
SKELLERUP
ANNUAL
REPORT
FY24

CONTENTS

Business Review

Consolidated Financial Statements

Shareholder Information

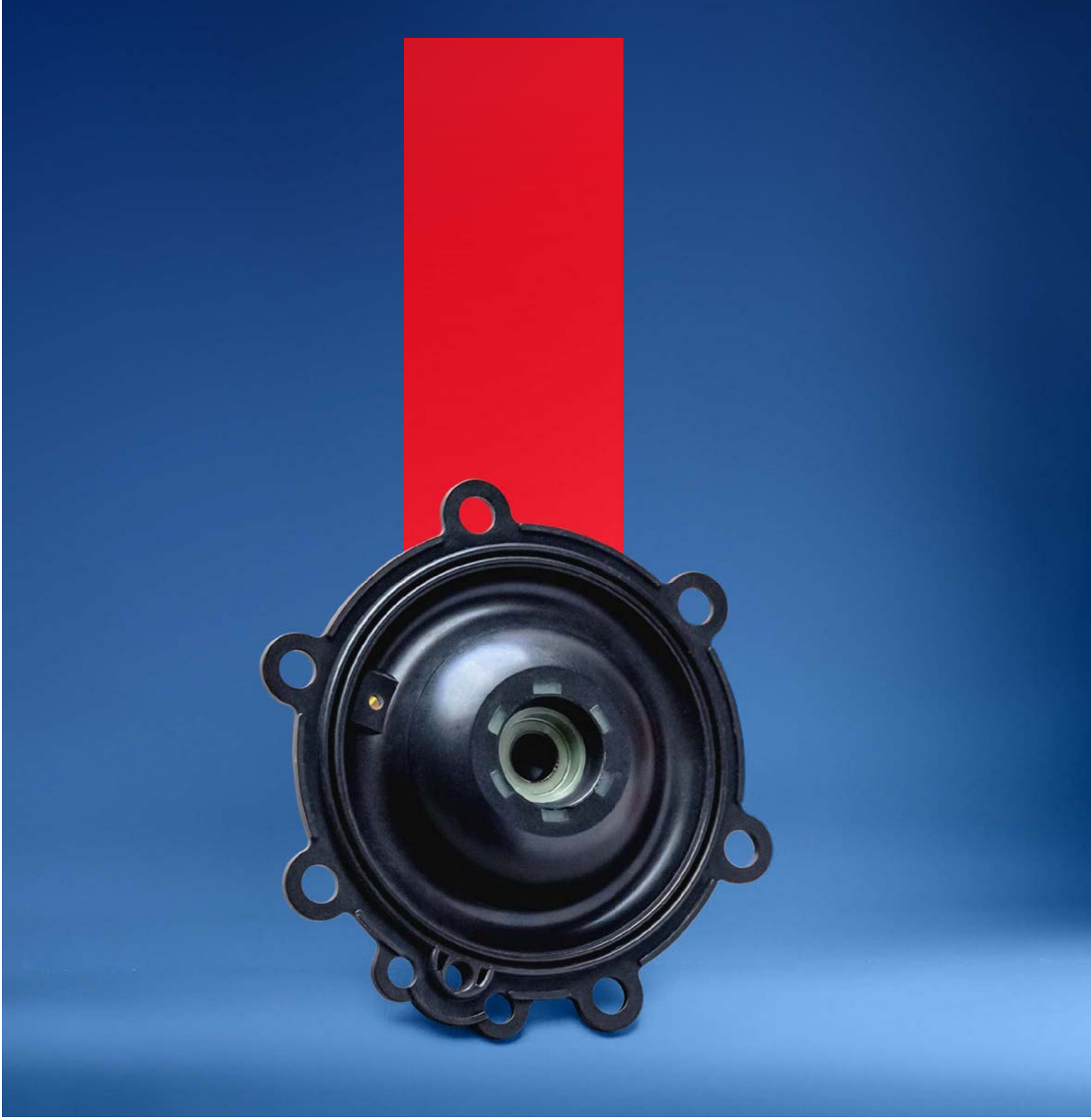
A GLOBAL LEADER IN PRECISION ENGINEERED PRODUCTS

Skellerup designs, manufactures and distributes essential high-performance components to customers around the world. Our products are trusted across dairy, potable and wastewater, construction, sport and leisure, electrical, health and medical, automotive and mining sectors globally.

We develop strong and enduring partnerships with customers, in particular original equipment manufacturers (OEMs). We work closely with them to deliver innovative new products and improvements, that keep them ahead of the curve.

We have a diverse and highly skilled team of just under 800 people, and manufacturing and distribution facilities in New Zealand, Australia, China, Vietnam, the UK, Italy and the US.

> “The Board considers this an excellent result in what are clearly challenging market conditions.
>
> JOHN STROWGER



STRONG FINANCIAL RETURNS

Revenue growth	Earnings (EBIT)	Underlying earnings (NPAT*)	Operating cash flow
↓ 1%	↑ 1%	↓ 2%	↑ 31%
$330.6M	$72.7M	$50.0M	$70.8M
(FY23: $333.5m)	(FY23: $71.7m)	(FY23: $50.9m)	(FY23: $54.1m)

Financial return ratio (RONA*)	Underlying earnings per share (EPS)	Dividend per share
↓ 4%	↓ 2%	↑ 9%
21.8%	25.5cps	24.0cps
(FY23: 22.6%)	(FY23: 26.0 cps)	(FY23: 22.0 cps)

* Calculated based on Underlying earnings (NPAT), being NPAT before abnormal tax item.

DIVERSE & EXPERIENCED TEAM

- Female (51%)
- Male (49%)

(FY23: 50% / 50%)

People

↓ 1%

795

(FY23: 807)

- Fewer than 2 years (23%)
- 2 – 10 years (42%)
- 10 – 20 years (24%)
- Greater than 20 years (11%)

(FY23: 28% / 36% / 27% / 9%)

> We are agile, with decision-making and accountability where it needs to be – close to our customers, suppliers and people.

GRAHAM LEAMING

DELIVERING A DIVERSE PRODUCT RANGE FOR CUSTOMERS

1.
over **3,900** Customers
(FY23: over 4,000)

2.
sold to **80** Countries
(FY23: 73)

3.
over **580** New products to market
last 24 months
(FY23: 470)

4.
3 Acquisitions over last 5 years

ENVIRONMENTAL IMPACT

GHG* emissions
(Tonnes CO_2-e) (Scope 1 and 2)
11% (favourable)
3,440
(FY23: 3,866)
*greenhouse gas

GHG emissions / revenue
(Scope 1 and 2)
10% (favourable)
10.4
(FY23: 11.6)
CO_2-e tonnes per $1 million of revenue over the past year

CHAIR'S REVIEW

It is a pleasure to once again report to shareholders on another successful year for Skellerup.

"Looking at the depth of the bench we have real confidence that the future of Skellerup is very bright, in the medium and long term

The 2024 financial year (FY24) delivered a record EBIT for the Group of $72.7 million, with underlying NPAT coming in at $50.0 million, just under FY23's record of $50.9 million as a consequence of an increased tax burden and higher interest charges that all our shareholders will be aware of.

I said last year that records will be increasingly hard to beat, but the team has again, and the Board considers this an excellent result in what are clearly challenging market conditions in New Zealand, and indeed globally.

I sat down to write this letter to shareholders separately from Graham's work in the preparation of his CEO report which follows but found that we both independently chose to emphasise the same theme – change. (As an observation, it is probably reassuring that there is some alignment of the Board's thinking with that of senior management). So, there will unashamedly be some repetition between what I say below, and the CEO report, but at least I have the benefit of appearing first, in this report!

The obvious change for the Group in FY24 was the shift at the top. After 14 years of exceptional performance and delivery of year-on-year record results, David Mair advised of his intention to leave Skellerup in February 2024. Even writing that sentence now some months later feels momentous; the Board is, and shareholders ought to be, extremely grateful to David for his long and enduring contribution to the Group.

This is a contribution which we are pleased will continue with David agreeing to remain on the Board, post his departure as CEO. Having former CEOs on boards is not a model that works for every company, but it will work for us. David has an invaluable deep institutional knowledge of Skellerup, its products, people and customers, which we were anxious to retain, while also ensuring his successor can bring his own perspectives to bear on the business (and continue the legacy, at the same time).

The inevitability of David's departure was of course anticipated by the Board, and both he and the Board have been focussed on ensuring we had a strong successor, in the form of Graham Leaming. As I said at the time, Graham has been with us for a number of years and is a known quantity to the Board – as we are to him. The transition from David to Graham, while in a sense momentous, has been genuinely seamless – the business has not missed a beat. And I am already appreciating the subtle changes in perspective which Graham brings to the business.

The ease of transition has been a credit to both David and Graham.

At the same time, a group of talented and somewhat younger business leaders are emerging from within the Group. Looking at the depth of the bench we have real confidence that the future of Skellerup is very bright, in the medium and long term. Like all businesses, and irrespective of the quality of our product offering and market position, our people are an integral part of the success in everything we do.

I talked in my report last year of some of the supply chain management issues which we encountered in FY23 – uneven ordering patterns, and customer nervousness about the robustness of our supply chain. This has been the case this year too – indeed, in some ways it is plausible to view Skellerup as being a sophisticated logistics company. We are a long way from some of our key markets, and mitigation of this takes careful management.

In addition, and whatever one thinks of the merits of the proposition, the reality is that the world is becoming more isolationist. I do not need to tell shareholders about the direction of travel in respect of tariffs in North America (for a number of years now, our largest market by a significant margin). While most of our products are not subjected to punitive tariffs on entry into that market, the bottom line is that our business has sustained incremental (and increasing due to sales growth) tariffs rising to $3 million per annum into that market in FY24, and we have managed to do that without compromising profitability. But there can be no guarantee that this situation will continue.

In light of and to mitigate these factors, the Board has tasked senior management to investigate ''in market manufacture'' possibilities; some early initiatives have already been taken but there is significant potential to do a lot more. Graham outlines further work in this area in his report ("being global means being local").

This will be an important change for the Group over the next few years. As with anything Skellerup does, we will be considered in our initiatives in this area.

We will be looking to put a toe (or possibly more) in the water – but although we will be cautious, the Board is clear that this is something that needs to be pursued.

Another part of the solution – which will address perceived supply chain fragility at least, if not the tariff position – will be to carry higher levels of stock in market.

Whatever the solution here, it seems inevitable that a higher level of working capital investment will be necessary – a systemic reliance on "just in time" business practices has probably had its day, at least for now. Airfreighting of our products to North America (which we do on occasion where customers request it) is not sustainable looking forward - commercially or from an ESG perspective.

Being cognisant of the impact our activities have on the environment, treating our people well and working with parties who carry the same perspective is frankly not new and integral to sustainably growing profitability as Skellerup has for many years. Of course, this year for the first time our Annual Report incorporates climate statements. This has been a significant body of work that our team started working on early and has helped us better understand the risks and opportunities for Skellerup arising from the impact of climate change. We discuss this in some detail on pages 30 to 49 of this report and this will help inform the investment of our financial and human capital to design and manufacture products that our customers need, and reduce the intensity of greenhouse gas emissions we consume in their creation.

In Graham's report, you will find the customary (for Skellerup) remarks about customer-focused developments, and the integration of Skellerup manufactured components into OEM products with the consequence enduring and ''hard to shift'' relationships.

There is a temptation for the eyes to glaze over when reading these messages, but they remain as vital and jealously protected for us today as they were when David first conveyed these messages a number of years ago. These business practices are integral - and vital - to many things that we do. We do not take our relationships with customers lightly.

