and others from accidental harm in our workplaces is Skellerup's highest priority. All our practices and programmes are established with the objective to keep our people safe and free from workplace injury. Every Skellerup site has an active Health and Safety Committee that meet monthly, follow an annual plan of activities and improvements to keep their workplaces safe, and report monthly to the CEO on progress. We use internal experts to complete peer reviews on sites across the Group to ensure the benefit of specific expertise is shared (for example, guarding of machines). We also use external experts to assess on a site-by-site basis the processes, risks and behaviours they observe and to report on improvements required. Oversight of our programmes is provided by the Board's Health and Safety Committee. A Health and Safety Report is also submitted at each Board meeting, and Board members periodically visit sites to observe activities, and meet and discuss these with our managers and teams.

Ultimately the success of our programmes is measured by the number of injuries and incidents that occur. In FY21 and for the second successive year, we did not suffer any serious harm injuries. We did have two staff members suffer injuries which resulted in absences from work (lost-time injuries) and we had five staff require medical treatment for injuries that did not require an absence from work (medically treated injuries). We not only measure and review injuries and medical treatment, we also actively review near hits or incidents that could have caused injury to ensure we learn and eliminate the cause. Overall, in FY21 our total injury rate[1] was 0.87 down from 1.33 in FY20 and down from 1.61 in FY19. We are committed to leading, educating and investing time and resources to continue this level of improvement and achieving our goal of protecting our people and others from accidental harm in our workplaces.

[1]The total injury rate (TIR) is the total number of serious harm injuries, lost-time injuries and medically treated injuries multiplied by 2,000 (the estimated annual hours worked by an individual), divided by the actual year-to-date hours worked, annualised and expressed as a percentage. The TIR represents the percentage likelihood of being injured on each site. Zero TIR is the benchmark that all our sites are striving to achieve.

Sustainable Growth

Achieving increasing sustainable financial returns has always been and will continue to be central to Skellerup's philosophy.

Sustainability at Skellerup has broad meaning. It means working closely with customers so that we truly understand their needs to enable us to build long-lasting, valuable relationships. It means developing and investing in our people so that we have the expertise to grow and sustainably meet our customers' needs. And it means minimising emissions and waste to ensure our activities contribute positively to the communities and environments in which we operate. Sometimes it is perceived that environmentally linked improvements come at a net cost to a business. In our experience many of the changes we have made and demonstrated in the projects we describe below have been good for the environment and generated improved financial returns.

Reducing our emissions at Skellerup

Skellerup is a global business with facilities in New Zealand, Australia, China, the US, UK and Italy.

Our dairy rubberware design, manufacturing and distribution facility in Wigram, Christchurch, is our largest site and generates over 40 per cent of scope 1 and 2 greenhouse gas (GHG) emissions for the Group. At the start of FY21 we set a target to reduce scope 1 and 2 GHG emissions at Wigram by 5 per cent. Several initiatives were implemented throughout FY21, including increasing the capacity of existing equipment (without a higher energy usage), improving plant utilisation and installing LED lights. These actions resulted in our goal being surpassed, with a 7 per cent reduction achieved despite an increase in the volume of products manufactured and revenue generated.

Our initiatives and achievements were not limited to Wigram. At our Ambic facility in the UK we invested in a series of improvements to reduce scope 2 GHG emissions. By fitting double-glazed windows, installing a new climate control system and upgrading some operating plant we were able to reduce energy usage and achieve a 21 per cent reduction in scope GHG emissions in FY21.

Continuous improvement at Skellerup

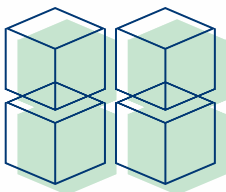
All Skellerup sites have initiatives to deliver continuous environmental improvement including lowering emissions and reducing waste.

Wigram energy efficiency gains on production increases

Volume of Wigram moulded product

10%

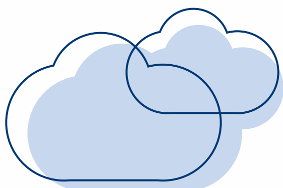
On PCP



Wigram scope 1 & 2 GHG emissions

7%

On PCP



Process improvements

During FY21 we made a series of improvements at our facility in Jiangsu, China, to reduce our environmental impact and upgrade our workplace.

In FY18 we highlighted the replacement of our coal-powered boiler with natural gas. During FY21 we made further improvements to the process to reduce the generated discharge levels by 66 per cent.

Until late 2020 our Jiangsu facility utilised an on-site well for its process and hygiene water requirements. With a change to town water supply we installed a water circulation system to recycle water used in our manufacturing process. The installation of this system has reduced our water usage by 55 per cent.

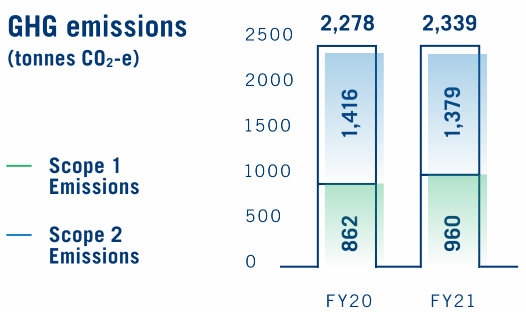
We also invested in systems to improve the collection and disposal of emissions generated from our manufacturing process at Jiangsu in FY21.

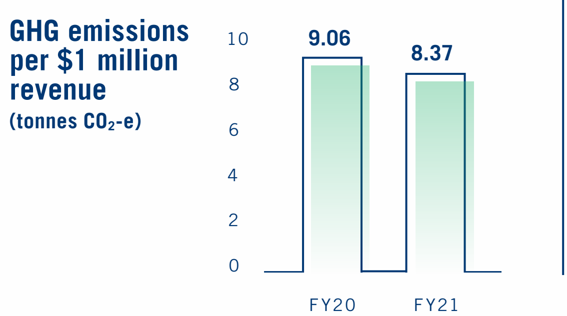
Reducing packaging waste

In prior years we have highlighted reductions in production waste through reducing the number of product rejects and improving tooling and product design, as well as decreasing waste by eliminating plastic bags from packaging dairy liners. Reducing production waste is a constant focus – along with environmental benefits, any reduction in rejects translates to an increase in saleable product, which enables us to meet our customers' needs faster or simply sell more!

In FY21 we eliminated cardboard box packaging of our vacuum pumps by bolting the pumps to pallets for transportation. We manufacture over 5,000 pumps per year, so the packaging saving is significant. In addition to the environmental benefits of less waste, we have reduced cost and generated more productive time for our team to build and assemble products – ultimately translating to improved economic benefits for shareholders.

Group energy efficiency gains on growing revenue

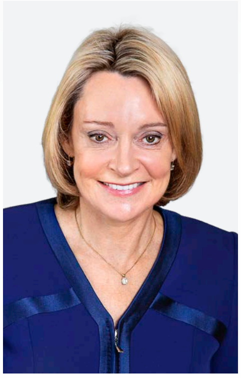




Skellerup Group revenue up 11% and scope 1 and 2 GHG emissions for the corresponding period increased by only 3% on pcp

Board of Directors

The experience and diverse range of skills across Skellerup's Board ensures our plans are robust and pursued with vigour and sound business discipline.



Liz Coutts

(ONZM, BMS, FCA, CFIoD)

Independent Chair

Elizabeth was appointed Chair in January 2017. Liz has held an extensive range of governance roles in both the private and public sector for more than 20 years. She is currently Chair of Oceania Healthcare Limited and EBOS Group Limited and a member of the Marsh New Zealand Advisory Board. She is a past President of the Institute of Directors, former member of the Monetary Policy Committee of the Reserve Bank of New Zealand and also the Financial Reporting Standards Board of the Institute of Chartered Accountants in New Zealand. Liz's contribution to governance was acknowledged with her appointment as an Officer to the New Zealand Order of Merit (ONZM) in 2016. Liz joined the Board in May 2002 and is a member of the Audit, Health and Safety, Remuneration and Nomination Committees.

Alan Isaac

(CNZM, BCA, FCA)

Independent Director

Alan was appointed to the Skellerup Holdings Board in August 2016. Alan has considerable experience governing and leading businesses and sporting organisations. Alan is currently Chairman of the New Zealand Community Trust. He is also a director of Oceania Healthcare Limited and Scales Corporation Limited. He was Chairman of KPMG NZ for 10 years until 2006, is a past Chairman of Cricket NZ and past President of the International Cricket Council and the New Zealand Institute of Directors. Alan's contribution to sport and business was acknowledged with his appointment as a Companion of the New Zealand Order of Merit (CNZM) in 2013. Alan is Chair of the Audit Committee and also a member of the Health and Safety, Remuneration and Nomination Committees.

John Strowger

LLB (Hons)

Independent Director

John was appointed to the Skellerup Holdings Board in March 2015. John is a leading commercial lawyer who specialises in corporate, contract and securities law and mergers & acquisitions. He was named NZ Deal Maker of the Year at the 2019, 2017 and 2015 Australasian Law Awards. A partner at Chapman Tripp, John co-heads that firm's China desk, which coordinates the work it does pertaining to investment and trade between China and New Zealand. John is Chair of the Health and Safety Committee and a member of the Audit and Risk Management Committee.

David Cushing

(BCom, ACA)

Independent Director

David was appointed to the Skellerup Holdings Board in August 2017. He is a former investment banker with over 20 years' experience as a director of listed companies. David is currently Executive Chairman of Rural Equities Limited and Managing Director of private investment company H&G Limited. David has expertise across a broad range of industries having previously been a director of Fruitfed Supplies Limited, Williams & Kettle Limited, Tourism Holdings Limited, Acurity Health Group Limited, PGG Wrightson Limited, Red Steel Limited and NPT Limited. David is a member of the Audit, Health and Safety, Remuneration and Nomination Committees.

Paul Shearer

BCom

Independent Director

Paul was appointed to the Skellerup Holdings Board in August 2020. Paul is Senior Vice President - Sales and Marketing for Fisher & Paykel Healthcare. Paul has global business experience spanning thirty years with proven success growing international markets and leading multi-disciplinary teams across forty countries. Paul is a member of the Audit Committee and the Health & Safety Committee.

David Mair

(BE, MBA)

Executive Director

David was appointed to the Skellerup Holdings Board in November 2006, and as CEO in August 2011. He has been leading the Group for ten years during which time it has achieved significant revenue and earnings growth by focusing on designing and delivering critical engineered products for OEM customers. In particular, he has overseen the transformation of the Agri Division into a design-led, customer focused, growth business following on from the relocation from Woolston to Wigram after the Christchurch earthquakes. David is currently a Director of Forté Funds Management Limited. David is a member of the Health and Safety Committee.

CORE COMPETENCIES

- Governance
- Finance & Accounting
- Risk Management
- Capital Markets
- Regulatory
- Human Resources
- Health & Safety
- International
- Growth
- Agriculture
- Infrastructure
- Manufacturing & Supply Chain
- Technology

Board Skills Matrix

Skellerup's team seek to capitalise on our capability to design and deliver world leading engineered specialist products particularly for applications used to deliver safe food and water.