Skellerup's balance sheet continues to be very strong – we enjoyed record operating cash flow in FY24 of $70.8 million, a staggering 31 per cent up on last year. As a consequence, net debt is $15.4 million, 43 per cent down on last year.

As I mentioned last year, this has benefits for shareholders. Your Board has announced a final dividend for the Group of 15.5 cents per share, representing a record total aggregate dividend for FY24 of 24.0 cents per share. We are distributing to shareholders 94 per cent of FY24 underlying NPAT – a reflection of the confidence which we have in our business, its people, position and prospects.

As I've said previously, we would be keen to find business acquisition opportunities which work for us in adjacent industries or markets, but until we do, this dividend policy will continue.

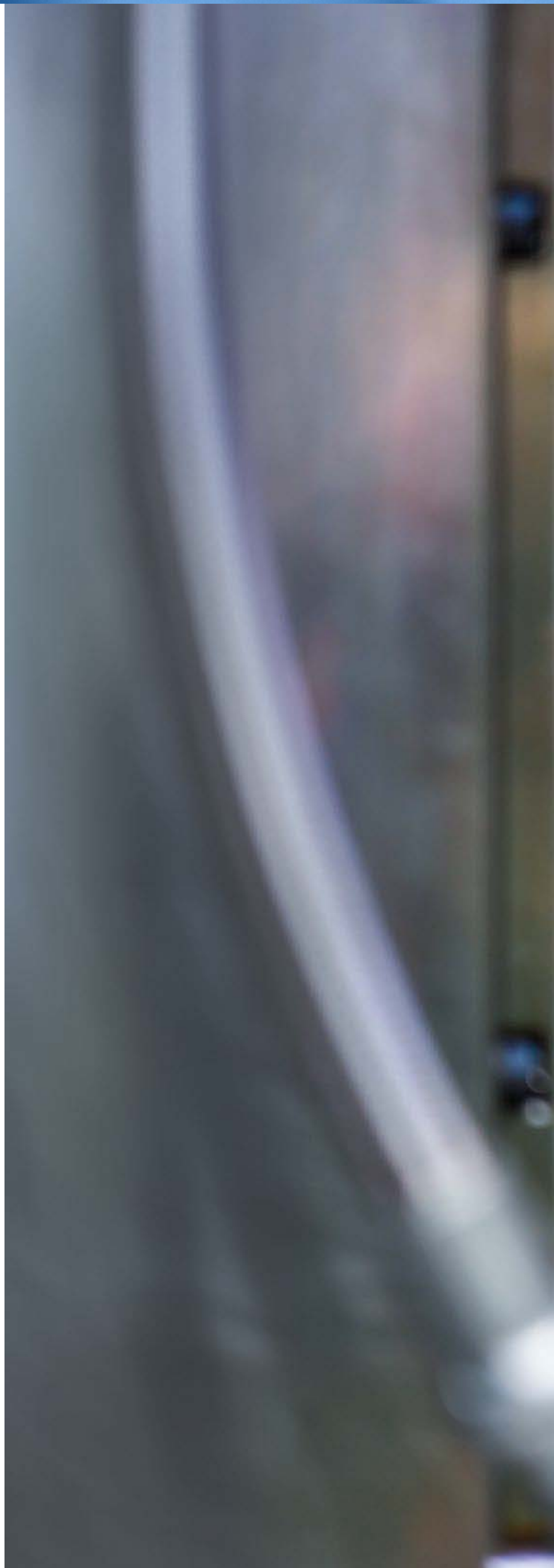
A number of market commentators have now noticed the strong historical earnings record which Skellerup has enjoyed, and the stability of earnings we've experienced. It is true that we do enjoy the stability which a diversity of product range and market geographies (supplies and customers) can produce. However, I am very conscious that for Skellerup, there are no easy wins, and repeat business is never taken for granted.

The point here is that it takes considerable effort to maintain results, let alone to move steadily forward. It is a testimony to the senior leadership team and all our people that we continue to move resolutely upstream, despite the strength of the current against us, which has obviously not abated in recent years.

As always, I'd like to record the Board's appreciation to management and all of our people, for their contributions during the FY24. The continuation of success is not assumed, but shareholders can be assured that we will strive for bigger and greater things again in FY25. I also hope to be able to report to you in a year's time on some progress against the themes touched on above, and in Graham's report. Yet, as always, the changes will be incremental – the quiet, Skellerup way.

In the meantime, I thank you for your continued interest and support for this business, it's people and this Board.

John Strowger
Independent Chair



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

Our products are used throughout potable water and wastewater applications, flow control systems and construction

Dairy

Our food-grade rubberware, filters and animal hygiene products are critical to the safe supply of dairy products across the world

Residential

Our products are critical components within a wide range of home applications such as taps, showers, HVAC, roofing, solar, kitchen appliances, plumbing, and more

Transport

Our vacuum systems, seals, injectors, couplings, and gaskets are utilised throughout the transport industry

> Skellerup is a diverse business, both in our presence geographically and in the applications in which our products are used.

Specialist Footwear

Protective rubber footwear used throughout farms and speciality applications, such as fire, forestry and electrical distribution

Medical, Health & Hygiene

Our products are key to the operation and performance of medical, health and hygiene applications

Sport & Leisure

Our products are utilised in a variety of recreational settings, including marine, snow and field sports

OUR PRODUCT DEVELOPMENT PROCESS IN ACTION

1.

Understanding the customer need

Working closely with our customers to understand their issues, challenges and pain points.

H2Omega Water Pump

Traditionally truck-mounted water pumps have been expensive to maintain and unreliable, as they place a strong load on a truck's power infrastructure. Recognising these issues, we expanded our vacuum system to integrate a mechanically driven pump which eliminates the existing issues, reducing maintenance costs and assuring greater reliability and uptime.

2.

Product development in partnership with customers

Collaborate to design solutions to meet specific and precise requirements that meet or exceed performance and conformance requirements.

Pump Engine Assembly

In October 2023, our customer launched their new global soap dispenser. This followed three years of collaboration and development to design, manufacture and assemble the pump assembly critical to the consistent delivery of foam to users.

A key element of our success has been our strong emphasis on customer-focused development. This means evaluating the scale of each opportunity and clearly understanding our customers needs.

3.

Rapid Prototyping based on deep material knowledge

Using in-depth material science and expertise to combine multiple materials to rapidly prototype proof-of-concept for feedback and iteration of changes.

Thriver™ Calf Teat

In September 2024, we will launch a new calf-feeding product, the Thriver™ Teat. Rapid prototyping of shell and valve components followed by on-farm trials to validate design iterations enabled fast feedback to refine and complete the product ready for launch in a condensed period.

4.

Understanding critical tool design and manufacturing process

Applying our intellectual property to design tooling to meet demanding specifications with knowledge of how it will perform in the manufacturing process.

Isolation Valve

Intricate tool design and manufacturing processes enables our engineered plastic rotor to be reliably overmoulded with rubber to deliver our customer a valve critical to stopping and controlling the flow of potable water.

5.

Delivering market-leading accuracy and reliability

Scaling manufacturing and assembly processes for efficient manufacture, guaranteed performance and reliability.

Seal Overmould

For over ten years we have been manufacturing a critical seal for one of the world's largest manufacturers of tapware. In FY24 we delivered over eight million of these seals demonstrating the accuracy and reliability of our potable water formulation, tooling and manufacturing capability for engineered plastics and rubber overmoulding.

CEO'S REVIEW

We are delighted to achieve another record year of earnings before interest and tax (EBIT) in a period of contrast and change for Skellerup.

> A key to our success has been our strong emphasis on customer-focused development. This means evaluating the scale of each opportunity and clearly understanding our customers' needs.

There was a distinct contrast in the first and second half of the FY24 results. Higher-than-anticipated customer destocking caused a lower-than-expected first half result. This was offset by a strong second half across the Group, with the aggregate outcome another record year, generating EBIT of $72.7 million, up $1.0 million on the prior year. Non-recurring, non-cash tax charges pushed net profit after tax (NPAT) below the previous year's record to $46.9 million.

Change most notably came in our leadership. David Mair stepped down as Chief Executive Officer at the end of March 2024. His legacy of emphasis on customer-focused development, continuous operational improvement and discipline around capital allocation is deeply embedded in our culture. Having worked alongside David for 11 years, I am excited to have the opportunity to follow him and lead our global team.

In addition to the change from David to me, we have promoted and broadened the responsibility of several leaders in the Group. Tim Runnalls was promoted to Chief Financial Officer and Dino Kudrass was promoted to lead our Agri Division. Guy Meuli has an expanded role leading our Industrial businesses in the US and Patrick Crotty's role was enhanced to include responsibility for our global Ultralon foam business. Martin Li's leadership and expertise were recognised with his appointment as our CEO in China. We are already realising benefits from these changes, better leveraging the strengths we have within our 800-strong team across the world.

Our Business

Skellerup is a diverse business, both in our presence geographically and in the applications in which our products are used. This does not reflect a lack of focus; in fact, it is a deliberate strategy to exploit our knowledge and technical capability by designing and manufacturing products for use in applications which demand precision, high performance and conformance. In doing so we also reduce the impact of economic cycles on our business.

We operate a business unit approach which ensures we are agile, with decision-making and accountability where it needs to be – close to our customers, suppliers and people. Our business unit teams work closely with our development centres, leveraging our intellectual property to deliver solutions for customers throughout the world. Linking our businesses is our deep collective knowledge in the design and manufacture of engineered elastomer and polymer products. Overall leadership, strategic direction and allocation of capital is provided by Tim and me, supported by our small head office team in Auckland.

A key to our success has been our strong emphasis on customer-focused development. This means evaluating the scale of each opportunity and clearly understanding our customers' needs. We demonstrate our understanding with designs and prototypes which meet those needs and then invest our time, matched by customer commitment, to convert rapidly designed prototypes into production. An example of this process is the recent launch of an enhancement to our vacuum systems used in wastewater applications. This development is described in more detail in the case study that accompanies this report.

Another way we create and capture value is by integrating discrete parts into a product to reduce complexity, risk and cost for customers. Often these products combine different materials including elastomers, engineered plastics and metals. One example of this is the dispensing pump we now supply to a leading global hygiene customer, and another is the soon to be launched Thriver™ Teat for the dairy industry. Both are described in more detail in the case studies included in this report.

Our approach to development is consistent – whether we are designing and making products for original equipment manufacturing (OEM) customers or branded products for industrial and consumer applications. This reduces the risk of projects failing and results in a better allocation of financial and human capital.

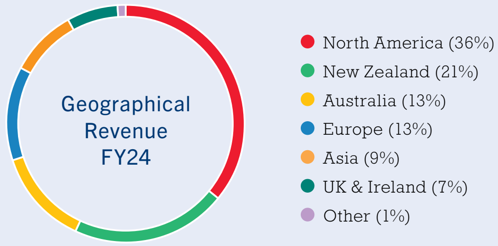
Our Results

A strong second half led to a record FY24 EBIT of $72.7 million, an increase of 1 per cent over the prior year. This was the eighth successive year of EBIT growth. The improvement in EBIT was complemented by record operating cash flow of $70.8 million, an increase of 31 per cent over the previous year and due to continued good management of receivables and a planned reduction in inventory.

CASE STUDY

Being global means being local

Skellerup is a global business. Over the past seven years, our revenue has increased by a cumulative 38 per cent. During that time our fastest-growing market has been North America. In FY24, 36 per cent of our international revenue was earned from sales into this market.



Our spread of sales across the world is serviced by a global footprint of manufacturing and distribution facilities. To ensure we meet the future needs of our customers, be more responsive to changes in demand, improve procurement, reduce supply chain cost and risk, and underpin future growth, we continue to evaluate how we manufacture within our current facilities and grow manufacturing and distribution facilities in-market.