Governance	6 / 6	1. Core
Finance & Accounting	3 / 6	1. Core
Risk Management	6 / 6	1. Core
Capital Markets	6 / 6	1. Core
Regulatory	6 / 6	1. Core
Human Resources	4 / 6	1. Core
Health & Safety	6 / 6	1. Core
International	4 / 6	2. Markets & Customers
Growth	6 / 6	2. Markets & Customers
Agriculture	4 / 6	2. Markets & Customers
Infrastructure	4 / 6	2. Markets & Customers
Manufacturing & Supply Chain	5 / 6	3. Manufacturing, Supply Chain & Technology
Technology	5 / 6	3. Manufacturing, Supply Chain & Technology

1. Core

Governance

i. Commitment to the highest standard of governance including social and environmental performance

ii. Prior Board experience (ideally NZX50 or equivalent) or experience as Executive or advisor to Board for at least 5 years

iii. Experience in governing highly effective executive leaders

Finance & Accounting

i. Senior Executive or Board experience in international finance, accounting, reporting, controls and taxation

Risk Management

i. Experience in developing or overseeing an appropriate risk framework and culture

ii. Experience in evaluating and managing financial and non-financial risks, including intellectual property, technology and cyber

Capital Markets

i. Experience with equity and debt markets and capital structuring

ii. Experience with mergers, acquisitions and dispositions and investment analysis

iii. Experience and understanding of dealing with investors and the investment community

Regulatory

i. Understanding of the regulatory environment of Skellerup's business

Human Resources

i. Experience in leading teams and with best-practice development, performance and remuneration structures for international business

Health & Safety

i. Understanding of health and safety requirements and management for a global business

2. Markets & Customers

International

i. Experience as a leader or advisor for a business with a substantial presence in global markets including understanding commodity and financial markets

ii. Experience as a leader or advisor for a business with a substantial OEM customer base

iii. Experience as a leader or advisor for a business with a strong range of branded products

Growth

i. A track record of developing and implementing a successful and sustainable strategy of growth in business

Agriculture

i. Experience and understanding of the dynamics of the international and domestic agriculture (in particular dairy) market

Infrastructure

i. Experience and understanding of customers, products and risks associated with infrastructure for potable water, construction, automotive and general applications

3. Manufacturing, Supply Chain & Technology

Manufacturing & Supply Chain

i. Experience as a leader or advisor for a business with substantial manufacturing capability

ii. Experience as a leader or advisor dealing with international contract manufacturers and contracts

iii. Experience as a leader in international logistics and supply chain

iv. Understanding of contractual arrangements with large OEM customers (protection of IP, counterparty style and approach, risk)

Technology

i. Understanding of the opportunity and risks provided by technological development and disruption, and development and protection of IP

Corporate Governance

This section of the Annual Report outlines our corporate governance structures and processes, and how they have been applied during the year. The Corporate Governance statement was approved by the Board of Skellerup Holdings Limited on 18 August 2021. The information contained in this Corporate Governance statement is current as at that date.

Skellerup's Board and management are committed to achieving high standards of corporate governance. We believe this is central to the effective management of the business and to maintaining the confidence of our shareholders. The Board and management are focused on ensuring the long-term success of the Company and are committed to building long-term shareholder value.

The Board regularly reviews and assesses Skellerup's governance policies, procedures and practices to ensure they are appropriate and effective. Skellerup reports against the recommendations of the NZX Corporate Governance Code 2020 (NZX Code) as required by the NZX Listing Rules. Skellerup has achieved full compliance with all recommendations of the NZX Code in all material respects for the year ended 30 June 2021.

Skellerup's Constitution and each of the Charters and Policies referred to in this Corporate Governance section are available on the Governance section of the Company's website at **www.skellerupholdings.com.**

Our approach for the financial year ended 30 June 2021 is detailed below.

Principle 1 – Code of Ethical Behaviour

Skellerup complies with the recommendations of Principle 1.

Skellerup Directors set high standards of ethical behaviour and require members of the management team to conduct themselves similarly; they hold management accountable for delivering these standards throughout the organisation.

Skellerup's Code of Ethics provides a framework of minimum standards of ethical behaviour according to which Directors, management and all employees of the Company are expected to conduct themselves. The Code of Ethics outlines the Company's expectations for all Company personnel and includes consideration of conflicts of interest, conduct, legislative compliance, confidentiality and the use of the Company's assets and information. Under Skellerup's Code of Ethics, contributions to political parties are expressly prohibited.

Skellerup communicates its Code of Ethics to Directors and employees, explaining the Code's purpose and the mechanism for reporting any unethical behaviour. The CEO reviews this Code, together with other key Group policies, with all Group and Business Managers annually. The Managers in turn are required to review with staff and confirm that they have done so to the CEO. Skellerup's procedure for reporting and dealing with any concerns in respect of the conduct of its directors or employees is set out in its Whistle-blower Policy consistent with the requirements of the Protected Disclosures Act 2000. Skellerup has not received any reports of serious instances of unethical behaviour during the year.

Skellerup is committed to ensuring its Directors and employees understand its policy on and rules for dealing in Skellerup ordinary shares or any other derivatives thereof. Skellerup's Financial Products Trading Policy notes that insider trading is always prohibited and provides examples of material information to assist Directors and employees with compliance. It imposes further restrictions on

Directors and senior management and permits trading only in prescribed trading windows or with consent.

Principle 2 – Board Composition and Performance

Skellerup complies with the recommendations of Principle 2.

The Board has adopted a formal Board Charter, which distinguishes and discloses the respective roles and responsibilities of the Board and Management. Written agreements have been entered into for all Director appointments since 2017.

The members of Skellerup's Board collectively provide the broad range of strategic, business, commercial and financial skills and knowledge, and the independence and experience required to lead and govern the Company effectively.

The Board regularly reviews its performance and composition to ensure it has the range of capabilities required. During FY20 Skellerup's Board appointed an external adviser to assist with the identification of a potential additional director to provide succession and continuity for the Group. Paul Shearer was appointed as an independent director by the Board on 21 August 2020 and then elected by shareholders at the 2020 annual meeting on 29 October 2020.

Currently, the Board comprises five non-executive, independent Directors and one executive Director. There is no shareholding qualification for directors under Skellerup's Constitution, although all directors currently hold a beneficial interest in Skellerup shares. See page 78 for details of these interests.

The independence of Directors is reconsidered at least annually. Skellerup's Board most recently reviewed each director's independence status at its Board Meeting on 18 August 2021. Having regard to the NZX Listing Rules and the NZX Code, all five non-executive directors have been determined to be independent. See pages 28 to 31 or the Company's website for more information on the tenure, skills and experience of Skellerup's current Board. The Independence status of each Director is noted also on pages 28 and 29.

The Board Charter requires that the Chair be an independent, non-executive director and that the roles of the Chair and CEO are separate.

The table on page 35 shows each director's Board Committee memberships, the number of meetings of the Board and its Committees held during the year and the number of meetings attended by each director. Minutes are taken of all Board and Committee meetings.

The Board is responsible for managing conflicts of interest identified by Directors. Each Director is responsible for minimising the possibility of any conflict of interest as regards their involvement with the Company by restricting involvement in other businesses that would likely lead to a conflict of interest.

Board procedures ensure that all Directors have the information needed to contribute to informed discussion and decisions on a consistent basis and to carry out their duties effectively. Senior managers make direct presentations to the Board as required to give the Directors an understanding of management strategies, priorities, style and capabilities. Directors also visit Skellerup's facilities throughout the world as part of their ongoing engagement to ensure they are familiar with all aspects of the Group. Training is made available to Directors and in the last financial year Directors participated in training on a wide range of topics.

Skellerup has a written Diversity Policy in place. Diversity in Skellerup includes (but is not limited to) gender, race, ethnicity and cultural background, disability and physical capability, age, sexual orientation, and religious or political belief. A gender composition table of the Skellerup Directors, officers, management and staff is included on page 80. Skellerup maintains a merit-based environment which provides equal opportunity for development and recognition based on performance and a flexible and inclusive work environment that values differences that create value. Skellerup remunerates equivalent roles in an equitable manner.

Skellerup's Diversity Policy requires measurable objectives to be set by the Board and reviewed annually. For FY21 Skellerup set measurable objectives and reports progress as follows:

1. **No discrimination**

Skellerup aims to operate an inclusive workplace where employees are not discriminated against on the grounds of gender, gender identity, sexual orientation, colour, race/ethnicity/cultural background, disability, age, religious beliefs.
In FY21 Skellerup adopted a target of zero complaints/findings of harassment, discrimination or victimisation. No such incidents were reported in FY21.

2. **Flexible workplace environment**

Skellerup aims to provide a workplace that accommodates flexible working arrangements as a means to encourage diversity of its workforce. In FY20 the Company undertook to review the flexible workplace environment arrangements currently provided and identify any improvements required. That review identified that current flexible workplace arrangements are working well and continue to be implemented throughout the Group where suitable to meet the needs of the business and the circumstances of employees. The review led to a formal Working from Home Policy being adopted in April 2020, coinciding with the period when restrictions on movement were imposed as a result of the COVID-19 pandemic. During FY21 Skellerup has continued to support staff with flexible working arrangements, implementing part time employment and working from home arrangements for certain roles.

3. **Pay equity**

Skellerup is committed to ensuring all of its employees are paid equitably. In July 2021 as part of Skellerup's annual salary review management ensured all roles were clearly defined, and based the review on relevant skills, experience, responsibility, effort and performance independent of the person in the role. No issues arose from this review.

Principle 3 – Board Committees

Skellerup complies with the recommendations of Principle 3.

The Board has appointed four Board Committees to assist in carrying out its responsibilities effectively, each of which operates under a written charter. The Board regularly reviews the performance of each standing Committee against its specific written charter. The delegated responsibilities, powers and authorities of these Committees are described below.

1. **Audit Committee**

This Committee currently comprises five non-executive, independent Directors, one of whom is appointed as Chair. The CEO and the Chief Financial Officer (CFO) attend as ex-officio members at the invitation of the Committee; the external auditors attend by invitation of the Chair.

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

- Advise the Board on accounting policies, practices and disclosure
- Review the scope and outcome of the external audit
- Review the annual and half-yearly statements prior to approval by the Board.

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

The current composition of the Committee is Alan Isaac (Chair), Elizabeth Coutts, John Strowger, David Cushing and Paul Shearer.

2. **Health and Safety Committee**

This Committee comprises five non-executive, independent Directors, one of whom is appointed as Chair, plus the Executive Director. The CFO also attends meetings as an ex-officio member.

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

- Provide leadership and policy for Health and Safety (H&S) management within the Skellerup Group

- Advise the Board on H&S strategy and policy and specify targets to track performance
- Review management systems to ensure that they are appropriate to manage hazards and risks of the business
- Monitor and review performance by specifying and receiving timely reports on incidents, investigations and resultant actions and with the assistance of internal and external audits.

The H&S Committee reports proceedings of each of its meetings to the full Board. The current composition of the Committee is John Strowger (Chair), Elizabeth Coutts, Alan Isaac, David Cushing, Paul Shearer and David Mair.

3. Remuneration Committee

This Committee comprises three non-executive, independent Directors, one of whom is appointed as Chair. It meets as required to:

- Review the remuneration packages of the CEO and senior managers
- Make recommendations to shareholders in relation to non-executive Directors' remuneration packages.

Remuneration packages are reviewed annually. Independent external surveys are used as a basis for establishing competitive packages. Management only attend Remuneration Committee meetings at the invitation of the Committee.

The current composition of the Remuneration Committee is Elizabeth Coutts (Chair), Alan Isaac and David Cushing.

4. Board Nomination Committee

This Committee comprises three non-executive Directors, one of whom is appointed as Chair. It meets as required to recommend new appointments to the Board.

Board composition is regularly reviewed by the full Board and the Committee to ensure the collective skillset is appropriate for the Group and to provide continuity and succession.

The current composition of the Board Nomination Committee is Elizabeth Coutts (Chair), Alan Isaac and David Cushing.

Board and Committee Attendance 1 July 2020 to 30 June 2021

Director	Board	Audit	Health & Safety	Remuneration	Nomination
Liz Coutts	8 of 8	5 of 5	3 of 3	2 of 2	1 of 1
Alan Isaac	8 of 8	5 of 5	3 of 3	2 of 2	1 of 1
John Strowger	8 of 8	5 of 5	3 of 3	N/A	N/A
David Cushing	8 of 8	4 of 5	3 of 3	2 of 2	1 of 1
Paul Shearer †	7 of 7	4 of 4	3 of 3	N/A	N/A
David Mair	8 of 8	5 of 5*	3 of 3	N/A	N/A

* David Mair attends Audit Committee meetings ex-officio at the invitation of the Committee

† Paul Shearer was appointed to the Board on 21 August 2020

Skellerup has a formal Takeover Response Policy in place. The purpose of the Policy is to ensure that Skellerup is well prepared for an approach and, therefore, it will be better able to control the takeover response process and respond to any approach in a professional, timely and coordinated manner and in the best interests of Skellerup and its shareholders.

Principle 4 – Reporting and Disclosure

Skellerup complies with the recommendations of Principle 4.

The Board demands integrity in financial reporting and in the timeliness and balance of information disclosed.

The financial progress of Skellerup's two divisions is reported separately to the Board each month to enable divisional financial performance to be reviewed in the context of the Company's strategies and objectives. Monthly reporting also provides information on H&S, key opportunities, personnel, customers and risks facing the business, and the steps being taken to optimise outcomes.

The Audit Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness and timeliness of financial statements. The Company seeks to provide clear, concise financial statements and recognises the value of providing shareholders with financial and non-financial information including environmental, economic and social sustainability risk management as reported in this Annual Report. Management accountability for the integrity of the Company's financial reporting is reinforced in writing by certification of the CEO and CFO that the financial statements fairly present the financial results and position of the Group.

The Company has a written Continuous Disclosure Policy and clear processes in place to ensure compliance with the continuous disclosure requirements that come with being a listed company.

Principle 5 – Remuneration

Skellerup complies with the recommendations of Principle 5.

The Board's Remuneration Committee operates under a formal Charter, which outlines its membership, procedures, responsibilities and authority.

The Remuneration Committee is responsible for reviewing remuneration packages of the CEO and senior managers and making recommendations to shareholders in relation to non-executive Directors' remuneration. Skellerup has a written Remuneration Policy in place. This Policy outlines the remuneration principles that apply to Directors, officers and senior managers of Skellerup to ensure that remuneration practices are fair and appropriate for the organisation, and there is a clear link between remuneration and performance. The guiding principles of this Policy are that the remuneration of Directors, officers and managers will be transparent, fair and reasonable to meet the needs of the business and shareholders.

Directors' Remuneration

The Directors' remuneration, except for the CEO, is paid in the form of director's fees. Additional fees are paid to the Chairs of the Board and Audit Committee to reflect the additional responsibilities of these positions. Skellerup does not pay retirement benefits to Directors.

The current approved pool of remuneration available for the payment of non-executive Directors is $550,000. This was approved by shareholders at the Annual Meeting on 26 October 2016. Non-executive Directors are paid a fixed cash fee and are not part of any incentive or share scheme. In the year ended 30 June 2021, total fees paid to non-executive Directors amounted to $534,917. Details of Directors' remuneration are shown on page 78.

CEO Remuneration

The CEO's remuneration consists of fixed remuneration, a short-term incentive (STI) and long-term incentive (LTI). This is reviewed annually by the Remuneration Committee and the Board. Total remuneration paid to the CEO in the year ended 30 June 2021 and in the prior years, together with a description of the long-term share-based incentive scheme in place for the CEO, is detailed on page 79.

Fixed Annual Remuneration

Fixed remuneration includes base salary and employer superannuation contributions, where provided. Base salary is determined by the scale and complexity of the role. The Group undertakes remuneration reviews as needed, informed by an assessment of relative external market data and organisational context.

Short-term Incentives (STI)

Senior executives' remuneration comprises a combination of fixed and at-risk components. Payment of the at-risk component is linked to exceeding previous best annual financial performance in the areas of the business for which each executive is responsible or, in some circumstances, the achievement of specific targets. The goals and targets set in each category are specific, objective and measurable, such that there is an accurate judgment each year as to whether the goal has been achieved or not.

The CEO approves (with notification to Remuneration Committee) the annual STI payments for all entitled staff other than the CEO and CFO. STI payments are fully accrued in the year to which they relate. The Board approves the annual STI payments for the CEO and CFO and targets for the year ahead.

Long-term Incentive (LTI)

The CEO and CFO participate in the Company's LTI plan. Details of this plan are provided on page 67 and note 18 to the Financial Statements.

Performance, Development and Remuneration Review

Performance and development reviews are completed to inform decisions around remuneration adjustments. The remuneration review process also includes consideration of market information and in the case of employees under Collective Employment Agreements, negotiations with unions.

Pay Gap

The pay gap represents the number of times greater the CEO remuneration is to an employee paid at the median of all Group employees. At 30 June 2021, the CEO's base salary at $740,111 was 14.40 times that of the median employee at $51,405 per annum.

Principle 6 – Risk Management

Skellerup complies with the recommendations of Principle 6.

The Board is responsible for the Group's risk management and internal control system. Each Director has a sound understanding of the key risks faced by Skellerup.

The Board reviews the Group's Risk Management Report prepared by the CEO and management team on a semi-annual basis and specific items including the Group's approach to managing information systems risks are monitored monthly. The Risk Management Report identifies key risks and strategies to manage these risks. The Board ensures that adequate external insurance cover is in place appropriate to the Company's size and risk profile.

The Audit Committee monitors the Company's system of internal financial control with the aid of reviews and reports prepared by external providers and periodic certification by the CEO and CFO. This system includes clearly defined policies controlling treasury operations and capital expenditure authorisation. The CFO is responsible for ensuring that all operations within the Company adhere to the Board-approved financial control policies.

The H&S Committee leads and monitors H&S management within the Skellerup Group. The Company operates a comprehensive H&S framework across all its businesses to identify and address workplace hazards and to monitor and review compliance with H&S policies and procedures. Board review of H&S is a priority and is facilitated by both the activities of the H&S Committee and the receipt and review of H&S reports at each Board meeting. This review is further facilitated by regular visits to key sites providing the opportunity to engage and query staff at all levels of the organisation. Details of Skellerup's key H&S risks and its performance for the year ended 30 June 2021 are included on pages 24 to 25.

Principle 7 – Auditors

Skellerup complies with the recommendations of Principle 7.

The Board annually reviews the quality and independence of the external audit process, which culminates in the audit report issued in relation to the annual financial statements.

The Board has an established framework for Skellerup's relationship with its auditors and to ensure independence of the Company's external auditor is maintained, a written Audit Independence Policy has been implemented. The Policy sets out guidelines to be followed to ensure that related assurance and other services provided by Skellerup's auditors are not perceived as conflicting with the independent role of the auditor. The Audit Committee approves any non-audit services that are provided by the external auditor. Management and the external auditors are invited to attend meetings of the Audit Committee. The Audit Committee meets with the auditors without any representatives of management present at least twice per year.

Skellerup's external auditor is Ernst & Young (EY) and was reappointed by shareholders at the 2020 Annual Meeting in accordance with the Companies Act 1993. The audit partner responsible for the Skellerup audit was appointed during the year ended 30 June 2018 and will act for a maximum of 5 years. The audit partner attends the Annual Meetings and is available to answer questions relating to the audit. During the year ended 30 June 2021, EY have not provided any non-audit services to the Group.

Skellerup maintains an internal audit function with the assistance of PwC. Skellerup reviews the residual risks from its semi-annual Risk Management Report to determine priorities for consideration for internal audit review with the assistance of PwC. The Audit Committee reviews and approves all internal audit activity and meets with the internal auditors as required.

The significant issues and judgements considered by the Audit Committee are disclosed in Note f on page 50 of the financial statements.

Principle 8 – Shareholder Rights & Relations

Skellerup complies with the recommendations of Principle 8.

The Board aims to ensure that shareholders are kept informed of developments affecting the Company and encourages shareholders to engage with the Company. Information is communicated to shareholders through the annual and interim reports, and periodic and continuous disclosure to the NZX, and at Annual Meetings.

The Board encourages shareholders to attend and participate fully at Annual Meetings to ensure they exercise the opportunity to ask questions about the Company and its performance.

The Company maintains information for shareholders on its website **www.skellerupholdings.com**. This includes a description of Skellerup's business and structure, copies of key corporate governance documents and policies and all information released to the NZX. Shareholders and other key stakeholders are also kept informed through Annual and Interim reports of the Company, the Annual Shareholders Meeting and disclosures to the NZX.

The Board respects the interests of all stakeholders in the Company. Skellerup strives to manage its business in a manner that delivers long-term shareholder value by delivering consistent quality solutions for customers, a work environment that is safe and delivers development opportunities for its employees and meets or exceeds the compliance requirements in the environments in which the Company operates.

Consolidated Financial Statements

For the year ended 30 June 2021

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Independent auditor's report to the Shareholders of Skellerup Holdings Limited
Report on the audit of the financial statements

Opinion

We have audited the financial statements of Skellerup Holdings Limited ("the company") and its subsidiaries (together "the group") on pages 44 to 77, which comprise the consolidated balance sheet of the group as at 30 June 2021, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended of the group, and the consolidated notes to the financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 44 to 77 present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2021 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholders, as a body. 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. We have no other relationship with, or interest in, the group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit

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included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Scoping of the audit

Why significant	How our audit addressed the key audit matter
Skellerup is a global business with over half of the group's revenue generated in countries other than New Zealand. A significant area of focus when conducting the audit was assessing the sufficiency of audit evidence obtained in differing geographic locations and businesses to enable us to reach our opinion on the consolidated financial statements as a whole. This was both with respect to the determination and allocation of materiality as well as the determination of the nature and extent of procedures to be performed at each location.	As the coordinating primary team ("group audit team"), EY New Zealand assigned a scope to each component team in all significant locations. Consideration was given to the nature, size and risks associated with each of the group's significant businesses. As a result of this assessment, each business was allocated a scope and materiality reflecting the businesses risk profile. The group audit team communicated to the component audit teams the significant risk areas to be considered and the information to be reported back to the group audit team. The component and group teams then determined the extent and nature of audit procedures to be performed in accordance with International Standards on Auditing (New Zealand). In order to obtain sufficient coverage of group balances, the group audit team performed analytical procedures in relation to a number of smaller business units. All component teams were required to provide written confirmation to the group audit team explaining the work performed, the results of that work as well as key documents supporting any significant findings or observations. The group audit team held discussions with Skellerup management and component teams in all major locations (New Zealand, Australia, Italy, USA, UK and China). During these discussions, the work performed by each team was discussed including any key judgements as well as findings relevant to the group audit. We reported to the Audit Committee: i) The results of audit procedures and testing performed by both the group and components teams; and ii) Any misstatements identified that warrant reporting based on quantitative or qualitative grounds.

Information other than the financial statements and auditor's report

The directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Simon O'Connor.

Ernst + Young

Chartered Accountants
Auckland
19 August 2021

Directors' Responsibility Statement

for the year ended 30 June 2021

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 the Skellerup Holdings Limited Group as at 30 June 2021, and the results of their operations and cash flows for the year ended 30 June 2021.

The Directors consider that the financial statements of the Group have been prepared using accounting policies appropriate to the Group's circumstances, consistently applied and supported by reasonable judgements 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 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 Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the Group financial statements of Skellerup Holdings Limited for the year ended 30 June 2021.

The Group financial statements are dated 19 August 2021 and are 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

EM Coutts

EM Coutts
Independent Chair

Isaac

AR Isaac
Independent Director

Income Statement

for the year ended 30 June 2021

	Note	2021 $000	2020 $000
Revenue	2	279,515	251,389
Cost of sales		(165,890)	(155,115)
Gross profit		113,625	96,274
Other income	4	2,330	2,491
Distribution expenses		(15,822)	(14,038)
Marketing expenses		(15,767)	(20,622)
Administration expenses		(28,005)	(21,619)
Profit for the year before tax, finance costs and share of profit of associates		56,361	42,486
Finance costs	16	(2,081)	(2,582)
Share of net profit of associates accounted for using the equity method		(35)	(73)
Profit for the year before tax		54,245	39,831
Income tax expense	5	(14,070)	(10,767)
Net after-tax profit for the year, attributable to owners of the Parent		40,175	29,064
Earnings per share			
Basic earnings per share (cents)	19	20.59	14.92
Diluted earnings per share (cents)	19	20.40	14.80

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2021

	Note	2021 $000	2020 $000
Net profit after tax for the year		40,175	29,064
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gains/(losses) on cash flow hedges	17	(14)	61
Income tax related to gains/(losses) on cash flow hedges	5	4	(17)
Foreign exchange movements on translation of overseas subsidiaries	17	(1,971)	2,265
Income tax related to gains/(losses) on foreign exchange movements of loans with overseas subsidiaries	5	125	(109)
Other comprehensive income net of tax		(1,856)	2,200
Total comprehensive income for the year attributable to equity holders of the Parent		38,319	31,264

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheet

as at 30 June 2021

	Note	2021 $000	2020 $000
Current assets			
Cash and cash equivalents	6	15,673	13,617
Trade and other receivables and prepayments	7	52,084	46,405
Inventories	8	50,259	52,098
Income tax receivable		303	74
Derivative financial assets	22	492	378
Total current assets		118,811	112,572
Non-current assets			
Property, plant and equipment	9	85,457	87,846
Right-of-use assets	9	17,850	21,811
Deferred tax assets	5	3,351	3,125
Goodwill	10	54,906	54,908
Intangible assets	10	2,914	1,217
Investment in associate		1,561	1,725
Derivative financial assets	22	24	438
Total non-current assets		166,063	171,070
Total assets		284,874	283,642
Current liabilities			
Trade and other payables	11	31,207	24,806
Provisions	12	5,669	4,811
Income tax payable		4,241	1,119
Interest-bearing loans and borrowings	13	409	830
Lease liabilities – short term	14	4,569	4,544
Derivative financial liabilities	22	257	440
Total current liabilities		46,352	36,550
Non-current liabilities			
Provisions	12	2,198	1,283
Interest-bearing loans and borrowings	13	24,000	41,300
Deferred tax liabilities	5	1,915	2,042
Lease liabilities – long term	14	14,225	17,772
Derivative financial liabilities	22	35	132
Total non-current liabilities		42,373	62,529
Total liabilities		88,725	99,079
Net assets		196,149	184,563
Equity			
Equity attributable to equity holders of the Parent			
Share capital	15	72,406	72,173
Reserves	17	(8,999)	(7,065)
Retained earnings	20	132,742	119,455
Total equity		196,149	184,563