Over the past two years, we have invested in the development of new equipment to standardise and improve our manufacturing processes for engineered rubber and plastics products. This standardisation facilitates future expansion of capacity in-market and diminishes our reliance on bespoke equipment and processes. More recently, we invested in a clean room at our Wisconsin facility to meet customer demand for liquid silicone rubber products for non-invasive medical applications. Soon we will relocate our Chicago distribution facility into larger premises to meet growth in sales in roofing, civil and agri applications. Collectively these investments and decisions give us greater flexibility to meet ongoing growth and a higher level of security to ensure continuity of supply to our customers.

CASE STUDY

Engineered products for critical applications

A key capability of Skellerup is to design and manufacture critical products which are challenging to manufacture and must meet demanding performance and/or conformance requirements for original equipment manufacturing (OEM) customers. Many of our components or products are used in potable water and food-grade applications. For new customers that are looking for highly technical partners, being a proven part of a supply chain that is capable of developing product and processes to an ever-growing and demanding set of regulations and certifications is a highly valuable capability for an increasingly wide range of industries and applications.

In FY24, we started production of a new assembly for one of the world's leading suppliers into the global soap and sanitiser market. What started as the customer seeking a solution to a performance issue with an engineered rubber part resulted in us engineering, manufacturing and assembling 11 plastic and rubber components. This project also included designing and building assembly lines to manufacture the entire dispensing pump, inclusive of the plastic and rubber components, for their new generation of dispensers. Our customer's success was enabled by applying our expertise in material, tooling and process to understand the root cause of the problem, then rapidly prototyping and delivering a final solution.

This project is an outstanding example of not only understanding our customer's needs and applying expertise but also of successful collaboration. The initial enquiry through to customer launch (including navigating restrictions as a result of the pandemic) spanned three years of global collaboration between our technical sales and product development teams, our manufacturing partner and our customer's product design and procurement teams.

The Industrial Division recorded its fourth successive record EBIT of $46.9 million in FY24, an increase of nine per cent over the year before.

Growth in sales into global potable water, wastewater, hygiene and northern hemisphere roofing applications drove the improved result for the Industrial Division. We continue to be an important supplier of gaskets, fittings, seals and valves used in potable water applications particularly in the US and Australia. As noted earlier in this report, we started production of the dispensing pump assembly for one of the world's leading suppliers into the global soap and sanitiser market. Growth in solar installations in the UK and in warehouse construction in the US boosted demand for our roofing products, more than offsetting the impact of lower residential construction activity in Australia.

Expansion from these applications, along with operational improvements and better pricing for lower-margin products, outweighed the impact of diminished global sales for high-performance marine foam – the result of customers holding high inventories as demand slowed across all markets.

The Agri Division recorded FY24 EBIT of $30.7 million, down 10 per cent on the prior year's record result.

We are a world leader in the design and manufacture of essential consumables for the global dairy industry. During the first half of FY24, customers in international markets reduced purchases to lower their inventory levels. As expected, demand returned to normal levels in the second half. Investment in new equipment over the past 18 months aided and was complemented by process improvements which generated efficiency gains, most notably at our manufacturing facilities in Christchurch and China. These improvements require different resource to implement, support and operate. Consequently, we incurred restructuring costs of $0.8 million in the first half of the year.

The Agri Division also includes our range of rubber footwear. Our iconic, high-quality Red Band gumboot is the most recognised product; however, we also design and manufacture specialist boots for use in applications requiring specific protection features. Further details are included in the case study accompanying this report. In FY24, reasonably benign weather and tougher economic conditions caused a reduction in sales in New Zealand, but sales of specialist products into international markets increased slightly.

Environmental

This year, for the first time, we report under the New Zealand Climate-related Disclosure Regime. We acknowledge the impact of climate change and our responsibility to seek and implement solutions for our business. You can read in detail about the risks and opportunities for our business on pages 30 to 49. Opportunities include growing demand for our products used in potable and waste water, building and construction applications. These products are, and will continue to be, important to responding and adapting to the impacts of climate change. Risks include possible changes in dairy farming location and intensity and the carbon generated in the production of the materials we use.

While mandatory climate reporting is a new requirement, our investment in capability and capacity which delivers excellent economic and environmental outcomes is not new. In current and past years, we have invested in closed-circuit water systems to substantially reduce water usage, equipment and tooling to improve efficiency of manufacture (reduced product waste and low energy consumption) and moved some of our operations to more efficient spaces. The impact of these changes can be seen in the intensity of our scope 1 and 2 greenhouse gas emissions which have decreased in each of the last three years. We will continue to seek opportunities to reduce not only scope 1 and 2 but also scope 3 emissions which we have reported on for the first time this year, while pursuing further growth opportunities for our business to deliver the many critical products our customers require.

CASE STUDY

System innovation to improve returns for customers (and Skellerup)

Vacuum systems are needed for the collection and discharge of water and liquid waste. Over the past 10 years, the development of our Masport vacuum systems has greatly improved returns for truck builders and operators. By enhancing the design of our system to integrate previously discrete elements, we have greatly reduced the time required for truck system builders to install vacuum systems and have accelerated the speed at which operators can perform their activities.

During FY24, we completed the design and testing to integrate a water pump into our vacuum systems used to service portable toilet applications. A water pump is necessary for cleaning and refilling portable toilets and traditionally has been powered by an electric motor linked to the truck's power infrastructure. The power demanded on start-up of the water pump can cause electrical issues that result in a high level of maintenance cost and downtime. By integrating the water pump into our vacuum system and having it mechanically driven by the vacuum pump, we have eliminated known operating issues for end-users and provided another gain through simplifying installation for the truck builder.

We launched this new feature into production in late June 2024. Our customers and operators are excited as, simply put, this enables them to make more money. The launch also reinforces our reputation as the market leader and innovator for vacuum systems in North America.

CASE STUDY

Leveraging Group intellectual property

During FY24, we have developed a new calf-feeding product, the Thriver™ Teat. A critical element in this product is the duckbill valve design inside the teat shell. We utilised our expertise developed in designing similar products for the potable water industry to create a valve which resolves known performance issues with other products in the market. The Thriver™ Teat also includes a new rubber formulation to increase tear strength, antimicrobial properties to reduce infection risks, and a softer form to better mimic the natural feel of a cow's teat.

We have completed field trials of the Thriver™ Teat ahead of commercial launch in September 2024. Our teat significantly improves milk flow and eliminates leakage – concerns which are prevalent in alternative products on the market and which impact on the growth and health of calves. The saying goes that the consumer decides – the trials showed calves quickly gravitating to the Thriver™ Teat in preference to the alternative teats on the trial feeding system!

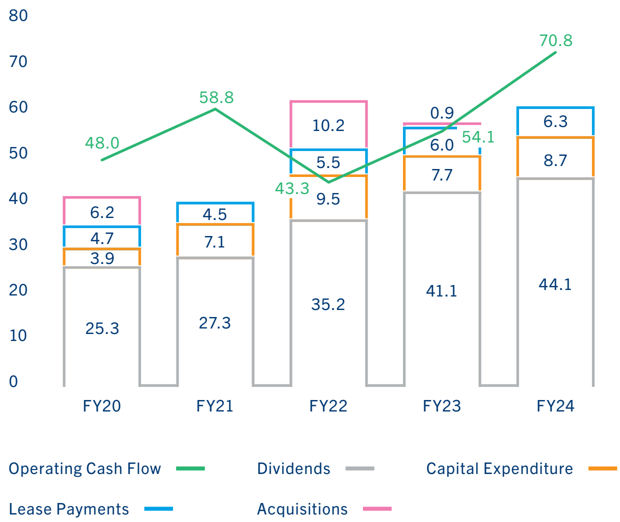
Sales of this essential consumable into commercial dairy feeding systems is the initial focus. We expect to expand the Thriver™ Teat range in future years, to incorporate other animal feeding systems and applications.

Our Future

Over the past seven years, we have a track record of delivering consistent earnings growth, with a NPAT compound annual growth rate of 12 per cent and achieved excellent returns on the assets we employ. We have a platform and a pipeline of opportunity to enable Skellerup to achieve similarly strong performance in the years ahead.

Our ambition is underpinned by strong cash flows, our business model which does not require substantial capital investment and a very strong balance sheet which ensures we can react swiftly to opportunities as they arise.

Net Cash Flow ($m)



We are working to expand our already global manufacturing capability to make sure we have the flexibility to overcome the risks posed by the uncertainty of global geopolitics, more restrictive trading practices and the impacts of climate change. Recent and upcoming changes are summarised in the case study that accompanies this report. Today we manufacture products in New Zealand, Australia, the US, Europe, the UK and Asia.

We are confident in the foundation our team has built, and very grateful to have a talented and energised group of leaders, specialists and team members sharing a sustained commitment to ongoing growth and improvement.

Thanks for your investment in Skellerup. On behalf of the Skellerup team, we are committed and excited to have the responsibility, as guardians of your capital to continue to deliver strong, sustainable returns.

Graham Leaming
Chief Executive Officer

CASE STUDY

More than gumboots

For New Zealanders the common association with Skellerup is our iconic Red Band gumboot.

The Red Band is a fantastic product – used and loved by farmers, gardeners, sports watchers and puddle jumpers for 66 years now. The quality and durability of this boot have provided the platform for the development of a rubber footwear range, aimed at demanding applications across the world.

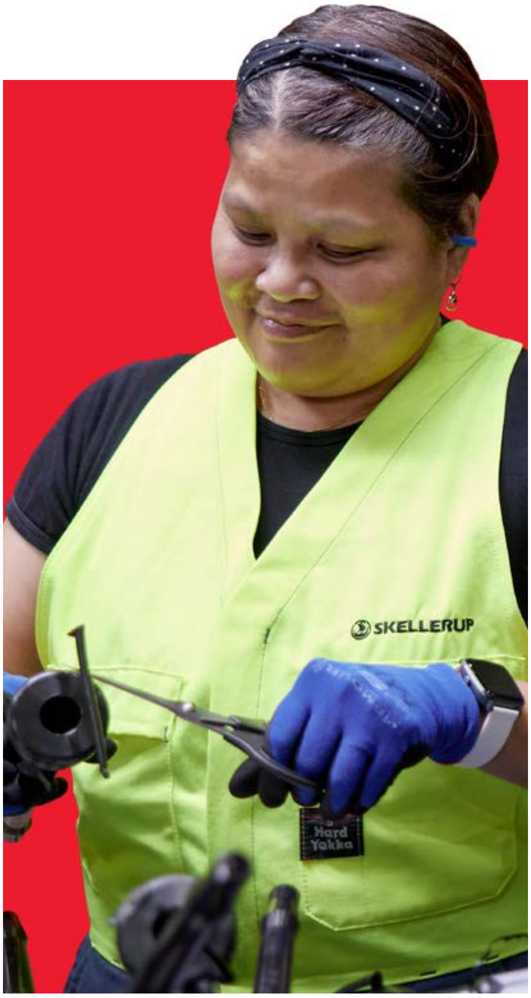
In 2019 we launched Red Band Safety – the sibling to the Red Band – with a steel-capped toe, non-slip sole and a nitrile rubber outsole, resistant to oil, acid, heat and electrical hazards, for environments demanding extra protection. In 2021 we launched the limited-edition Pink Band to help raise awareness of breast cancer and support Breast Cancer Foundation New Zealand. Pink Bands will be available again in October 2024.

Skellerup footwear also includes Quatro, a gumboot range designed for comfort even in the most extreme temperatures, as well as specialist boots for forestry workers and firefighters. In 2015, we launched our Quatro di-electric range which includes a boot and an overshoe. Every di-electric boot or overshoe is tested to international standards to ensure the insulated layers offer electrical protection over the entire boot. Demand for our di-electric boots continues to grow throughout the world, most strongly in North America.

Our reputation for quality and technical performance in rubber footwear is a great platform for future growth.

SKELLERUP'S PEOPLE

Our almost 800-strong team is based across the globe in New Zealand, Australia, the USA, China, the UK and Italy. This geographic spread brings with it a diverse range of experience, expertise and ideas we leverage across the Group.



Our team works with skill and tenacity to continue to improve our business to deliver high-performing and quality products for our customers

Prioritising health and safety

The safety of our people and others from accidental harm in our workplaces remains our highest priority. All our practices and programmes are established with the objective of keeping our people safe and free from workplace injury. Every Skellerup site has an active Health and Safety (H&S) Committee that meets monthly; each Committee has an annual plan of activities and improvements to keep their workplaces safe and reports monthly to the CEO on progress. We use and receive excellent value from internal experts who complete peer reviews on sites across the Group to ensure the benefit of specific expertise is shared and that past recommendations have been implemented effectively. Where these experts identify a risk requiring immediate rectification, the risk is immediately isolated (including halting work if needed) until an appropriate solution is put in place. On a site-by-site basis, we also enlist external experts to assess the processes, risks and behaviours they observe and to report on improvements required. For our most significant sites, we have been gradually implementing ISO 45001 certification. This provides an internationally recognised framework for managing occupational H&S risks. We now have seven of our global sites certified, including our two largest in Christchurch and Jiangsu. We plan to certify three further sites in FY25.

Oversight of our H&S programmes is provided by the Board's Health and Safety Committee who meet four times each year. In FY24, one of these meetings was held at our dairy rubberware facility in Christchurch and another at our Ultralon Foam facility in Auckland; this provided the opportunity for Board members to observe activities, meet and interact with our managers and teams, and assure themselves of our plans and behaviours. In addition to the oversight provided by this Committee, a Group H&S Report is submitted by the CEO and reviewed at every Board meeting.

Ultimately, the success of our programmes is measured by the number of injuries and incidents that occur. Our total injury rate[1] (TIR) has gradually reduced over the past three years from 2.43 in FY22 to 1.87 in FY23 and 1.50 in FY24. We measure and review injuries and medical treatment and, just as importantly, we actively review near hits or incidents that could have caused injury to ensure we learn and eliminate the cause. We remain committed to leading, educating and investing time and resources to protect our people and others from accidental harm in our workplaces. For the sixth successive year, we did not record any serious harm injuries or fatalities.

Working differently to support efficiency

Changing how and where we operate our businesses has been an important element of Skellerup's long history and success. We will continue to adapt and change to meet the needs of our customers and our people and to optimise returns for shareholders. In recent years, we have changed the working arrangements at some sites to four-day, ten-hour shifts, which more effectively and efficiently meet the needs of some of our businesses and provides an additional clear non-working day for our people. We recognise and embrace the opportunity to retain our best and attract new talent by offering differing employment arrangements including permanent part-time and hybrid roles. The key criterion is always that the arrangement is both good for Skellerup and good for the employee.

Mechanisation and automation of manufacturing activities and changes in customer demand also impacts the way we work. We have had no large-scale redundancies in the Group over the past decade, although in FY24 we reduced our global team by 12 to 795 people. This reflects an increase in the resources we need to design, implement and support new products and equipment, but a larger reduction in the number of people needed to operate.

Supporting our people and partners

We operate a global business in a rapidly changing world. Maintaining our reputation is critical to our success. Each year, we provide training on the behaviours that are required as outlined in our Code of Ethics, as well as in our key policies including Modern Slavery, Diversity and Information Security. In FY24 this training was delivered by a video prepared by the CEO and CFO, with local business leaders leading subsequent discussion including how staff respond and report in the event they do witness or suspect behaviour inconsistent with our Code and Policies.

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 target that all sites are striving to achieve.

Skellerup's global footprint includes working with manufacturing partners and international suppliers. These partners and suppliers are key to our successfully delivering critical products to our customers. Our systems, processes and people are key to ensuring our standards are met in all respects, includes seeking to ensure our supply chain is free of modern slavery. In addition to our Modern Slavery Policy, we have introduced a Supplier Code of Conduct. During FY24, we sought and received confirmation of compliance with this Code from our leading global suppliers and we did not receive any reports of, nor identify any instances of modern slavery within our operations.

A diverse workplace

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 for our management group is shown on page 55 and our entire team is shown on page 5. Our 795 strong team is 49% male and 51% female.

Reflecting the longevity of Skellerup is the tenure of employees. During FY24, we had 23 employees celebrate working anniversaries of greater than 20 years, bringing the total to 86 employees. The longest of these at Wigram reached 55 years' service in May 2024.

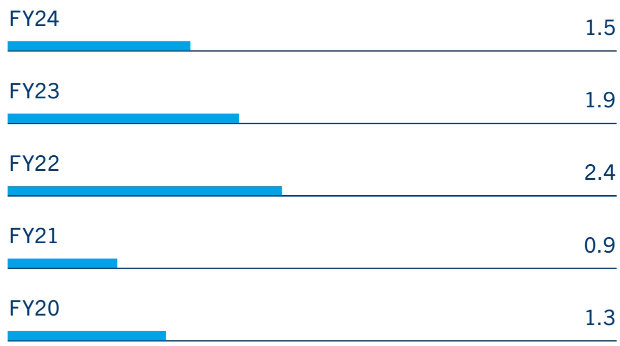
Cyber security

We complete an annual cyber security risk assessment of all businesses within the Skellerup Group to ensure our platforms and security is at the required standard and, where there is a gap, implement a remediation plan to eliminate that gap. We also provide regular online cyber security training, supplemented by periodic internal audits to make sure our control environment is working effectively and identify where improvements are needed.

Our team

Our team works with skill and tenacity to continue to improve our business to deliver high-performing and quality products for our customers and excellent returns for shareholders. We are proud of the skill, commitment and adaptability our people bring and are excited about the opportunities available to us in the future.

Total injury rate (%)



FINANCIAL COMMENTARY

For the year ended 30 June 2024 (FY24), earnings before interest and tax (EBIT) grew one per cent to a record $72.7 million.

This was driven by a nine per cent improvement in EBIT for our Industrial Division, offset by a 10 per cent reduction in our Agri Division's EBIT. Increased finance costs resulting from higher market interest rates and a rise in the effective tax rate eroded gains, with normalised net profit after tax (NPAT) of $50.0 million, down two per cent on the record result in FY23.

Divisional performance in FY24 was mixed. Our Industrial Division successfully grew revenue and earnings, with growth in sales of new and enhanced products into potable and wastewater and health and hygiene applications more than offsetting a slowdown in markets for our high-performance marine foam and a depressed construction market in Australia. Our Agri Division was impacted by international customers managing down their overstocked inventories in the first half of FY24 and, in the second half, the effect of a later start to dairy maintenance season in New Zealand.

The growth in EBIT, together with careful management of working capital, meant that we achieved a record operating cash flow of $70.8 million, up 31 per cent on the prior corresponding period (pcp). Net debt closed at $15.4 million, down $11.5 million on June 2023.

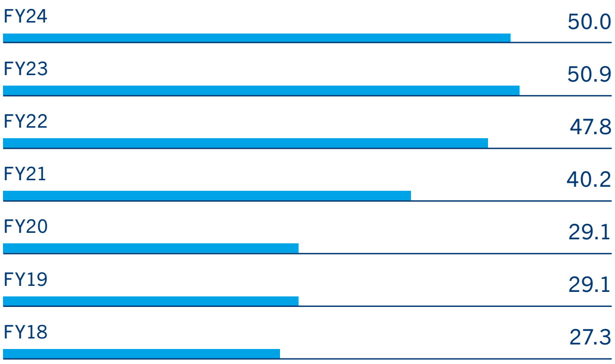
Our financial position remains very strong, enabling a focus on delivering sustainable growth in financial returns for our shareholders and opportunities for our employees. Judicious capital allocation has seen $9.4 million invested during FY24. We have made strategic investments into identified growth areas such as liquid silicone rubber and in-market manufacturing capabilities and have continued to increase our investments in product and process development.

> Skellerup's financial position remains robust due to strong management of working capital and critical evaluation of capital investment decisions

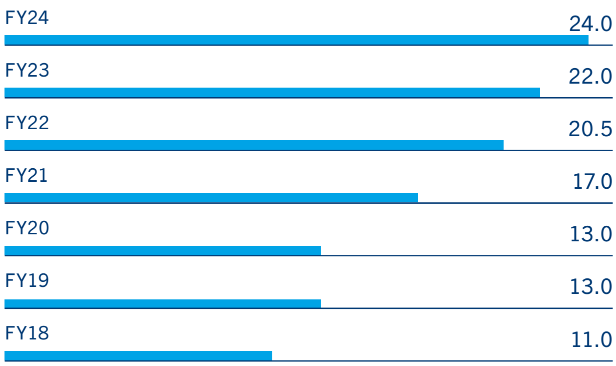
FY24 Group Earnings and Dividends

The FY24 audited NPAT of $46.9 million, including the non-recurring non-cash tax impact of removing tax depreciation on commercial and industrial buildings in New Zealand, was down eight per cent on the pcp. The legislative change to remove tax depreciation deductions on owned buildings required the recognition of a deferred tax liability of $3.1 million at 30 June 2024.

Underlying Net Profit After Tax ($m)



Dividend Declared (cents per share)



1 Gross yield is determined by comparing the FY24 gross distribution (dividends paid and declared, plus imputation credits at 50% imputation) of 28.7 cents per share, with the closing share price of $3.76 on 30 June 2024.

Underlying NPAT of $50.0 million was down two per cent on the pcp. Despite recording a seventh consecutive record EBIT of $72.7 million, increased interest rates and a higher effective tax rate for FY24 meant that the Group's after-tax earnings fell marginally below the record result reported in FY23. A gross dividend pay-out of 24.0 cents per share (50 per cent imputed) is up nine per cent on the pcp and reflects the Group's ongoing robust financial results and cash flow position.

The FY24 gross dividend pay-out declared is up 2.0 cents per share on the pcp and represents a gross yield[1] of 7.6 per cent for shareholders.

We segment and measure our performance by two divisions – Industrial and Agri.

Industrial Division

Our Industrial Division's sales were another record of $226.2 million, up four per cent on the pcp. EBIT was $46.9 million – a fourth consecutive record and up nine per cent on FY23. Pleasingly, EBIT as a percentage of sales rose above 20 per cent for the first time.

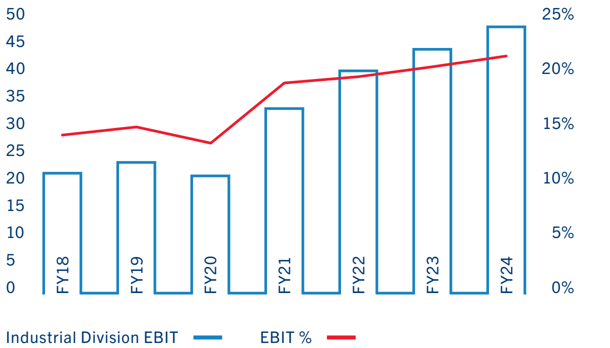
Our Industrial Division generates more than 85 per cent of its revenue from international markets. FY24 sales revenue growth of four per cent was slower than in recent years and reflects challenging market conditions.

Strong revenue growth was realised from increasing sales of vacuum systems used in wastewater applications (most notably in the USA) and of products used in health and hygiene applications, a key market for the Division. Continued growth in sales of roof flashing products in the USA and UK, particularly for solar energy installations, aided the result. Partially offsetting these improvements were lower sales into high-performance marine foam applications where market weakness and customer overstocking in the USA and Europe impacted demand. The softer construction market impacted on sales of roofing and plumbing products too, especially in Australia.