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2021

	Note	Fully Paid Ordinary Shares	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Employee Share Plan Reserve	Retained Earnings	Total
		$000	$000	$000	$000	$000	$000
Balance 1 July 2019		72,173	132	(9,771)	149	115,709	178,392
Net profit after tax for the year ending 30 June 2020		-	-	-	-	29,064	29,064
Other comprehensive income		-	44	2,156	-	-	2,200
Total comprehensive income for the year		-	44	2,156	-	29,064	31,264
Share incentive scheme		-	-	-	225	-	225
Dividends		-	-	-	-	(25,318)	(25,318)
Balance 30 June 2020		72,173	176	(7,615)	374	119,455	184,563
Net profit after tax for the year ending 30 June 2021		-	-	-	-	40,175	**40,175**
Other comprehensive income	17	-	(10)	(1,846)	-	-	**(1,856)**
Total comprehensive income for the year		**-**	**(10)**	**(1,846)**	**-**	**40,175**	**38,319**
Share incentive scheme	18	233	-	-	(78)	411	**566**
Dividends	20	-	-	-	-	(27,299)	**(27,299)**
Balance 30 June 2021		**72,406**	**166**	**(9,461)**	**296**	**132,742**	**196,149**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the year ended 30 June 2021

	Note	2021 $000	2020 $000
Cash flows from operating activities			
Receipts from customers		274,326	258,378
Interest received		49	26
Dividends received		2	2
Payments to suppliers and employees		(202,125)	(198,310)
Income tax refund/(paid)		(11,375)	(9,508)
Interest and bank fees paid		(1,208)	(1,644)
Interest on right-of-use asset leases		(873)	(938)
Net cash flows from/(used in) operating activities		58,796	48,006
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		405	441
Payments for property, plant and equipment		(5,405)	(3,944)
Payments for intangible assets		(2,073)	(439)
Acquisition of a business, net of cash acquired		-	(6,204)
Net cash flows from/(used in) investing activities		(7,073)	(10,146)
Cash flows from financing activities			
Proceeds from/(repayments for) loans and advances		(17,640)	(4,082)
Proceeds from issue of shares		233	-
Repayments of lease liabilities		(4,528)	(4,671)
Dividends paid to equity holders of Parent		(27,299)	(25,318)
Net cash flows from/(used in) financing activities		(49,234)	(34,071)
Net increase/(decrease) in cash and cash equivalents		2,489	3,789
Cash and cash equivalents at the beginning of the year		13,617	9,639
Effect of exchange rate fluctuations		(433)	189
Cash and cash equivalents at the end of the year	6	15,673	13,617

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Reconciliation of net profit after tax to net cash flow from operations

	2021 $000	2020 $000
Net profit after tax	40,175	29,064
Adjustments for:		
Depreciation and impairment – property, plant and equipment	7,156	7,339
Depreciation and impairment – right-of-use assets	4,971	5,228
Amortisation	370	267
Loss on sale of assets	11	22
Foreign currency movements on translating foreign assets and liabilities	638	508
Bad debts written off	37	283
Increase/(decrease) in provision for doubtful debts	(424)	195
Share of profit in associates	(35)	(73)
Net movement in working capital	5,897	5,173
Net cash inflow from operating activities	58,796	48,006

Notes to the Financial Statements

Reporting Entity

Skellerup Holdings Limited ('the Company' or 'the Parent') is a limited liability company incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 with its registered office at Level 3, 205 Great South Road, Greenlane, Auckland. The Company is a Reporting Entity in terms of the Financial Markets Conduct Act 2013 and is listed on the New Zealand Exchange (NZX Main Board) with the ticker SKL. These financial statements were authorised for issue in accordance with a resolution of the directors on 19 August 2021.

(a) Nature of operations

The Skellerup Group of companies is design, manufacture, and distribute engineered products for a variety of specialist industrial and agricultural applications. Skellerup's operations are split into two units: the Agri Division, a world leading provider of food grade dairy rubberware, filters, and animal health products to the global dairy industry; and the Industrial Division, a global specialist for technically demanding products used in water, roofing, plumbing, sport and leisure, electrical, health and hygiene, automotive and mining applications.

(b) Basis of preparation

These financial statements of the Group, a profit-oriented business, are for the year ended 30 June 2021.

(c) Statement of compliance

The consolidated financial statements for the year ended 30 June 2021 have been prepared in accordance with New Zealand Generally Accepted Accounting Practices (NZ GAAP) and the requirements of the Financial Markets Conduct Act 2013. For the purpose of complying with NZ GAAP, the Group is a for-profit entity. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements also comply with International Financial Reporting Standards (IFRS). The financial statements are presented in New Zealand dollars (NZD) and all values are rounded to the nearest thousand dollars ($000) unless indicated otherwise.

The accounting principles recognised as appropriate for the measuring and reporting of profit and loss and financial position on a historical-cost basis have been applied, except for derivative financial instruments, which have been measured at fair value.

The preparation of financial statements in accordance with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Critical accounting judgements, estimates and assumptions are detailed in Note (f).

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together 'the Group') as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. Fair value is calculated as the sum of: the acquisition-date fair values of the assets transferred by the Group; the liabilities incurred by the Group to former owners; the equity issued by the Group; and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

In preparing the consolidated financial statements, all inter-company balances, income and expense transactions, and profit and losses resulting from intra-Group activities, have been eliminated.

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the 'functional currency'). The consolidated financial statements are presented in New Zealand dollars (the 'presentation currency'), which is the functional currency of the Parent.

Transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except when deferred in OCI as qualifying cash flow hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to New Zealand dollars at foreign exchange rates ruling at the dates the fair value was determined.

Group companies

The assets and liabilities of all Group companies that have a functional currency that differs from the presentation currency, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of these foreign operations are translated to New Zealand dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of foreign operations are recognised in the foreign currency translation reserve. On any disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the foreign exchange rates ruling at the balance sheet date.

(f) Significant accounting judgements and assumptions

In the process of applying the Group's accounting policies, a number of judgements have been made and estimates of future events applied. Judgements and estimates which are material to the financial statements are found in the following notes.

- Note 10 Impairment of goodwill page 61
- Note 5 Recovery of deferred tax asset page 56

(g) COVID-19 Pandemic

In the prior financial year (on 11 March 2020) the World Health Organisation declared a global pandemic because of the outbreak and spread of COVID-19. During FY21 the Group's businesses across the world have operated effectively with a combination of processes and protocols established in the prior year (modified where required) for staff working on site and working from home arrangements for varying periods.

The Directors have considered whether there was any impact on going concern or impairment of assets because of the ongoing pandemic. The Group reported record net profit after tax and record operating cash flow in FY21. The Group has a strong balance sheet and forecast cash needs can easily be met by with cash held, expected operating cash flows and debt facilities. COVID-19 has not had any impact on the measurement of Group assets (including goodwill) and provisions (including expected credit losses).

Notes to the Financial Statements

For the year ended 30 June 2021

1. Segment Information

An operating segment is a distinguishable component of the entity which is reported as an organisational unit, engages in business activities, earns revenue and incurs expenses, and whose operating results are reviewed regularly by the chief operating decision-maker to allocate resources and assess performance.

The Group's operating segments are Agri, Industrial and Corporate, being the divisions reported to the executive management and Board of Directors to assess performance of the Group and allocate resources. The principal measure of performance for each segment is EBIT (earnings before interest and tax). As a result, finance costs and taxation have not been allocated to each segment.

Agri Division

The Agri Division manufactures and distributes dairy rubberware which includes milking liners, tubing, filters and feeding teats, together with other related agricultural products and dairy vacuum pumps to global agricultural markets.

Industrial Division

The Industrial Division manufactures engineered products across a range of industrial applications, including potable and waste water, roofing, plumbing, sport and leisure, electrical, health and hygiene, automotive and mining.

Corporate Division

The Corporate Division includes the Parent company and other central administration expenses that have not been allocated to the Agri and Industrial Divisions.

(a) Business segment analysis

For the year ended 30 June 2021	Agri $000	Industrial $000	Corporate $000	Eliminations $000	Total $000
Revenue	102,201	177,428	-	(114)	279,515
Segment EBIT	30,464	32,664	(6,767)	-	56,361
Profit before tax, finance costs and share of profit of associate					56,361
Finance costs					(2,081)
Share of net profit of associate					(35)
Profit for the year before tax					54,245
Income tax expense					(14,070)
Net after-tax profit					**40,175**
Assets and liabilities					
Segment assets	124,097	138,245	22,532	-	284,874
Segment liabilities	14,969	38,154	35,602	-	88,725
Net assets	**109,128**	**100,091**	**(13,070)**	**-**	**196,149**
Other segment information					
Additions to fixed assets and intangibles	3,043	4,293	139	-	7,475
Cash flow					
Segment EBIT	30,464	32,664	(6,767)	-	56,361
Adjustments for:					
- Depreciation and amortisation	4,754	7,503	116	-	12,373
- Non-cash items	-	-	351	-	351
Movement in working capital	2,155	27	3,715	-	5,897
Segment cash flow	37,373	40,194	(2,585)	-	74,982
Finance and tax cash expense					(12,583)
Movement in finance and tax accrual					(3,603)
Net cash flow from operating activities					**58,796**

1. Segment Information (continued)

For the year ended 30 June 2020	Agri $000	Industrial $000	Corporate $000	Eliminations $000	Total $000
Revenue	93,609	157,932	-	(152)	251,389
Segment EBIT	25,405	20,862	(3,783)	2	42,486
Profit before tax, finance costs and share of profit of associate					42,486
Finance costs					(2,582)
Share of net profit of associate					(73)
Profit for the year before tax					39,831
Income tax expense					(10,767)
Net after-tax profit					**29,064**
Assets and liabilities					
Segment assets	127,056	136,231	20,355	-	283,642
Segment liabilities	16,069	35,990	47,020	-	99,079
Net assets	**110,987**	**100,241**	**(26,665)**	**-**	**184,563**
Other segment information					
Additions to fixed assets and intangibles	6,707	2,740	12	-	9,459
Cash flow					
Segment EBIT	25,405	20,862	(3,783)	2	42,486
Adjustments for:					
- Depreciation and amortisation	4,953	7,703	111	-	12,767
- Non-cash items	-	-	1,002	-	1,002
Movement in working capital	(884)	4,437	1,622	(2)	5,173
Segment cash flow	29,474	33,002	(1,048)	-	61,428
Finance and tax cash expense					(11,152)
Movement in finance and tax accrual					(2,270)
Net cash flow from operating activities					**48,006**

Major customers

The Agri and Industrial Divisions generate revenue from a large number of customers.
For the Agri Division, the three largest customers account for 35.0% (2020: 36.6%) of the Agri Division revenue.
For the Industrial Division, the three largest customers account for 9.6% (2020: 9.9%) of the Industrial Division revenue.

1. Segment Information (continued)

(b) Geographical revenue

Revenue from external customers by geographical location is detailed below. Revenue is attributed to each geographical location based on the location of the customers. Differences in foreign currency translation rates can impact comparisons between years.

	2021 $000	2020 $000
New Zealand	62,029	55,980
Australia	51,588	48,054
North America	81,514	81,111
Europe	38,483	32,320
United Kingdom and Ireland	16,882	12,691
Asia	26,985	20,341
Other	2,034	892
Total revenue	279,515	251,389

(c) Assets by geographical location

The non-current segment assets are scheduled by the geographical location in which the asset is held. The non-current assets, which include property, plant and equipment, right of use assets, goodwill and intangible assets for each geographical location, are as follows:

	2021 $000	2020 $000
New Zealand	109,282	110,658
Australia	11,280	11,802
Europe	12,805	13,926
United Kingdom and Ireland	17,843	17,787
Asia	6,130	7,023
North America	3,787	4,586
Non-current assets	161,127	165,782

2. Operating Revenue

The Group is in the business of designing, manufacturing and distributing engineered products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has concluded that it is the principal in its revenue arrangements, because it controls the goods and services before transferring them to the customer.

The Agri and Industrial segments have similar performance obligations. The performance obligation is satisfied upon delivery of product and payment is generally due within 30 to 120 days of delivery. Some contracts provide customers with volume rebates which give rise to variable consideration and are accounted for accordingly. There are no maintenance or service contracts with customers.