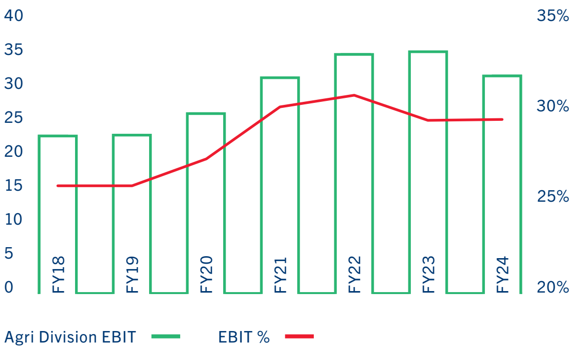
The revenue growth translated to nine per cent growth in EBIT in FY24 and a record EBIT for the Industrial Division of $46.9 million as sales of new and enhanced products and operational gains helped improve gross margins from 39 per cent to 41 per cent.

In FY24, we have made investments into key strategic growth areas including a medical-grade cleanroom at our liquid silicone rubber manufacturing facility in the USA, investments into new injection presses and automation (cobots) and an upgrade of our capabilities at our product development centre in Auckland.

Industrial Division EBIT ($m)



Agri Division EBIT ($m)



We continue to work closely with customers to apply our deep expertise in material science to design and manufacture products that combine multiple materials such as rubber, engineered plastic and metals to perform in a wide variety of critical and high-performance applications. The broad range of applications we serve is a strength of our Industrial Division, enabling us to leverage our expertise and not be singularly exposed to changes in demand from any one sector.

Agri Division

Sales for our Agri Division were $105.3 million, down 10 per cent on FY23. EBIT was $30.7 million, down 10 per cent on the record result achieved in the pcp.

Our Agri Division is a world leader in the design and manufacture of essential consumables for the global dairy industry and the design and manufacture of rubber footwear for farming and other speciality applications including electricity, fire and forestry.

As the COVID- and supply-chain-related disruptions of the preceding two years abated, OEM export customers reduced inventory levels in the first half of FY24, impacting the Agri Division's revenue. As expected, the second half saw a return to more normal ordering patterns but a later drying off of the New Zealand dairy herd caused a deferral of some sales from the fourth quarter of FY24 into the first quarter of FY25. Sales of our Red Band and speciality footwear products were strong in the first half of FY24 but were impacted by tougher economic and benign weather conditions in the second half. Collectively, this caused the Division's revenue to fall below the record FY23 result.

Productivity gains helped offset the impact of lower production and tight control of overheads resulted in a slight improvement in EBIT as a percentage of revenue. Hedging arrangements somewhat neutralised the benefit of lower spot-currency exchange rates, with the overall impact being a decrease in EBIT of 10 per cent against the pcp.

Our future focus for the Agri Division is on the development of innovative products and new markets for our dairy rubberware. We continued investments in internal engineering, product and process development capability to ensure we retain our technical and product leadership position and in advanced design and equipment capacity to improve the efficiency and adaptability of manufacturing for the future. The Footwear business remains strong, with a focus on key customer relationships, product innovation and new markets expected to deliver earnings growth.

Corporate

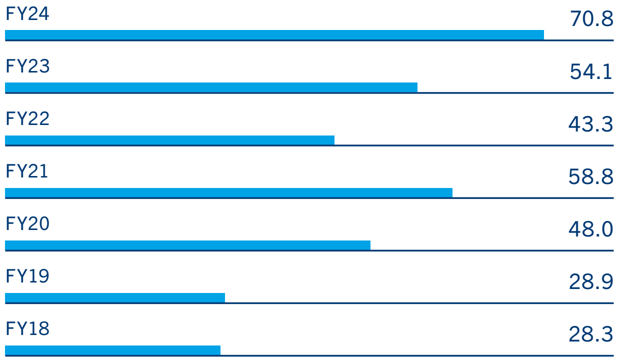
Corporate costs remain well contained and were down $0.4 million on the pcp.

FY24 Financial Position

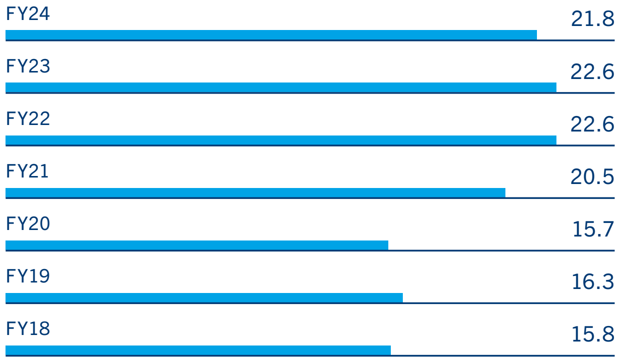
Skellerup's financial position remains robust due to strong management of working capital and critical evaluation of capital investment decisions. Record operating cash flows and low levels of debt provide us with the opportunity to invest in growth and improvement initiatives. Our focus is on the appropriate allocation of capital (both financial and human) to deliver ongoing excellent returns on shareholders' funds.

Actions taken to manage our inventory levels have resulted in a reduction in the value of inventory on hand over FY24 of $3.3 million. At the close of FY24 inventory stood at $71.6 million, down four per cent on the $74.9 million held at June 2023. Our teams continue to navigate challenging markets and supply chains effectively. New products being launched in future will necessarily require investments in working capital, which will be carefully evaluated to minimise risk.

Operating Cash Flow ($m)



Normalised Return on Net Assets* (%)



*For FY24, calculated as underlying NPAT, divided by net assets.

Receivables are managed with great care as well. Trade receivables closed at $51.2 million on 30 June 2024, up four per cent on the pcp. This increase was largely a result of the timing of sales, with receivables tracking below the prior year for the majority of FY24. A strong focus on collections, fairer payment terms, simpler electronic payment options for customers and discount structures for prompt payment all contributed to solid collections. At the close of FY24, receivables represented 48 days of sales outstanding, in line with the pcp.

This working capital discipline and lower cash tax payments resulted in a record operating cash flow of $70.8 million in FY24, up 31 per cent on the pcp. The strong operating cash flow funded payments for right-of-use asset lease obligations of $6.3 million, capital expenditure of $9.4 million, dividends to shareholders of $44.1 million and repayments of borrowings of $10.3 million.

Net debt remains low at $15.4 million, $11.5 million below pcp and represents just five per cent of total assets, enabling Skellerup to continue investing towards profitable growth for the future.

Seven-Year Financial Review

The table below shows the financial results and position of the Skellerup Group for each of the last seven years. Over this period, revenue has grown by 38 per cent, underlying NPAT has increased by 83 per cent and our operating cash flow is 150 per cent higher than that reported in FY18. Normalised return on net assets has increased by 38 per cent. The sustained earnings growth has enabled a rise in the gross dividend pay-out (excluding imputation credits) of 118 per cent over the same period.

Period Ending	FY24 $000	FY23 $000	FY22 $000	FY21 $000	FY20 $000	FY19 $000	FY18 $000
Total Revenue	**330,578**	333,537	316,829	279,515	251,389	245,792	240,408
EBIT	**72,688**	71,659	66,760	56,361	42,486	41,798	39,781
Finance Costs	**4,939**	4,594	2,249	2,081	2,582	1,785	1,863
Share of net profit of associates	**-**	(78)	(224)	(35)	(73)	23	-
Profit before tax	**67,749**	66,987	64,287	54,245	39,831	40,036	37,918
Tax before abnormal tax item	**17,735**	16,046	16,474	14,070	10,767	10,973	10,641
Net profit before abnormal tax item	**50,014**	50,941	47,813	40,175	29,064	29,063	27,277
Income tax expense relating to building depreciation	**3,121**	-	-	-	-	-	-
Net profit after tax	**46,893**	50,941	47,813	40,175	29,064	29,063	27,277
EPS before abnormal tax item (cents)	***25.5***	*26.0*	*24.5*	*20.6*	*14.9*	*15.0*	*14.1*
EPS (cents)	***23.9***	*26.0*	*24.5*	*20.6*	*14.9*	*15.0*	*14.1*
Dividend per share (cents)	***24.0***	*22.0*	*20.5*	*17.0*	*13.0*	*13.0*	11.0
Operating cash flow	**70,810**	54,114	43,322	58,796	48,006	28,920	28,345
Net debt	**15,371**	26,830	25,204	8,736	28,513	36,576	30,719
Total assets	**335,127**	342,977	336,644	284,874	283,642	257,059	252,025
Total liabilities	**105,634**	117,541	125,436	88,725	99,079	78,667	79,739
Net assets	**229,493**	225,436	211,208	196,149	184,563	178,392	172,286
Normalised return on net assets[1]	**21.8%**	22.6%	22.6%	20.5%	15.7%	16.3%	15.8%
Return on net assets[2]	**20.4%**	22.6%	22.6%	20.5%	15.7%	16.3%	15.8%
Net Tangible Assets per Share (cents)	**84.0**	81.2	75.9	70.0	65.3	65.1	64.7
Global Team	**795**	807	869	813	798	796	780

1 Calculated as Net Profit before abnormal tax item divided by Net Assets
2 Calculated as Earnings (NPAT) divided by Net Assets

GROUP CLIMATE STATEMENTS

We recognise that the effects of climate change will impact where and how Skellerup will invest for future growth and how we will ensure the safety of our people and operations to continue to deliver to our customers.

DEKS' SolarDEK™ TitleFlash® is used in solar applications across the globe

> The global transition to a low-emissions, climate-resilient future will present both risks and opportunities for the Group

We also understand that the global transition to a low-emissions, climate-resilient future will present both risks and opportunities for the Group over the short, medium and long term. A detailed understanding of the current and future impacts of climate change is necessary to ensure appropriate adaptation to, or acceleration of, strategies to appropriately mitigate climate risks and capitalise on the opportunities arising from climate change.

The External Reporting Board (XRB) has established a mandatory Climate-related Disclosure regime in New Zealand through the issue of the Aotearoa New Zealand Climate Standards (NZ CS). Skellerup, as an NZX-listed entity, is classified as a climate reporting entity and is required to report under the mandatory climate-related disclosures framework in Part 7A of the Financial Markets Conduct Act 2013, which came into effect on 01 January 2023.

The NZ CS require reporting under the four pillars described below:

Governance	The role of the Board of Directors in overseeing Skellerup's climate-related risks and opportunities, and the role management plays in assessing and managing those climate-related risks and opportunities.
Strategy	How climate change is currently impacting Skellerup and how it might do so in the future. This includes scenario analysis undertaken by Skellerup, identified climate-related risks and opportunities, anticipated impacts, and how Skellerup will position itself as the global economy transitions towards a low-emissions, climate-resilient future.
Risk Management	How Skellerup identifies, assesses and manages climate-related risks and how these processes are integrated into existing risk management processes within the Group.
Metrics and Targets	Disclosures of information on how climate-related risks and opportunities are measured and managed.

Statement of Compliance

FY24 is Skellerup's first reporting period under the Climate-related Disclosures regime. These disclosures are prepared in compliance with the NZ CS. Where necessary, allowable adoption provisions have been applied to ensure compliance with the NZ CS. The Group (as defined in the Glossary on page 48) has relied on the following adoption provisions in preparing its first climate-related disclosures:

Adoption Provision 1: Current Financial Impacts	Exemption from the requirements to disclose the current financial impacts of its physical and transition impacts and (if relevant) explain why quantitative information cannot be disclosed.
Adoption Provision 2: Anticipated Financial Impacts	Exemption from the requirements to disclose the anticipated financial impacts of climate-related risks and opportunities, a description of the time horizons over which the financial impacts could reasonably be expected to occur and (if relevant) an explanation as to why quantitative information cannot be disclosed.
Adoption Provision 3: Transition Planning	Exemption from the requirements to disclose the transition plan aspects of the Group's strategy, including how its business model and strategy might change to address its climate-related risks and opportunities, and how the transition plan aspects of its strategy are aligned with its internal capital allocation processes. Skellerup has described the Group's progress towards developing the transition plan aspects of its strategy on page 43.
Adoption Provision 4: Scope 3 GHG Emissions	Exemption from the requirements to disclose all scope 3 greenhouse gas (GHG) emissions sources, or a selected subset of the Group's scope 3 GHG emissions sources. Skellerup has disclosed a subset of our scope 3 GHG emissions sources, electing not to disclose immaterial sources as set out on page 48.
Adoption Provision 6: Comparatives for Metrics	Exemption from the requirements to disclose comparative information for each metric disclosed in the current reporting period. Skellerup has provided comparative data for disclosed scope 1 and 2 GHG emissions but not for other metrics.
Adoption Provision 7: Analysis of Trends	Exemption from the requirements to disclose an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period. Skellerup has disclosed trends for our scope 1 and 2 GHG emissions but not for other disclosed metrics.

Disclaimer

Climate change is an evolving challenge, with high levels of uncertainty. This report sets out Skellerup's approach to scenario analysis, our understanding of and response to our climate-related risks and opportunities, and our current and anticipated impacts of climate change. This reflects Skellerup's current understanding as at 15 August 2024.

These climate-related disclosures contain forward-looking statements, including climate-related scenarios, targets, assumptions, projections, forecasts, statements of Skellerup's future intentions, estimates and judgements. These statements are based on current expectations, estimates and assumptions and are therefore subject to significant uncertainties. The risks and opportunities described here might not eventuate or might be more or less significant than anticipated. Many factors could cause Skellerup's actual results, performance or achievement of climate-related metrics (including targets) to differ materially from those described, including economic and technological viability, as well as climatic, government, consumer, supplier and market factors outside of our control. We have sought to ensure there is a reasonable basis for forward-looking statements and are committed to progressing our response to climate-related risks and opportunities over time; however, our assessment is necessarily constrained by the novel and developing nature of this subject matter. We therefore caution reliance on aspects of this report that are necessarily less reliable than other aspects of our annual reporting. We remain committed to progressing our response to climate-related risks and opportunities over time, and to report our progress each year.

To the maximum extent permitted by law, Skellerup and our subsidiaries, directors, officers, employees and contractors shall not be liable for any loss or damage arising in any way from or in connection with any information provided or omitted as part of these climate-related disclosures.

Nothing in this report should be interpreted as capital growth, earnings or any other legal, financial, tax or other advice or guidance.

Governance

The Group operates as a global designer, manufacturer and distributor of precision-engineered products. Skellerup has manufacturing and distribution facilities in six countries spanning four continents. The Group operates as a collection of closely aligned business units, with management and resources close to our customers and end markets. The Group supplies customers in a wide range of end markets, focussing on delivering innovative, new and enhanced products.

Skellerup supplies over 3,900 customers globally across 80 countries. The Group operates across 18 locations, representing a combination of manufacturing and distribution sites and has a significant contract manufacturing partner in Vietnam.

Skellerup's Board of Directors has ultimate responsibility for the Group's approach to climate change, including the approach to climate-related risks and opportunities affecting the Group.

Membership of each of the Board committees is summarised on page 57.

Responsibilities for the oversight and management of the Group's approach to climate change are summarised below:

Governance process and frequency

The Board oversees and reviews Skellerup's sustainability framework and strategy, including climate-related risks and opportunities. Climate-related risks and opportunities are considered by the Board when evaluating broader strategy, including as part of Skellerup's annual business planning cycle.

Risk is a regular subject of discussions at Board meetings. Formal updates and reporting on the Group's risk assessment are presented to the Board approximately every six months. Where any new or changed climate risks are identified outside of the annual review cycle, these will be reviewed, considered and reported to the Board and the Sustainability Committee, as appropriate.

CLIMATE CHANGE OVERSIGHT AND MANAGEMENT

Board of Directors

Ultimate responsibility for response to climate change

Sustainability Committee

The Sustainability Committee receives reporting from the CEO and CFO on climate matters at each of its quarterly meetings and did so at each quarterly meeting in FY24

Audit Committee

The Audit Committee receives reporting from the CEO and CFO on climate matters at each of its quarterly meetings, as required, including an annual review of CRD

Management

The **CEO** is responsible for the Group's overall strategy and day-to-day management (including climate-related risks and opportunities as appropriate).

The **CEO** reports to the Board and/or Board Committees as required, including a formal risk report to the Board (including climate risks).

The **CFO** leads the Group's ESG strategy and development (together with the CEO) and is responsible for the management of operational climate-related matters, implementation of strategy to manage climate-related risks and implementation of workstreams arising from climate-related opportunities.

The **CFO** reports to the **CEO** regularly, as required, on climate-related matters.

Key risks (including any material climate-related risks) are monitored by the Board and are subject to formal review at least twice per year. Risks are identified and reported by management to the Board.

The Board has delegated responsibility for sustainability-related (including climate) strategy, policies, initiatives, measurement and reporting to the Board Sustainability Committee, including oversight of identifying, assessing, monitoring and managing climate-related risks and opportunities. In future, the Sustainability Committee will have a role in considering, approving and recommending targets to the Board, including GHG emissions reduction targets. The Sustainability Committee formally reviews climate-change scenarios and climate-related risks and opportunities at least annually.

The Sustainability Committee meets at least four times per year. All Sustainability Committee proceedings are reported back to the Board.

The Board is assisted by the Audit Committee with discharging its responsibilities relative to external reporting (including climate-related disclosures), the risk management framework and monitoring compliance with that framework, regulatory conformance and other accounting requirements. The Audit Committee meets a minimum of four times each year and reports the proceedings of each of its meetings to the full Board. The Chair of the Committee presents an annual report to the Board summarising the Committee's activities throughout the year and any relevant significant results and findings.

Board skillset

The Board aims to ensure appropriate skills and capabilities are available to provide oversight of climate-related risks and opportunities through the maintenance of a skills matrix, which includes competencies around environmental, social and governance (ESG) strategies (refer to pages 50 to 51). To support the Board and help to ensure that the right skills and experience are available, Skellerup's Board undertook a dedicated training session on climate-related disclosures in FY24 facilitated by external advisors, building on broader development Skellerup directors undertake through their own continuing professional development.

Management's role

Management is responsible for monitoring sustainability and climate-related risks and ensuring these are integrated into the Group's risk management framework, as well as progressing climate-related opportunities.

The CEO is responsible for the Group's overall strategy and day-to-day management of the Group, including risk management processes (which incorporate climate-related risks and opportunities).

The CFO leads the Group's ESG strategy and development in conjunction with the CEO, and is responsible for the day-to-day management of:

- ESG data and analysis;
- Sustainability initiatives (in conjunction with the CEO); and
- ESG reporting (including climate-related reporting).

In FY24, the CFO, with the support of external advisers, led wider engagement with business unit leaders across the Group to identify, assess and manage climate-related risks and opportunities. Where material, climate-related risks are incorporated into the Group-wide risk management process, which is overseen by the Board of Directors.

The CEO and CFO attend each meeting of the Audit Committee and Sustainability Committee and maintain direct lines of communication with the Committee Chairs.

In FY24, the CEO and CFO attended each of the quarterly meetings of the Sustainability Committee to discuss the management of climate-related risks, Skellerup's climate-related risk assessments, and to prepare for climate-related disclosures. In FY24, the Audit Committee discussed climate-related risk at two of its quarterly meetings, attended by the CEO and CFO.

The CFO is supported by the Group Financial Controller and by subsidiary managers in the preparation of annual climate-related disclosures and collation and reporting of GHG emissions.

Climate-related performance metrics are not incorporated into remuneration policies.

Strategy

Current climate-related impacts

We acknowledge that climate change is already having an impact on the markets in which the Group operates. As an international business with operations on four continents and customers in 80 countries, the Group has been exposed to various physical impacts of climate change during FY24. The Group has not experienced any material impacts from climate change during FY24. Regular reporting of physical impacts of climate change is provided by Divisional, Group and business unit leaders.

The current impacts on the Group of the transition to a lower-emission and climate-resilient economy have been limited. Additional cost associated with compliance with the mandatory disclosure requirements has been incurred including the employment of new staff with relevant skills and experience, engaging external experts and the increased cost of assurance. The financial impact of these transition impacts has not been material in FY24.

The Group has noted an increase in the number of requests from customers around reporting ESG initiatives and performance. More and more, we are required to make commitments to suppliers, provide information to third-party platforms and agree to comply with supplier codes of conduct. Although this has had no material impact on the Group in FY24, non-compliance with progressively more stringent customer requirements might present a risk in future. This is captured within the Group's transition risks on pages 40 to 41.

Scenario Analysis

Scenario analysis undertaken

The Group has engaged in a stand-alone process of climate-related scenario analysis to support our assessment of the potential physical and transitional impacts of climate change on business, strategy and planning. The Sustainability Committee provides oversight of the scenario analysis process by reviewing and giving feedback on the scenarios and associated risks and opportunities. The most recent scenario analysis was approved by the Sustainability Committee on 08 December 2023.

Due to the diverse nature of our operations and the varying markets served by the Group, Skellerup has not been involved in any industry- or sector-level scenario development. Accordingly, our scenario analysis is based on publicly available scenarios including the Shared Socioeconomic Pathways (SSPs) developed as part of the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, with input from scenarios developed by the Network for Greening the Financial System (NGFS) and the International Energy Agency (IEA) public scenarios. The IPCC is a body of the United Nations. Its remit is to advance scientific knowledge about climate change caused by human activities. The IPCC has created reference scenarios that are widely used to understand the potential future impacts of climate change. The NGFS is a network of 114 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role in climate change. The IEA is an autonomous intergovernmental organisation that works with countries around the world to shape energy policies for a secure and sustainable future. The IEA has created reference scenarios that focus on future energy usage.

Given the nature of the Group, its extensive and broad value chain and end markets, the approach taken was to utilise and adapt global reference scenarios by developing foundational scenario narratives, augmenting these scenarios through understanding the Group's contextual environment and challenging these against the value chain drivers mapped for each of the Group's key product applications. Our chosen scenarios were foundationally based on the IPCC reference scenarios. Further information on our scenario development process is included below.

The NZ CS require a minimum of three climate-related scenarios to be considered including a 1.5°C scenario and a scenario greater than 3.0°C. The three scenarios developed by Skellerup are a 1.5°C scenario ("Aggressive Transition Ambition"), a 2.5°C scenario ("Middle of the Road") and a 4.0°C scenario ("Hothouse").

The Aggressive Transition Ambition and Hothouse scenarios are in line with the mandated scenarios contained in the NZ CS. They represent a transitional risk-weighted scenario (Aggressive Transition Ambition) and an extreme physical risk-weighted scenario (Hothouse). The Middle of the Road scenario fulfils the requirement for a third climate-related scenario and presents a middle ground where transition and physical risks are both elevated. All three scenarios present plausible, challenging descriptions of how the future might unfold, both in New Zealand and in the global markets in which the Group operates. However, each scenario presents a different set of challenges, issues and opportunities that the Group would have to navigate.

Scenario development process

1. Initial scenario narratives were developed utilising the SSPs, IEA and NGFS public scenarios. These scenarios were used to identify and agree on the macro-defining elements comprising each of the three selected scenarios.
2. Drivers relating to Skellerup's contextual environment were then developed, considering those drivers relating to policy and legal, market, technology and consumer sentiment in the Group's key markets.
3. Initial scenarios were refined through workshops involving senior management and subject-matter experts covering the Group's five most material (key) product applications (refer to page 44).
4. A final review of scenarios was completed by management to ensure internal consistency before presentation to and final approval of the scenarios by the Sustainability Committee.