3. Expenditure included in Net Profit for the Year

Net profit for the year has been arrived at after charging the items noted below. Where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, the GST/VAT is recognised as part of the expense item as applicable.

	Note	2021 $000	2020 $000
Employee benefits expense			
Wages and salaries (including annual leave, long-service leave, sick leave and executive share scheme)		57,515	52,104
Termination benefits		25	31
Defined contribution expense		2,582	2,466
Total employee benefit expense		60,122	54,601
Depreciation, amortisation and impairment expense			
Depreciation and impairment of property, plant and equipment	9	7,156	7,339
Depreciation and impairment of right-of-use assets	9	4,971	5,228
Amortisation of intangible assets	10	370	267
Total depreciation, amortisation and impairment expense		12,497	12,834
Total (gain)/loss on disposal of property, plant and equipment		11	22
Total product development costs		4,045	3,863
Short term and low value lease costs		269	463
Remuneration of auditors			
Audit of the financial statements by Parent company auditors		673	499
Other auditors' fees for the audit of the financial statements in foreign jurisdictions		81	93
Total remuneration of auditors		754	592

4. Other income

	2021 $000	2020 $000
Interest income	49	26
Government grants received	1,234	874
Realised and unrealised foreign currency gains/(losses)	251	685
Other sundry income	796	906
Total other income	2,330	2,491

Government grants have been received by some entities in the Group under wage subsidy and job retention support schemes offered by Governments of Australia and the USA in response to COVID-19.

5. Taxation

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; or
- 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.

(a) Income statement

	2021 $000	2020 $000
Current income tax		
Current income tax charge/(credit)	14,348	10,948
Prior-year adjustments	47	8
Deferred income tax		
Temporary difference reversal/(origination)	(386)	(147)
Prior-year adjustments	37	(32)
Effect of movements in tax rates	24	(10)
Income tax expense as per income statement	14,070	10,767

(b) Amounts charged/(credited) to other comprehensive income

	Note	2021 $000	2020 $000
Current income tax			
Fair value of derivative financial instruments	17	(4)	17
Translation of foreign operations	17	(125)	109
Total income tax expense/(credit) relating to other comprehensive income		(129)	126

5. Taxation (continued)

(c) Reconciliation

	2021 $000	2020 $000
Total profit before tax as reported	54,245	39,831
Tax percentage at Parent company rate	28%	28%
Tax at Parent company rate	15,189	11,153
Non-deductible expenses/(non-assessable income)	(481)	273
Tax effects of non-New Zealand profits	(746)	(625)
Adjustments for prior years	84	(24)
Effect of movements in tax rates	24	(10)
Income tax as per income statement	14,070	10,767

(d) Deferred tax assets and liabilities

	2021 $000	2020 $000
Deferred tax asset	3,351	3,125
Deferred tax liability	(1,915)	(2,042)
Net tax asset	1,436	1,083

The movement in the net deferred tax assets and liabilities is provided below:

2021	Opening Balance	Charged to Income	Charged to Other Comprehensive Income	Foreign Currency Movements	Closing Balance
	$000	$000	$000	$000	$000
Property, plant and equipment	(2,282)	(176)	-	49	(2,409)
Provisions and accruals	3,434	500	-	(24)	3,910
Financial derivatives	(69)	-	4	-	(65)
Net tax asset	1,083	324	4	25	1,436

2020	Opening Balance	Charged to Income	Charged to Other Comprehensive Income	Foreign Currency Movements	Closing Balance
	$000	$000	$000	$000	$000
Property, plant and equipment	(2,044)	(212)	-	(26)	(2,282)
Provisions and accruals	2,926	475	-	33	3,434
Financial derivatives	(52)	-	(17)	-	(69)
Other	42	(44)	-	2	-
Net tax asset	872	219	(17)	9	1,083

(e) Imputation credit account

	Note	2021 $000	2020 $000
Balance at the beginning of the year		147	41
Attached to dividends paid	20	(5,152)	(4,795)
Income tax paid/payable in New Zealand		7,061	4,901
Total imputation credits		2,056	147

6. 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. 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, is classified as operating cash flows.

In New Zealand, some Group companies operate bank accounts in overdraft. Under the Group facilities arrangement, 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.

All cash is available and under the control of the Group and there are no restrictions relating to the use of the cash balances disclosed.

7. Trade and Other Receivables and Prepayments

Trade receivables represent the Group's right to an amount of consideration that is unconditional. Trade receivables are recognised and measured at the transaction price determined under NZ IFRS 15 Revenue. The Group recognises an allowance for expected credit losses where there is an increase in credit risk subsequent to initial recognition.

	2021 $000	2020 $000
Trade receivables	46,014	42,510
Less allowance for expected credit losses	(227)	(725)
	45,787	41,785
GST/VAT receivable	910	311
Other	5,387	4,309
Total trade and other receivables and prepayments	52,084	46,405

The average credit period for the sale of goods is 55 days (2020: 56 days). The Group offers credit terms ranging from 30 to 120 days to those customers for whom the Group has been able to validate acceptable credit quality. The credit terms and limits are reviewed monthly. No interest is charged on the trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The matrix uses a probability weighted outcome that takes into account the age of receivables, past events and current and future conditions. Trade receivables are written off if considered uncollectable.

Of the trade receivables balance at the end of the year, $8.84 million (2020: $9.82 million) representing 19.3% (2020: 23.5%) of the trade receivables are due from the Group's three largest customers. The balances due from these customers are current and are considered to be a low credit risk to the Group.

Ageing of past due but not impaired trade receivables	2021 $000	2020 $000
One to 30 days	3,412	9,257
31 to 60 days	210	187
61 days plus	220	925
Total past due trade receivables	3,842	10,369
Movement in the allowance for doubtful debts:		
Balance at the beginning of the year	725	548
Impaired losses recognised	30	258
Amounts written off as uncollectable	(84)	(92)
Impairment losses reversed	(439)	-
Net foreign currency exchange differences	(5)	11
Balance at the end of the year	227	725

8. Inventories

The Group applies an inventory valuation policy of valuing at the lower of original cost or net realisable value. Where inventory is written down below cost, estimates are made of the realisable value less cost to sell to determine the net realisable value.

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

- Raw materials as the purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress as the 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.

Upon sale, the carrying value of inventories is recognised in cost of sales in the income statement.

	2021 $000	2020 $000
Raw materials	11,533	10,643
Work-in-progress	1,916	2,852
Finished goods	36,810	38,603
Total inventories	50,259	52,098

The value of inventories is net of $2,518,095 (2020: $2,695,266) in respect of write-downs across all categories of inventory to net realisable value. All inventory write-down movements are included in the cost of sales.

9. Property, Plant and Equipment

All classes of property, plant and equipment are recorded initially at cost, including costs directly attributable to bringing the asset to working condition and ready for its intended use. Subsequently, property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment. Depreciation of property, plant and equipment, other than freehold land, which is carried at cost, is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings:	40 years
Plant and equipment:	Two to 30 years
Furniture, fittings and other:	Two to 10 years
Right-of-use assets:	One to 11 years

The estimation of the useful lives of assets has been based on historical experience, manufacturers' warranties and management's judgement on the performance of the asset. Adjustments to useful lives are made when considered necessary. The depreciation charges are disclosed below. At each reporting date, the Group assesses whether or not there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the 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.

9. Property, Plant and Equipment (continued)

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 in which the item is derecognised.

Right-of-use assets comprise property, motor vehicles and plant and equipment and represents the Group's right to use those underlying assets as a lessee under lease agreements.

	Note	Freehold Land $000	Freehold Buildings $000	Plant and Equipment $000	Furniture, Fittings and Other $000	Right of use assets $000	Total $000
Cost							
Balance 1 July 2019		7,084	34,483	110,731	8,015	-	160,313
Initial recognition		-	-	-	-	18,491	18,491
Additions		-	-	3,333	727	8,608	12,668
Disposals		-	-	(1,599)	(383)	-	(1,982)
Net foreign currency exchange differences		-	-	1,055	111	(61)	1,105
Balance 30 June 2020		7,084	34,483	113,520	8,470	27,038	190,595
Additions		**-**	**-**	**4,756**	**649**	**1,249**	**6,654**
Disposals		**-**	**-**	**(947)**	**(825)**	**-**	**(1,772)**
Net foreign currency exchange differences		**-**	**-**	**(596)**	**(89)**	**(459)**	**(1,144)**
Balance 30 June 2021		**7,084**	**34,483**	**116,733**	**8,205**	**27,828**	**194,333**
Accumulated depreciation and impairment							
Balance 1 July 2019		-	2,428	60,688	5,901	-	69,017
Depreciation expense	3	-	911	5,635	727	4,972	12,245
Disposals		-	-	(1,168)	(351)	-	(1,519)
Impairment	3	-	-	67	-	255	322
Net foreign currency exchange differences		-	-	790	83	-	873
Balance 30 June 2020		-	3,339	66,012	6,360	5,227	80,938
Depreciation expense	3	**-**	**911**	**5,410**	**711**	**4,971**	**12,003**
Disposals		**-**	**-**	**(552)**	**(804)**	**-**	**(1,356)**
Impairment	3	**-**	**-**	**124**	**-**	**-**	**124**
Net foreign currency exchange differences		**-**	**-**	**(361)**	**(102)**	**(220)**	**(683)**
Balance 30 June 2021		**-**	**4,250**	**70,633**	**6,165**	**9,978**	**91,026**
Carrying value							
As at 30 June 2020		7,084	31,144	47,508	2,110	21,811	109,657
As at 30 June 2021		**7,084**	**30,233**	**46,100**	**2,040**	**17,850**	**103,307**

Plant and equipment and freehold buildings include work in progress of $1,742,000 (2020: $1,069,000).
Capital expenditure commitments are $867,000 (2020: $767,000).

10. Intangible Assets

The Group's intangible assets consist mainly of goodwill, software costs and customer relationships.

	Note	Goodwill $000	Software $000	Customer Relationships $000	Total $000
Cost					
Balance 1 July 2019		49,476	9,319	632	59,427
Additions		4,907	493	-	5,400
Disposals		-	(26)	-	(26)
Net foreign currency exchange differences		525	(329)	-	196
Balance 30 June 2020		54,908	9,457	632	64,997
Additions		**-**	**2,073**	**-**	**2,073**
Disposals		**-**	**(565)**	**-**	**(565)**
Net foreign currency exchange differences		**(2)**	**321**	**-**	**319**
Balance 30 June 2021		**54,906**	**11,286**	**632**	**66,824**
Accumulated amortisation					
Balance 1 July 2019		-	8,894	-	8,894
Disposals		-	(328)	-	(328)
Amortisation expense	3	-	177	90	267
Net foreign currency exchange differences		-	39	-	39
Balance 30 June 2020		-	8,782	90	8,872
Disposals		**-**	**(562)**	**-**	**(562)**
Amortisation expense	3	**-**	**280**	**90**	**370**
Net foreign currency exchange differences		**-**	**324**	**-**	**324**
Balance 30 June 2021		**-**	**8,824**	**180**	**9,004**
Carrying value of goodwill and intangible assets					
As at 30 June 2020		54,908	675	542	56,125
As at 30 June 2021		**54,906**	**2,462**	**452**	**57,820**

Goodwill

Goodwill acquired in a business combination is measured initially at cost, being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in the income statement. Separately recognised goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed.

The Group determines whether or not goodwill associated with items with indefinite useful lives is impaired at least on an annual basis. This requires certain assumptions being made in determining the recoverable amount of the cash-generating units, using a value-in-use discounted cash flow methodology, to which the goodwill has been allocated. The assumptions used in determining the recoverable amount and the carrying amount of goodwill are detailed below.

10. Intangible Assets (continued)

Software and customer relationships

Identifiable intangible assets, which are acquired separately or in a business combination, are capitalised at cost at the date of acquisition and stated at cost less any accumulated amortisation and impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software costs are recorded as intangible assets and amortised over periods of five to 10 years.

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 be regarded reasonably 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 are reviewed at each financial year-end. If the useful life or method of consumption is different from that of the previous assessment, changes are made accordingly.

Impairment tests for goodwill

(i) Description of cash-generating units

Goodwill acquired through business combinations has been allocated to the business units acquired, with the exception of the purchase of Silclear Limited and Nexus Performance Foams Limited, which have their own cash generating units (CGUs). In some circumstances business units are combined into a larger CGU for the purposes of testing to determine fairly the recoverable amount against the value in use.