CLIMATE-RELATED SCENARIO OVERVIEW

An overview of each of our climate-related scenarios[1] is set out below.

	Aggressive Transition Ambition	Middle of the Road	Hothouse
	In this scenario, the world pursues aggressive emissions reductions, and this succeeds in limiting global temperature increases to 1.5°C, with global net zero emissions being achieved by 2050. This scenario envisions a relatively optimistic trend for human development, with substantial investments in education and health, rapid economic growth, and well-functioning institutions, driven by an increasing shift towards sustainability.	In this scenario, New Zealand and most of the developed world continue to pursue net zero targets by 2050. However, the rest of the developing world does not follow suit, leading to a rise in global temperatures between 2.0°C and 3.0°C by the end of the century.	Global emissions continue to grow unabated largely due to a failure of principal emissions-reduction policies in key developed, high-emitting countries. This leads to warming levels that reach 2.0°C by 2050, and continue to increase steeply thereafter, reaching 4.0°C by the end of the century. Climate 'chaos' enters mainstream discourse, across all sectors and communities.
Policy Ambition	1.5°C	2.5°C	4.0°C
Pathways	SSP1 RCP2.6	SSP2 RCP4.5	SSP3 RCP7.0
Policy	Immediate, strong and global policy uniformity, carbon prices increasing until 2035	Delayed and inconsistent policy adoption, increasing carbon prices until 2035 and beyond	Policy focus shifts to adaptation, supply chain and resource security and managing disruptions, low carbon prices
Social Behaviour Change	Customers and markets demand action, shift to localised supply chains	Response varies by market, increasing focus on product and supply chain security	Sentiment focused on product and supply chain resilience
Technology	Accelerated technological development in new low-carbon technology	Development varies across sectors and geographies	Slow pace of change
Financial Markets	Economic growth, significant capital flows to low-carbon sectors	Access to finance is limited and cost-restrictive	Insurance is unavailable, capital markets constrained
Population Growth	Low	Moderate	High
Physical Risk Severity	Low - Moderate	Moderate - High	High - Extreme
Transition Risk Severity	Moderate - High	High	Low

1 These scenarios did not expressly consider carbon sequestration from afforestation and nature-based solutions or technology assumptions such as negative emissions technology.

Planned future scenario review

Skellerup will continue to refine our identified climate-related scenarios during FY25, which will include a comprehensive review and approval process. We will monitor market and sector scenario development to augment our understanding on an ongoing basis.

Climate-Related Risks and Opportunities

Physical Risk Exposure and Analysis

Physical risks are defined in NZ CS 1 as those risks related to the physical impacts of climate change. Physical risks emanating from climate change can be event-driven (acute), such as increased severity of extreme weather events, or can relate to longer-term shifts (chronic) in precipitation and temperature and increased variability of weather patterns, such as sea-level rise.

Skellerup has manufacturing and distribution sites in locations across the globe. Skellerup considers that the geographical diversity of its site locations contributes to the Group's resilience because no singular climatic event is reasonably expected to impact more than one of the Group's key sites. In FY24, detailed geospatial exposure assessments[2] were carried out by a specialist in physical climate risk modelling on our six key manufacturing sites (as outlined below), in relation to our core product applications. The assessments covered baseline (2005), short-term (2030), medium-term (2050) and long-term (2100) timeframes.

The sites identified, as listed below, are all managed by the Group except for the site in Ho Chi Minh City, which is owned and operated by our partner.

- Christchurch, New Zealand;
- Baocheng, Haimen City, Jiangsu Province, PR China;
- Ho Chi Minh City, Vietnam;
- Auckland, New Zealand (two sites); and
- Lincoln, Nebraska, United States of America.

Key climate-related hazards have been identified, evaluated and rated, to the extent relevant for each site. These hazards are evaluated on the baseline, short-, medium- and long-term time horizons and for the three climate-related scenarios outlined on page 35. We have reviewed the risk scores arising from these assessments to determine the requirement and timing of mitigation plans and actions. Skellerup is still working to integrate our consideration of climate-related risks and opportunities, alongside broader sustainability considerations, into our internal capital deployment processes.

We anticipate such consideration will form part of annual business planning processes and will be evaluated as part of internal capital expenditure approval processes.

Transition Risk Exposure and Analysis

Transition risks are those risks related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.

To identify potential material transition risks affecting the Group, a qualitative assessment was performed against the three scenarios outlined on page 35 to identify possible climate hazards. Given the nature of the transition risk assessments driven by the scenarios and for simplicity, it has been assumed for our assessment this year that exposure to an identified transition risk will be a certainty (as opposed to physical risks, where different assets are exposed to different physical risks).

Risk and Opportunity Identification and Assessment

Drawing on the results of the physical and transition exposure assessments, we have defined climate-related risks and opportunities for each of our key product applications (as defined on page 44). Risks are then assessed across our three climate scenarios for the short-term (2030), medium-term (2050) and long-term (2100) time horizons using the Group's existing risk management framework and based on consequence and vulnerability:

- In the context of climate change, we have considered vulnerability to be the predisposition to be adversely affected by a climate hazard or transition element. To determine the level of vulnerability, we consider the sensitivity and the adaptive capacity of each element, such as inputs, processes, outputs, markets and customers, when exposed to a hazard or transition element. Sensitivity can be influenced by age, condition, material and design. Adaptive capacity is how efficiently an at-risk element can adapt or be adapted when exposed to a climate hazard or transition element. Adaptive capacity can be influenced by multiple factors such as ease or cost of repair or the level of redundancy.
- Consequence is the outcome of a climate event affecting the Group's objectives. This is assessed based on the severity of potential financial, health and safety, staff, legislative and reputational impacts.

2 Reports include environmental, chronic (slow onset) and acute (extreme) climatic variables. Future climate change scenarios are modelled in accordance with the Group's chosen baseline climate-change scenarios (i.e. SSP1-RCP2.6, SSP2-RCP4.5 and SSP3-RCP7.0).

Climate Risk Matrix

Consequence \ Vulnerability	Very Low VL	Low L	Moderate M	High H	Extreme E
Severe 5	VL5	L5	M5	H5	E5
Significant 4	VL4	L4	M4	H4	E4
Moderate 3	VL3	L3	M3	H3	E3
Minor 2	VL2	L2	M2	H2	E2
Low 1	VL1	L1	M1	H1	E1

The residual risk rating is based on consequence and vulnerability as outlined within the matrix above:

The tables on pages 38 to 41 set out the material[3] climate-related risks and opportunities identified by the Group. To determine the potential impact, these risks and opportunities were assessed against the internal materiality thresholds applied by the Group in its Group-wide risk management process. Immaterial risks and opportunities, being those with a present risk rating of low (or very low), have not been disclosed unless our assessments have indicated a high or extreme impact of physical or transition risks in future. Material and immaterial risks and opportunities will continue to be monitored and will be included in disclosures in future reflecting changes in materiality and risk rating. The time horizons used to assess climate-related risks and opportunities are:

	Period	Dates
Short-term	0 to 5 years	2024 to 2030
Medium-term	5 to 25 years	2030 to 2050
Long-term	25 to 75 years	2050 to 2100

The short-term time horizon aligns well with the Group's internal planning cycle of three years. Medium- and long-term horizons are not aligned to strategic planning and capital deployment planning timeframes, but more broadly in line with the Group's anticipated timeframes for meeting climate-change targets.

3 NZ CS 3 defines information as material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of an entity's climate-related disclosures.

Risk Ratings and Anticipated Impacts For Climate-related Risks Across Identified Scenarios

LEGEND

Risk Rating:[4,5]

Very Low · Low · Moderate · High · Extreme

Time Horizon:

ST Short-term · MT Medium-term · LT Long-term

Physical Risks (Acute and Chronic)

Risk Description and Anticipated Impacts	Climate Hazard	Aggressive Transition Ambition (SSP1-RCP2.6)	Middle of the Road (SSP2-RCP4.5)	Hothouse (SSP3-RCP7.0)	Mitigations Currently in Place
Extreme weather can disrupt the operations of key suppliers either through physical impacts or result from power supply interruption, causing an interruption of the supply of key raw materials and ingredients. *Revenue decrease, cost increase*	Drought, Floods, Temperature, Humidity, Wind	ST MT LT	ST MT LT	ST MT LT	Multiple suppliers for key raw materials and components, sourced from different geographies. Multiple formulations for key compounds. Skellerup has not experienced climate-related impacts on the availability of key raw materials to date, however, supply may become constrained in future.
Heat and humidity can disrupt manufacturing operations either through physical impacts on the production process, power outages or impacts on the health and safety of our people. *Revenue decrease, cost increase*	Temperature, Humidity	ST MT LT	ST MT LT	ST MT LT	Manufacturing sites are in diverse locations. Skellerup's physical risk modelling shows resilience in the location of key manufacturing sites. Skellerup is undertaking ongoing investigations of alternative power sources. The impacts of heat and humidity on staff working in the Group's facilities are currently managed through the use of cooling equipment and by changing shift patterns.
As a global business, the disruptions that extreme weather causes to supply chains (road, rail, sea) may be significant, impacting both supplies of raw materials and ingredients and delivery of products to end markets. *Revenue decrease, cost increase*	Floods, Temperature, Wind	ST MT LT	ST MT LT	ST MT LT	Manufacturing sites are in diverse locations and resilient geographies; suppliers and customers are geographically spread. Engagement in initial in-market manufacturing capabilities with plans to further develop which may alleviate some of this risk.

4 Risk ratings reflect the Group's assessment of both consequence and vulnerability of the specific risk.

5 No climate risks presented in the table above have an extreme risk rating (noting Group risks with risk ratings of low and very low are considered immaterial and not presented).

Physical Risks (Acute and Chronic) (continued)

Risk Description and Anticipated Impacts	Climate Hazard	Aggressive Transition Ambition (SSP1-RCP2.6)	Middle of the Road (SSP2-RCP4.5)	Hothouse (SSP3-RCP7.0)	Mitigations Currently in Place
A third of Group revenue is derived from products sold into agricultural applications. Extreme weather may result in a shift of farming location and change to the method (e.g. pastoral to barn) and in some cases increased costs will impact the viability of some farming operations altogether, impacting on demand for products. *Revenue decrease*	Drought, Floods, Temperature	ST MT LT	ST MT LT	ST MT LT	The Group has no control over the location of farming activities or the methods applied. The key driver of demand for products is milk production; therefore, sales are location (and to some extent method) agnostic. However, changes in the viability of farming operations may impact overall milk volume and consequently the volume of products sold. Skellerup has a presence in most major dairy markets which helps to mitigate the risk of reduction in milk production in any one market.
Extreme weather (particularly flooding and sea-level rise) may impact customer and end-market operations, with resultant impacts on the demand for the Group's products. *Revenue decrease*	Floods, Sea Level Rise	ST MT LT	ST MT LT	ST MT LT	The Group has no control over the location of customer operations. However, the Group sells to a large number of customers, none of which represent a material portion of Group revenue. As a large proportion of Group revenue is derived from products used in the supply of fresh milk and water, Skellerup anticipates end markets will continue to adapt to meet increasing world demand for fresh water and dairy protein.