The goodwill allocated to each cash-generating unit is shown in the table below. The changes in goodwill recorded are attributable to exchange rate movements on the translation of the goodwill balances denominated in foreign currencies. The net present value of future estimated cash flows exceeds the recoverable amount of goodwill allocated to each cash-generating unit based on a value-in-use calculation. A pre-tax discount rate of 10.36% (2020: 11.35%%) has been applied to discount future estimated cash flows to their present value.

Cash-generating unit	2021 $000	2020 $000
Gulf	33,729	33,931
Ambic	7,873	7,645
Deks	3,818	3,801
Stevens Filterite	431	431
Nexus	4,163	4,163
Silclear	4,892	4,937
Total goodwill	54,906	54,908

(ii) Assumptions used to determine the recoverable amount

The estimated future cash flows generated have been determined from the business plans and detailed budgets prepared by management as part of the annual business planning that is reviewed and approved 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 three years.

For periods beyond 2021, the Group anticipates that business results will continue to improve due to new product developments, the benefits of established customer relationships and expansion into new and existing niche markets. The estimated cash flow in perpetuity is based upon the forecast year five cash flows and then an estimate of sustainable growth beyond this time period of 1.5% per annum.

10. Intangible Assets (continued)

Key assumptions used in the value-in-use calculations are as follows:

Revenue assumptions

Revenue has been forecast to increase in a range of 1% to 20% per annum on a weighted average basis over the following five-year period in line with the Group's strategic business plans to develop and introduce new products, in addition to continuing to support and grow the Group's existing global customer relationships.

Discount rate assumptions

The discount rate is intended to reflect the time value of money and the risks specific to each cash-generating unit achieving its forecast cash flows. In determining the appropriate discount rate, regard has been given to the weighted average cost of capital (WACC) of the Group, which has been updated as at 30 June 2021, to reflect the current market interest rates and the additional cost of capital applicable in the current risk environment. Any reasonable change to WACC is not expected to result in any impairment of goodwill.

Commodity cost pricing assumptions

With the base raw material component being synthetic and natural rubbers sourced from Asia, the pricing of these raw materials can fluctuate: many of the synthetics are by-products of the petrochemical industry, and natural rubbers are influenced by global supply and demand factors. Pricing assumptions have been made in the Group forecasts that any cost increases driven by commodity price changes will be passed through to customers.

Market share assumptions

In preparing forecasts, the Group's business plans show no loss of market share. The Group's strategy is to continue to expand in global markets, especially in North America and Europe. This is the case particularly for the Gulf cash-generating unit, which has dedicated manufacturing and distribution capabilities established in these markets.

Growth rate assumptions

The growth rates have been based on business plan assumptions applied in the preparation of the annual budgets for the new financial year and the following two years, with assumed lower growth rates in years four and five and in perpetuity. This process is based on key strategies that have been quantified at a product and customer level, reviewed by senior management and signed off by the Board of Directors.

(iii) Sensitivity to assumption changes

Estimates made of future cash flows are based on current market conditions. With trading across a number of different products covering a wide industry base, and through a number of international markets, the risk of significant change to cash flow projections is mitigated. Any change in future cash flow projections, which is influenced by price changes, foreign currency movements and competitor activities, is expected to have only minimal impact and is unlikely to cause an impairment risk to the goodwill allocated to the various cash-generating units, particularly with the estimated net present value of each cash-generating unit tested well above the carrying value of assets, including goodwill.

11. Trade and Other Payables

Trade and other payables are carried at amortised cost and, due to their short-term nature, are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid, and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and paid usually within 30 to 60 days of recognition.

	2021 $000	2020 $000
Trade payables	14,238	12,635
Employee entitlements for pay and incentives	6,174	2,715
Sundry payables and accruals	9,377	8,045
GST payable	1,418	1,411
Total trade and other payables	31,207	24,806

The average credit period on purchases of all goods and services represents an average of 33 days credit (2020: 31 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.

12. 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.

	2021 $000	2020 $000
Provisions		
Employee entitlements for annual and long-service leave	5,956	5,759
Warranties	1,911	335
Total provisions	7,867	6,094
Current	5,669	4,811
Non-current	2,198	1,283
Total provisions	7,867	6,094

Warranties	2021 $000	2020 $000
Balance at the beginning of the year	335	708
Additional provisions recognised	1,775	143
Reductions arising from payments/sacrifices of economic benefits	(138)	(454)
Reductions arising from remeasurement or settlement without cost	(62)	(66)
Net foreign currency exchange differences	1	4
Balance at the end of the year	1,911	335

Employee entitlements

(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 on high quality corporate bonds at the reporting date with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

12. Provisions (continued)

(iii) Defined contribution scheme

The Group contributes to post-employment schemes for its employees. Under these schemes, the benefits received by the employee are determined by the amount of the contribution paid by the Group, together with any investment returns and, hence, the actuarial and investment risk is borne entirely by the employee. Therefore, because the Group's obligations are determined by the amount paid during each period, no actuarial assumptions are required to measure the obligation or the expense.

Warranties

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. The provision for warranty claims represents the present value of the Directors' best judgement or 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 the expected performance of products, historical warranty trends, the costs of rectifying any products that do not meet the customers' quality standards and insurance arrangements the Group has in place. The actual cost may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

13. Interest-bearing Loans and Borrowings

All loans and borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	2021 $000	2020 $000
Secured at amortised cost		
Balance at the beginning of the year	42,130	46,215
Drawdowns	28,988	36,051
Repayments	(46,628)	(40,133)
Net foreign currency exchange differences	(81)	(3)
Balance at the end of the year	24,409	42,130
Effective interest rate	1.96%	2.14%

The carrying amounts disclosed above approximate fair value. Bank loans are provided under a $70 million multi-currency syndicated facility agreement with ANZ Bank New Zealand Limited and Bank of New Zealand which has an expiry date of 31 August 2024.

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. The carrying amount of tangible assets of the Charging Group (which excludes Skellerup Rubber Products Jiangsu Limited and other smaller entities in the Group) totalling $193 million is pledged as security to secure the above term loans.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset which necessarily takes a substantial period of time to prepare for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period in which they occur.

14. Lease Liabilities

The Group recognises right-of-use leased assets and lease liabilities at the present value of future lease payments for existing lease terms and all lease renewal options that are reasonably certain to be exercised. Certain low value and short term leases are excluded. Lease payments are recorded as a repayment of the lease obligation and interest expense instead of as an operating expense in the income statement. Right-of-use assets are depreciated on a straight-line basis over the current lease term. Lease payments are discounted at the rate implicit in the lease, or if not readily determinable, the Groups incremental borrowing rate.

The costs of low value and short term leases continue to be recognised as an expense in the Income Statement. The lease liabilities disclosed do not include future cash flows for leases where the Group does not intend to exercise its rights to extend existing leases nor the future cash flows following the dates at which Skellerup intends to exercise termination options.

	2021 $000	2020 $000
Balance at the beginning of the year	22,316	-
Initial recognition	-	18,491
Additions/terminations	1,251	8,551
Accretion of interest	873	938
Payments	(5,401)	(5,609)
Net foreign currency exchange differences	(245)	(55)
Balance at the end of the year	18,794	22,316
Current	4,569	4,544
Non-current	14,225	17,772
Balance at the end of the year	18,794	22,316

15. 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.

	Number of shares	**Value $000**
Balance 1 July 2019	194,753,340	72,173
Balance 30 June 2020	194,753,340	72,173
Balance 30 June 2021	**195,276,382**	**72,406**

All shares are fully paid and have no par value. Each ordinary share confers on the holder one vote at any shareholder meeting of the Company and carries the right to dividends.

The Directors' objective is to ensure the entity continues as a going concern, as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Directors aim to provide a capital structure which:

- Provides an efficient and cost-effective source of funds;
- Is balanced with external debt to provide a secure structure to support the short and long-term funding of the Group; and
- Ensures that the ratio of funds sourced from shareholders and external debt is maintained proportionately at a level which does not create a credit and liquidity risk to the Group.

The Company is listed on the New Zealand Exchange and is, therefore, subject to continuous disclosure obligations to inform shareholders and the market of any matters which affect the capital of the Company. This includes changes to the capital structure, new share issues, dividend payments and any other significant matter which affects the creditworthiness or liquidity of the Group.

The Group is not subject to any externally imposed capital requirements.

16. Finance Costs

	2021 $000	2020 $000
Interest on bank overdrafts and borrowings	678	1,200
Bank facility fees	530	444
Interest on capitalised leases	873	938
Total finance costs in Income Statement	2,081	2,582

17. Reserves

	2021 $000	2020 $000
Reserve balances		
Cash flow hedge reserve	166	176
Foreign currency translation reserve	(9,461)	(7,615)
Employee share plan reserve	296	374
Total reserves	(8,999)	(7,065)

The cash flow hedge reserve is intended to recognise the fair value movements of the effective derivatives held to hedge interest rate and foreign currency risk. A summary of movements is shown in the table below.

	Note	2021 $000	2020 $000
Cash flow hedge reserve			
Balance at the beginning of the year		176	132
Gain/(loss) recognised on cash flow hedges:			
- Foreign exchange contracts and options		(262)	130
- Interest rate swaps		248	(69)
- Income tax related to gains / (losses) recognised in other comprehensive income	5	4	(17)
Movement for the year		(10)	44
Balance at the end of the year		166	176

Exchange differences relating to the translation of values 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.

A summary of movements is shown in the table below.

	Note	2021 $000	2020 $000
Foreign currency translation reserve			
Balance at the beginning of the year		(7,615)	(9,771)
Gain/(loss) recognition:			
- Foreign exchange movements on translation of foreign operations		(1,971)	2,265
- Income tax related to gains/(losses) recognised in other comprehensive income	5	125	(109)
Movement for the year		(1,846)	2,156
Balance at the end of the year		(9,461)	(7,615)

17. Reserves (continued)

The employee share plan reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration. A summary of movements is shown in the table below.

	Note	2021 $000	2020 $000
Employee share plan reserve			
Balance at the beginning of the year		374	149
Shares redeemed during the year		(411)	-
Expense recognised for the year	18	333	225
Balance at the end of the year		296	374

18. Share-based Incentive Scheme

Skellerup Group operates a long-term incentive scheme for the benefit of senior executives. The scheme permits the Board to grant options to acquire fully paid shares in the Company. The options are able to be exercised by the recipients subject to their continued employment in a future period as determined by the Board of Skellerup.

On 30 October 2020 the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) converted 1,600,000 options to 523,042 ordinary shares. 110,000 ordinary shares were issued upon payment of the option exercise price of NZ$2.12 per share. An additional 413,042 ordinary shares were issued, representing the number of shares equal to the difference between the market value of Skellerup's ordinary shares at the exercise date and the exercise price of NZ$2.12 per share. The shares were issued under a Share-based Incentive Scheme which expired on 1 November 2020. The fair value of this scheme was NZ$411,000 and was determined using the Black-Scholes formula.

Upon conversion of the shares the NZ$411,000 recorded as an expense in prior periods was transferred from the Employee Share Plan Reserve to Retained Earnings.

On 29 October 2020 the Board awarded 1,800,000 options to the CEO and CFO (the option holders), issued at an exercise price of NZ$2.91, being the weighted average price of Skellerup's shares in the prior twenty-day trading period. Option holders will be able to exercise the options in the period beginning on 1 September 2022 and ending on 1 November 2022. Upon exercise, they will be issued one ordinary share in Skellerup per option exercised or alternatively they may elect to be issued the number of shares as is equal to the difference between the market value of Skellerup's ordinary shares on the exercise date and the exercise price. The options have been fair valued using the Black-Scholes formula. The fair value has been determined as NZ$813,000. The expense recognised in the current period for the incentive scheme is NZ$333,000.

19. 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.

	2021 Cents per share	2020 Cents per share
Basic earnings per share	20.59	14.92
Diluted earnings per share	20.40	14.80

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

	2021 $000	2020 $000
Earnings used in the calculation of earnings per share	40,175	29,064
Weighted average number of ordinary shares for		
- Basic earnings per share	195,101,557	194,753,340
- Diluted earnings per share	196,901,557	196,353,340

20. Retained Earnings

	2021 $000	2020 $000
Balance at the beginning of the year	119,455	115,709
Net profit for the year	40,175	29,064
Share incentive scheme	411	-
Payment of dividends	(27,299)	(25,318)
Balance at the end of the year	132,742	119,455

During the reporting period a dividend of 7.5 cents per share (imputed 50%) was paid on 16 October 2020 and 6.5 cents per share (imputed 50%) on 18 March 2021. The imputation tax credits totalled $5,151,687 (2020: $4,794,626).

21. Financial Risk Management Objectives and Policies

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

The Board reviews and agrees upon policies for managing financial risk. The Group enters into derivative transactions, principally forward foreign currency contracts and interest rate swaps. The purpose is to manage the currency and interest rate risks arising from the Group's operations and its sources of finance.

Credit risk is managed through regular review of aged analysis of receivable ledgers. The credit risk exposures are the receivables recorded in Note 7. Liquidity risk is monitored through the review of future rolling cash flow forecasts. These cash flow forecasts are updated on a weekly basis with particular emphasis placed on the prospective four-week period. These forecasts are monitored constantly against limitations of the entire debt facility.

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 Group's policy is to 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 25% and a maximum of 75% of the core debt. Core debt is defined as debt in excess of $15 million that is not expected to be repaid from available cash flows within an 18-month time horizon.

The level of debt is disclosed in Note 13. A reasonably expected movement in the interest rate would not have a material impact on profit or equity. At balance date, the Group had the following mix of financial assets and liabilities exposed to interest rate risk. Details of financial instruments in place to manage this risk are disclosed in Note 22.

	2021 $000	2020 $000
Financial assets		
Cash and cash equivalents	15,673	13,617
Financial liabilities		
Bank loans	24,409	42,130
Net exposure	(8,736)	(28,513)

21. 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 (USD), Australian dollars (AUD), British pounds (GBP) and Euro (EUR).

The Group seeks to cover up to 100% of the net foreign currency cash flow forecast, for the next 12-month period, with foreign currency contracts. Where the foreign currency cash flows can be forecasted reliably beyond the future 12-month period, such cash flows may also be covered by foreign currency contracts of up to 50% of the forecast cash flows.

The Group also has translational currency exposures. Such exposures arise from subsidiary operating entities that transact in currencies other than the Group's functional currency. Currently, the Group does not hedge these exposures.

Foreign currency net monetary assets

The Group has the following net monetary assets in foreign currency values which are in different currencies from the subsidiary's base currency and will revalue either through the income statement or the statement of comprehensive income:

	Cash and Cash Equivalents $000	Receivables $000	Payables $000	Net Monetary Assets $000
30 June 2021				
USD	**1,676**	**4,142**	**1,252**	**4,566**
AUD	**1,633**	**1,918**	**254**	**3,297**
GBP	**161**	**320**	**-**	**481**
EUR	**966**	**1,532**	**325**	**2,173**
30 June 2020				
USD	1,420	4,802	2,072	4,150
AUD	393	1,376	260	1,509
GBP	97	473	2	568
EUR	467	1,716	406	1,777

The foreign currency denominated values as shown in the table above converted to New Zealand dollars as follows:

	2021 $000	2020 $000
Financial assets		
Cash and cash equivalents	**6,111**	3,611
Trade and other receivables	**11,223**	14,778
	17,334	18,389
Financial liabilities		
Trade and other payables	**2,619**	5,236
Net exposure	**14,715**	13,153

21. Financial Risk Management Objectives and Policies (continued)

Foreign currency sensitivity

Higher/(Lower)	Net Profit after Tax 2021 $000	Net Profit after Tax 2020 $000	Net Equity 2021 $000	Net Equity 2020 $000
Foreign currency rates				
Increase +10%	(991)	(872)	(9,299)	(9,483)
Decrease -5%	574	505	5,384	5,490

Significant assumptions used in the foreign currency exposure sensitivity analysis are as follows:

(a) The range of possible foreign exchange rate movements was determined by a review of the last two years' historical movements and economists' views of future movements.

(b) The Group's trend of trading in foreign currency values is not expected to change materially over future periods.

(c) The Group's net exposure to foreign currency at balance date is representative of past periods and is expected to remain relatively consistent for the future 12-month period.

(d) The price sensitivity of derivatives has been based on a reasonably possible movement of the spot rate applied at balance date.

(e) The effect on other comprehensive income results from foreign currency revaluations through the cash flow hedge reserve and the foreign currency translation reserve.

(f) The sensitivity analysis does not include financial instruments that are non-monetary items as these are not considered to give rise to a currency risk.

(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 the risk profile of each and, where it is considered appropriate, registrations are made to record a secured interest in the products supplied. Receivable balances are monitored on an ongoing basis with appropriate provisions held for doubtful debts.

(iv) Liquidity risk

The Group monitors its future cash inflows and outflows 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 forecast cash flows reporting positive operating cash generation for the Group over the next financial year. The following maturity analysis shows the profile of future payment commitments of the Group. With the available bank facility and the ability for the business to generate future positive operating cash inflows, the obligation to meet the forward commitments is considered to be a low risk.

21. Financial Risk Management Objectives and Policies (continued)

Maturity analysis of financial assets and liabilities

The following table represents both the expected and contractual maturity and cash flows of receipts and payments.

Balance 30 June 2021	Zero to Six Months $000	Seven to 12 Months $000	One to Five Years $000	More than Five Years $000	Total $000
Financial assets					
Cash and cash equivalents	15,673	-	-	-	15,673
Trade and other receivables and prepayments	51,264	545	275	-	52,084
Derivatives	298	194	24	-	516
	67,235	739	299	-	68,273
Financial liabilities					
Trade and other payables	30,980	113	114	-	31,207
Lease liabilities	2,351	2,218	11,291	2,934	18,794
Interest-bearing loans	409	-	24,000	-	24,409
Derivatives	132	125	35	-	292
	33,872	2,456	35,440	2,934	74,702
Net total	33,363	(1,717)	(35,141)	(2,934)	(6,429)

Balance 30 June 2020	Zero to Six Months $000	Seven to 12 Months $000	One to Five Years $000	More than Five Years $000	Total $000
Financial assets					
Cash and cash equivalents	13,617	-	-	-	13,617
Trade and other receivables and prepayments	44,962	483	950	10	46,405
Derivatives	378	-	438	-	816
	58,957	483	1,388	10	60,838
Financial liabilities					
Trade and other payables	24,637	68	101	-	24,806
Lease liabilities	2,168	2,376	12,792	4,980	22,316
Interest-bearing loans	830	-	41,300	-	42,130
Derivatives	440	-	132	-	572
	28,075	2,444	54,325	4,980	89,824
Net total	30,882	(1,961)	(52,937)	(4,970)	(28,986)

Fair value

The financial instruments that have been fair valued by the Group are detailed in Note 22 and have a fair value of $224,000 (2020: $244,000).

Under NZ IFRS, there are three methods available for estimating the fair value of financial instruments. These are:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

In determining the fair value of all derivatives, the Group has applied the Level 2 method of calculating fair value by using estimated inputs, other than quoted prices, that are observable for assets and liabilities, either directly (as prices) or indirectly (derived from prices).

22. Financial Instruments

Financial assets and liabilities in the scope of NZ IFRS 9 Financial Instruments are classified as either financial assets and liabilities at fair value through profit or loss, debt instruments at amortised cost, derivatives designated as hedging instruments, or interest bearing loans. When financial assets and liabilities 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 and liabilities on initial recognition. Reclassifications of financial assets are only made upon a change to the Group's business model. Financial liabilities are not reclassified.

Recognition and derecognition

All regular 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 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. Financial assets are derecognised 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. Gains and losses on financial assets are exclusive of interest and dividends, which are recognised separately.

(i) Financial assets and liabilities

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit and 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 classified also as held for trading unless they are designated as effective hedging instruments.

Detail of the Group's financial assets and liabilities are shown below. 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 preceding notes.

Financial Assets	Cash and Bank Balances $000	Trade and Other Receivables $000	Derivatives $000	Total Financial Assets $000
Balance 30 June 2021				
Fair value through profit and loss	15,673	-	-	15,673
Debt instruments at amortised cost	-	52,084	-	52,084
Derivatives designated as hedging instruments	-	-	516	516
Total financial assets	15,673	52,084	516	68,273
Balance 30 June 2020				
Fair value through profit and loss	13,617	-	-	13,617
Debt instruments at amortised cost	-	46,405	-	46,405
Derivatives designated as hedging instruments	-	-	816	816
Total financial assets	13,617	46,405	816	60,838

22. Financial Instruments (continued)

Financial Liabilities	Trade and Other Payables $000	Derivatives $000	Lease Liabilities $000	Borrowings $000	Total Financial Liabilities $000
Balance 30 June 2021					
Derivatives designated as hedging instruments	-	292	-	-	292
Other financial liabilities at amortised cost	31,207	-	18,794	-	50,001
Interest bearing loans	-	-	-	24,409	24,409
Total financial liabilities	31,207	292	18,794	24,409	74,702
Balance 30 June 2020					
Derivatives designated as hedging instruments	-	572	-	-	572
Other financial liabilities at amortised cost	24,806	-	22,316	-	47,122
Interest bearing loans	-	-	-	42,130	42,130
Total financial liabilities	24,806	572	22,316	42,130	89,824

Where the financial assets and financial liabilities are shown at amortised cost, their cost approximates fair value. The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into and are remeasured subsequently to fair value. 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 flow 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 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 exposure to changes in the fair value of a recognised asset or liability; or
- 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.

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.

22. Financial Instruments (continued)

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

(ii) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows, which is attributable to a particular risk associated with a recognised asset or liability or a highly probable 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 the statement of comprehensive income, while the ineffective portion is recognised in the income statement.

Amounts taken to the statement of comprehensive income are transferred out of the statement of comprehensive income and included in the measurement of the hedged transaction (sales or inventory purchases) when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, amounts previously recognised in the statement of comprehensive income 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 the statement of comprehensive income remain in the statement of comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognised in the income statement.

Derivative financial instruments

Details of the derivatives held and their fair values at balance date were as follows:

	2021 $000	2020 $000
Current assets		
Forward currency contracts - cash flow hedge	492	378
Current assets	492	378
Non-current assets		
Forward currency contracts - cash flow hedge	24	438
Non-current assets	24	438
Total assets	516	816
Current liabilities		
Forward currency contracts - cash flow hedge	214	263
Interest rate swaps - cash flow hedge	43	177
Current liabilities	257	440
Non-current liabilities		
Forward currency contracts - cash flow hedge	35	19
Interest rate swaps - cash flow hedge	-	113
Non-current liabilities	35	132
Total liabilities	292	572
Net assets/(liabilities)	224	244

22. Financial Instruments (continued)

Foreign exchange contracts

The Group imports a large proportion of its raw materials and finished goods, and has export sales to a number of customers. As a result, the Group has both inward and outward foreign currency cash flows. Both the inward cash flows and the outward cash flows are tested and hedged against highly probable forecasted sales and purchases. The main currency exposures are in US dollars, Euro, Australian dollars and British pounds. At balance date, details of outstanding foreign currency contracts are as follows:

	Notional Amount		Average Exchange Rates	
	2021 $000	2020 $000	2021	2020
Buy NZD/Sell EUR				
Maturing 2021: two to 14 months (2020: two to 27 months)	4,125	9,184	0.5576	0.5553
Buy NZD/Sell GBP				
Maturing 2021: one to 12 months (2020: one to 21 months)	2,818	6,415	0.4968	0.4988
Buy NZD/Sell USD				
Maturing 2021: one to 18 months (2020: one to 27 months)	19,445	10,931	0.7020	0.6312
Buy NZD/Sell AUD				
Maturing 2021: one to 11 months (2020: one to 12 months)	8,220	7,484	0.9246	0.9354
Buy CNY/Sell AUD				
Maturing 2021: one to nine months (2020: one to 12 months)	4,056	5,606	0.1971	0.2079

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

Amounts are transferred out of other comprehensive income and included in the measurement of the hedged transaction (sales or purchases) when the forecast transaction occurs. Movements in the cash flow hedge reserve are recorded in the Statement of Comprehensive Income.

Interest rate swap agreements

The Group seeks to fix a minimum of 25% and a maximum of 75% of its interest rate risk where debt exceeds $15 million. At 30 June 2021 the Group had $5 million fixed at a rate of 1.34% plus bank margin expiring 26 June 2022.

The interest swap agreements are considered to be highly effective hedges as they are matched against forecast interest payments and any gain or loss on the contracts attributable to the hedge risk is taken directly to other comprehensive income. Amounts are transferred out of other comprehensive income and included in the measurement of the hedged transaction when the forecast interest payment is made. Movements in the cash flow hedge reserve are recorded in the Statement of Comprehensive Income.

Credit risk

Credit risk arises from potential failure of counterparties to meet their obligations at the maturity dates of contracts. Because the counterparties of the above financial derivatives are ANZ Bank of New Zealand Limited and Bank of New Zealand, there is minimal credit risk.

23. Related Parties

The consolidated financial statements incorporate the following significant companies:

(a) Subsidiary companies

Name of Entity	Principal Activities	Country of Incorporation	Holding 2021	Holding 2020	Balance Date
Skellerup Industries Limited	Manufacturing and Sales	New Zealand	100%	100%	30 June
Skellerup Growth Limited	Property	New Zealand	100%	100%	30 June
Ambic Equipment Limited	Manufacturing and Sales	UK	100%	100%	30 June
Conewango Products Corporation	Distribution	USA	100%	100%	30 June
Deks Industries Pty Limited	Manufacturing and Sales	Australia	100%	100%	30 June
Deks North America Limited	Distribution	USA	100%	100%	30 June
Gulf Rubber Australia Pty Limited	Manufacturing and Sales	Australia	100%	100%	30 June
Gulf US Incorporated	Distribution	USA	100%	100%	30 June
Masport Incorporated	Manufacturing and Sales	USA	100%	100%	30 June
Nexus Performance Foams Limited	Manufacturing and Sales	New Zealand	100%	100%	30 June
Silclear Limited	Manufacturing and Sales	UK	100%	100%	30 June
Skellerup Rubber Products Jiangsu Limited	Manufacturing and Sales	China	100%	100%	31 December
Skellerup Rubber Services Limited	Manufacturing and Sales	New Zealand	100%	100%	30 June
Tumedei SpA	Manufacturing and Sales	Italy	100%	100%	30 June
Ultralon Foam International Limited	Manufacturing and Sales	New Zealand	100%	100%	30 June

(b) Associate Investment

As these are consolidated financial statements, transactions between related parties within the Group have been eliminated. Consequently, only those transactions between the Skellerup Group and Sim Lim Technic LLC (Sim Lim) have been disclosed below. Skellerup holds a 35% interest in Sim Lim. Skellerup's interest is accounted for using the equity method in the consolidated financial statements.

	Sales to related party $000	Purchases from related Party $000	Amounts owed by related party $000	Amounts owed to related party $000
Sim Lim 2021	1,533	112	10	71
Sim Lim 2020	331	65	36	7

23. Related Parties (continued)

(c) Compensation of Directors and key management

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

	2021 $000	2020 $000
Short-term benefits		
Directors' fees	535	460
Senior management's salaries and incentives	4,042	1,654
Contribution to defined contribution scheme for senior management personnel	55	19
Long-term benefits		
Share-based incentive scheme expensed during the year	333	225

Mr John Strowger is a Director of Skellerup and a partner of Chapman Tripp, the Group's legal advisors. Chapman Tripp has charged fees during the year amounting to $172,492 (2020: $170,971) excluding GST. There was $9,674 (2020: $6,532) outstanding (excluding GST) at balance date relating to these transactions. Mr Strowger did not personally provide any of these services.

24. Contingent Liabilities

	2021 $000	2020 $000
Bank guarantee provided to the New Zealand Exchange	75	75

The Group receives claims from time to time in relation to products supplied. Where the Group expects to incur a cost to replace or repair the product supplied and can reliably measure that cost, that cost is recognised. The Group has general liability and professional indemnity insurance in the event that there are warranty claims.

25. Significant Events after Balance Date

The Directors agreed to pay a final dividend, imputed to 50%, of 10.5 cents per share on 15 October 2021, to shareholders on the register at 5.00pm on 1 October 2021. This dividend is not recorded in the financial statements.

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

26. New Accounting Standards, Amendments, Interpretations and IFRIC Interpretations

There is no new Accounting standard, amendment or interpretation, which has been issued and is effective, that has a significant impact on the Group.

Directors' Disclosures, Remuneration and Shareholding

Directors holding office during the year and their shareholdings

Directors held interests in the following shares in the Company as at 30 June 2021.

		Held with Beneficial Interest	Held with Non-beneficial Interest	Held by Associated Persons
Liz Coutts	(Independent)	-	-	720,000
David Cushing	(Independent)	-	-	9,866,169
Alan Isaac	(Independent)	-	-	50,000
David Mair	(Chief Executive)	-	-	5,502,248
John Strowger	(Independent)	-	-	118,320
Paul Shearer	(Independent)	100,000	-	-

Directors' Interests

Pursuant to section 140(2) of the Companies Act 1993 and section 299 of the Financial Markets Conduct Act 2013, the Directors named below have made a general disclosure of interest during the period 01 July 2020 to 2 August 2021 by a general notice disclosed to the Board and entered in the Company's Interest Register.

Liz Coutts

- Interest in 720,000 shares held by Como Nominees Limites following the sale of 200,000 shares on 23 April 2021.
- Resigned as Director and Chair of Ports of Auckland on 31 January 2021.

David Cushing

- Resigned as Director of PGG Wrightson Limited on 30 April 2021.

Alan Isaac

- Resigned as President of Institute of Directors Inc. on 23 July 2021.

David Mair

- Interest in 5,502,248 shares following the sale of 250,000 shares on 9 November 2020.

Paul Shearer

- Interest in 100,000 shares purchased on 28 August 2020.

Director, CEO and Employee Remuneration

Director Remuneration

The total remuneration to non-executive Directors is $550,000 as approved by the shareholders at the Annual Meeting on 25 October 2017. Director remuneration for FY21 is shown in the table below.

	Note	Board Chair	Board Director	Audit Chair	Total
Liz Coutts		87,000	87,000		174,000
David Cushing			87,000		87,000
Alan Isaac			87,000	25,000	112,000
John Strowger			87,000		87,000
Paul Shearer			74,917		74,917
David Mair	1	-	-	-	-
Total		**87,000**	**422,917**	**25,000**	**534,917**

Note:

1. David Mair is an Executive Director. He is remunerated for his role as CEO and does not receive any director remuneration.

CEO Remuneration

CEO remuneration is made up of three components: Fixed remuneration, short-term performance incentive (STI) and long-term performance incentive (LTI). The STI and LTI are at risk because the outcome is determined by performance against financial objectives. The table below shows CEO remuneration in FY21 and FY20.

$000	Fixed Salary	STI[1]	Subtotal	LTI[2]	Total
David Mair FY21	740	626	1,367	813	2,180
David Mair FY20	690	-	690	-	690

[1] The FY21 STI was accrued but not paid at 30 June 2021.
[2] The FY21 LTI represents the market value of shares issued upon exercise of options on 30 October 2020.

Short-term Incentive

The STI is an at-risk payment designed to motivate and reward for financial performance that exceeds the previous best achieved by Skellerup under the incumbent CEO management. The financial measure used for determining this performance is earnings before interest and tax (EBIT). The STI is set so that the CEO receives 5% of EBIT in excess of the previous best EBIT achieved by Skellerup under his management.

Long-term Incentive

The LTI is a share option scheme. For financial reporting purposes, the fair value of options issued under the scheme is determined using the Black -Scholes formula.

David Mair was granted 1,000,000 options on 26 October 2018, at an exercise price of $2.12 per share. The exercise price was the weighted average share price on the twenty day trading period preceding issuance. On 30 October 2020 the options were exercised and converted to 277,209 ordinary shares, representing the number of shares equal to the difference between the market value of Skellerup's ordinary shares at the exercise date and the exercise price of NZ$2.12 per share.

David Mair was granted 1,000,000 options on 29 October 2020, at an exercise price of NZ$2.91 per share. The exercise price was the weighted average share price on the twenty day trading period preceding issuance. The options are exercisable in the period beginning on 1 September 2022 and ending on 1 November 2022.

	Financial Year of Grant	Number of Options	Price per Option NZ$	Financial Year Exercised	SharePrice at Exercise NZ$	Value at Exercise $000
David Mair	FY21	1,000,000	2.91	Exercisable in FY23	N/A	N/A
	FY19	1,000,000	2.12	FY21	2.93	813

CEO Remuneration: Five Year Summary

$000	Salary	Kiwisaver	STI	Total	LTI Vesting	LTI Span
David Mair FY21	740	-	626	1,367	-	2020-2022
					100%	2018-2020
David Mair FY20	690	-	-	690	-	2018-2020
David Mair FY19	650	20	101	771	-	2018-2020
David Mair FY18	600	18	347	965	-	2011-2018
David Mair FY17	600	18	31	649	50%	2011-2018

Employee Remuneration

The Group paid remuneration in excess of $100,000 including benefits to 123 employees (not including non-executive directors) during the FY21 year in the following bands.

Remuneration Range $000	Number of Employees	Remuneration Range $000	Number of Employees
100-110	21	240-250	2
110-120	12	250-260	2
120-130	8	270-280	2
130-140	16	280-290	4
140-150	9	290-300	1
150-160	9	300-310	1
160-170	6	340-350	1
170-180	5	360-370	1
180-190	5	450-460	1
190-200	5	570-580	1
200-210	3	680-690	1
210-220	1	1,050-1,060	1
220-230	2	1,550-1,560	1
230-240	2		

Gender and Diversity as at 30 June 2021

	Directors		Officers		Management	
	2021	2020	**2021**	2020	**2021**	2020
Male	5	4	2	2	28	29
Female	1	1	0	0	8	8
Total	6	5	2	2	36	37

Distribution of Ordinary Shares and Shareholders as at 9 August 2021

Range	Number of Shareholders	Number of Shares	% of Shares
1 - 999	439	200,525	0.10
1,000 - 9,999	3,508	14,771,877	7.57
10,000 - 49,999	1,903	36,632,788	18.76
50,000 - 99,999	223	14,291,168	7.32
100,000 - 499,999	133	22,070,881	11.30
500,000 - 999,999	9	5,424,125	2.78
1,000,000 Over	23	101,885,018	52.17
Total	**6,238**	**195,276,382**	**100.00%**

Substantial Product Holders

Pursuant to the Financial Markets Conduct Act 2013, the following parties had given notice as at 9 August 2021 that they were substantial product holders in the Company and held a relevant interest in the number of ordinary shares shown below:

Name	Number of Shares	%
Sir Selwyn Cushing (21 August 2018)	12,523,826	6.50
H&G Limited (21 August 2018)	10,866,169	5.64
Forsyth Barr Investment Management (26 June 2020)	9,785,782	5.02

Twenty Largest Shareholders as at 9 August 2021

Rank	Name	Number of Shares	%
1	Forsyth Barr Custodians Limited	17,397,594	8.91
2	Custodial Services Limited	11,936,190	6.11
3	H & G Limited	9,866,169	5.05
4	FNZ Custodians Limited	9,034,081	4.63
5	Citibank Nominees (New Zealand) Limited	6,877,308	3.52
6	Accident Compensation Corporation	6,027,276	3.09
7	David William Mair & John Gordon Phipps	5,502,248	2.82
8	BNP Paribas Nominees (NZ) Limited	4,794,447	2.46
9	New Zealand Depository Nominee Limited	3,910,106	2.00
10	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	2,829,944	1.45
11	HSBC Nominees (New Zealand) Limited	2,707,120	1.39
12	Public Trust Forte Nominees Limited	2,372,506	1.21
13	HSBC Nominees (New Zealand) Limited	2,348,822	1.20
14	Hobson Wealth Custodian Limited	2,169,974	1.11
15	FNZ Custodians Limited	2,008,015	1.03
16	Investment Custodial Services Limited	1,708,531	0.87
17	JBWere (NZ) Nominees Limited	1,702,790	0.87
18	Leveraged Equities Finance Limited	1,664,515	0.85
19	Forsyth Barr Custodians Limited	1,655,459	0.85
20	Seajay Securities Limited	1,457,642	0.75

Corporate Directory

Directors

EM Coutts, ONZM, BMS, FCA, CFIoD
Chair

BD Cushing, BCom, ACA

AR Isaac, CNZM, BCA, FCA

DW Mair, BE, MBA

PN Shearer, BCom

WJ Strowger, LLB (Hons)

Officers

DW Mair, BE, MBA
Chief Executive Officer

GR Leaming, BCom, CA
Chief Financial Officer

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Bankers

ANZ Bank New Zealand Limited
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Auckland 1010
New Zealand

Bank of New Zealand
Level 4
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Auckland 1010
New Zealand

Auditors

Ernst & Young
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Britomart
Auckland 1010
New Zealand

Share Registrar

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
New Zealand

159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

Managing your shareholding

Online
To change your address, update your payment instructions and
to view your investment portfolio including transactions, please visit:
www.computershare.co.nz/investorcentre

General enquiries
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Telephone: +64 9 488 8777
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Please assist our registrar by quoting your Common Shareholder Number (CSN).

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