Transition Risks

Risk Description and Anticipated Impacts	Transition Risk Element	Aggressive Transition (SSP1-RCP2.6)	Middle of the Road (SSP2-RCP4.5)	Hothouse (SSP3-RCP7.0)	Mitigations Currently in Place
Policy changes such as tariffs, carbon prices and carbon import duties to favour domestically produced products, creating additional cost for the Group and potential exclusion from certain end international markets. *Revenue decrease, cost increase*	Policy and legal	ST MT LT	ST MT LT	ST MT LT	Actions are already being taken to trial and prove in-market manufacturing capabilities. Skellerup is expanding distribution activities closer to end customers and markets and will need to ensure ongoing customer engagement to understand future requirements and concerns.
Risk that emissions pricing and associated costs drive up freight costs, which may not be fully recoverable due to the competitive environment. *Cost increase*	Policy and legal	ST MT LT	ST MT LT	ST MT LT	
Global dairy industry shrinks due to emission price increases and shrinkage of land suitable to farming as substitution for lower-carbon industries (e.g. cropping, forestry etc.) and the move to alternative 'greener' sources of protein. *Revenue decrease*	Policy and legal	ST MT LT	ST MT LT	ST MT LT	High global demand for protein means Skellerup expects demand will remain but may shift to economies or methods of production with higher environmental performance standards. Customer engagement continues to enable understanding and implementation of development requirements.
Risk of restricted access to capital if the business does not decarbonise relative to others. Implications on demand if the Group and its value chain fail to decarbonise (i.e. customer demand reduced due to own challenges decarbonising). Debt may become more expensive as a result of a perception of climate inaction. *Revenue decrease, cost increase*	Policy and legal	ST MT LT	ST MT LT	ST MT LT	Comprehensive annual climate-related reporting is prepared. Skellerup expects to maintain continued engagement with funding providers (investors, analysts and banks) around requirements and expectations and to evaluate operating and distribution methods and implement change where necessary.

Transition Risks (continued)

Risk Description and Anticipated Impacts	Climate Hazard	Aggressive Transition (SSP1-RCP2.6)	Middle of the Road (SSP2-RCP4.5)	Hothouse (SSP3-RCP7.0)	Mitigations Currently in Place
Coal and other fossil fuels are decommissioned so power becomes unreliable, intermittent or more expensive in some markets. This could impact production and raise costs either through delays or needing to invest in back-up power. *Revenue decrease, cost increase*	Policy and legal, technology	ST MT LT	ST MT LT	ST MT LT	Installation of solar has already been completed at one of the Group's facilities in New Zealand. Consideration of the commercial viability of other installations is ongoing. As appropriate in future, Skellerup may consider alternative sources of power and the appropriateness of the location of manufacturing facilities.
Risk of higher costs as a result of the need to implement product take-back or recycling programmes. *Cost increase*	Policy and legal, technology, market	ST MT LT	ST MT LT	ST MT LT	Development of practices to support sustainable or recyclable materials being used in products is underway.
Customer scrutiny and requirements for low-carbon products drive relocation of activities to manufacturing in the market to reduce transport miles (manufacture closer to customers and markets). *Cost increase*	Market, reputation	ST MT LT	ST MT LT	ST MT LT	Skellerup intends to continue to work with customers to understand market and end-user requirements. Skellerup is considering development of lower-emitting products, and implementation of in-market manufacturing which will help to limit transport emissions.
Greater scrutiny on the source of input elements to production (e.g. oil-based polymers), and under the current structure may result in a reduction in sales. *Revenue decrease*	Market, reputation	ST MT LT	ST MT LT	ST MT LT	

Climate-Related Opportunities

LEGEND

- ✓ Part of the Group's current strategic plans
- → Being considered as part of future strategic planning

Opportunity Type	Opportunity Description	Physical (P) or Transitional (T)	Anticipated Impacts	Time horizon	Transition Planning
Customers / end markets	More intensive farming or changes in farming methods to control methane emissions, leading to increased demand for dairy consumable products.	T	Increased market opportunity, lower costs of transportation	Short-term	✓
	Increased demand for footwear due to climate change (more extreme conditions).	P	Increased market opportunity	Short-term	✓
	Increasing global rainfall in certain areas may result in increased milk production and higher demand for dairy-consumable products.	P	Increased market opportunity	Short- to medium-term	→
	Vacuum systems are used in disasters and clearing wastewater as a result of infrastructure damage and are required for the rebuild.	P	Increased market opportunity	Short- to medium-term	→
	Increasing extreme weather events, damage to buildings and local infrastructure and resilience investment leading to renewals, upgrades and maintenance spending and opportunities to develop new climate-resilient products.	P	Increased market opportunity	Short- to medium-term	✓
	Rising temperatures and legislation requiring an increase in solar installations may create more demand for solar-related roofing products (existing and new).	P, T	Increased market opportunity	Short- to medium-term	✓
	Urban intensification (driven by physical or transition drivers) leads to the opportunity to sell more products used in infrastructural investment. Dedensification is an opportunity as more remote locations require liquid waste services.	P, T	Increased market opportunity	Medium-term	→
	Changes to building and construction requirements to lower-carbon and more resilient solutions may present increased demand for products.	T	Increased market opportunity	Medium- to long-term	→
Resource efficiency	Ageing water infrastructure, combined with increasing extreme events (causing pipe displacement and leakage) and resilience investment, leading to renewals, upgrades and maintenance spending.	P	Increased market opportunity	Short-term	✓
	Opportunity to develop new and supply existing products for water management and effluent management in response to new legislation around, for example, water management and quality. This may also include increasing levels of investment in irrigation infrastructure, hydroponics, automated harvesting, food processing, and reforestation.	T	Increased market opportunity	Short- to medium-term	→

Opportunity Type	Opportunity Description	Physical (P) or Transitional (T)	Anticipated Impacts	Time horizon	Transition Planning
Resource efficiency (continued)	Future shifts (through policy or cost) to electric vacuum systems to complement changes in modes of transportation (i.e. electrification of the vehicle fleet).	T	Increased market opportunity	Short- to medium-term	✓
	The development of low-emission vacuum systems presents an opportunity as the policy focus shifts to ancillary equipment.	T	Increased market opportunity	Medium-term	✓
Capital markets	Access to green capital presents an opportunity to reduce the overall cost of funding.	T	Reduced cost	Medium-term	→

Transition Planning

Combatting climate change and reducing the Group's GHG emissions and broader impact on the environment are both dynamic and challenging. For this reason, the Group has not set out the transition plan aspects of its strategy to the extent that would fully meet the requirements of NZ CS 1 and has accordingly applied Adoption Provision 3 of NZ CS 2. This provides an exemption in the first reporting period from the requirements to disclose the transition plan aspects of the Group's strategy, including how its business model and strategy might change to address its climate-related risks and opportunities, and how the transition plan aspects of its strategy are aligned with internal capital deployment processes.

The Group operates as a global designer, manufacturer and distributor of precision-engineered products. Skellerup has manufacturing and distribution facilities in six countries spanning four continents. The Group operates as a collection of closely aligned business units, with management and resources close to our customers and end markets. The Group supplies customers in a wide range of end markets, focussing on delivering innovative new and enhanced products.

Being such a diverse organisation, time is being taken to fully understand and analyse our material emissions sources and to consider where commercially viable investment would result in a reduction or limitation of those emissions. Looking ahead, Skellerup intends to develop and set interim and long-term emissions-reduction targets that are science-based. These targets are expected to contemplate absolute reductions in emissions as well as reductions in the intensity of emissions.

Beyond our internal efforts, Skellerup is committed to working with customers to reduce their emissions through the use of alternative materials or manufacturing processes, initiatives to manufacture closer to end markets, and to research and implement recycling and waste-reduction measures.

The Group is acutely aware of the physical risks associated with climate change, both chronic and acute. The geographic spread of our manufacturing operations allows an inherent level of risk mitigation of such physical risks. The Group has initiatives in place to manufacture either in-market or closer to our end-market customers, which will provide a further level of risk mitigation as standardised manufacturing processes could be established in multiple locations.

Risk Management

Risk and Opportunity Identification

Skellerup's risk and opportunity identification is undertaken by the Group, led by the CEO and CFO and with appropriate engagement from internal subject-matter experts and external advisors where specific knowledge or expertise is required in a particular area.

Drawing on the results of the physical and transition exposure assessments outlined on pages 36 to 37, we have identified and assessed climate-related risks and opportunities for each of our key product applications. We define key product applications based on consideration of multiple factors which include financial (e.g. sectors with the highest contribution to Group earnings) and non-financial factors (such as customer, technological and environmental impacts and policy contexts).

CLIMATE CASE STUDY

Small improvements go a long way

Skellerup Rubber Services (SRS) manufactures moulded rubber and engineered plastic products at one of the Group's Auckland sites. SRS has undergone rapid change and growth with a significant investment to increase capacity for engineered plastics injection moulding. Throughout this process, the SRS team has remained focused on making incremental improvements to facilities, equipment and processes to maximise commercial returns.

Some of these changes included hard-setting moulding equipment to warm up and turn off at appropriate times to avoid heating during non-production hours, continued capital investment to replace older incandescent lighting as they failed with LED lamps and the replacement of aged compressors with new, more energy-efficient technology.

Pleasingly, several initiatives were initiated by team members on the factory floor. Rapid allocation of capital (financial or human) meant opportunities were realised, resulting in a 19 per cent reduction in electricity usage in FY24.

For FY24, the key applications outlined below contributed more than 70 per cent to Group revenue and represented more than 65 per cent of Group tangible assets at 30 June 2024. These key applications are:

- Dairy;
- Potable Water;
- Wastewater;
- Roofing and Construction; and
- Footwear.

We intend to increase the number of product applications reviewed in future years where these applications are material to our understanding of Group-wide climate-related risks and opportunities.

In completing our risk and opportunity identification process, we mapped the value chains of our five key product applications. This encompassed a thorough and detailed review of inputs, distribution activities, processing and end markets.

The identification of risks was based on input from subject-matter experts in sourcing, distribution, manufacturing and sales and marketing across our key product applications. Both physical and transition risks and opportunities were identified and evaluated as part of this process.

Risk Assessment

Identified climate-related risks, which were investigated through detailed physical assessments and by the use of scenario analysis, were evaluated using the Group's existing risk management framework[6] and based on the consequence of impact and vulnerability (derived from sensitivity to the risk and the Group's assessed adaptive capacity) in line with the matrix on page 37. As with other commercial and business risks, climate-related risks have been assigned a risk owner who takes responsibility for day-to-day risk management and mitigation.

Risks are given an initial exposure rating based on the likelihood of an event happening. This assessment is both quantitative for an event impacting on a single element of the value chain and qualitative for an event impacting on a wide number of elements.

Similar risks were grouped where appropriate and ratings were moderated for consistency and completeness. Updated risk registers, including the added climate-related risks, were circulated to subject-matter experts for validation. Following amendments, the final registers were presented to the

6 The Group's existing risk management framework evaluates Group-wide risks on the basis of defined parameters for likelihood of occurrence and magnitude of impact.

Group's Sustainability Committee for approval on 08 December 2023. Material climate-related risks are included in the Group risk assessment report, which is formally reviewed by the Board at least twice a year.

Frequency of Risk Assessment

Risk is a regular subject of discussion at Board meetings. Formal updates and reporting on the Group's risk assessment are presented to the Board approximately every six months. In conjunction with the regular review and reporting of strategic and operational risks, we will carry out an annual review and update on climate-related risks in line with our review of the climate-related scenario analysis. Where any new or changed climate risks are identified outside of the annual review cycle, these will be considered and reported to the Board and Sustainability Committee, as appropriate.

Value Chain Exclusions

As noted on page 44, our risk identification and assessment process has focused on the Group's most material product applications. It is therefore possible that some elements of the Group's value chain which are applicable or specific to those product applications not included in the risk assessment may have been excluded from our consideration. Given the complex and diverse nature of the Group's activities, it has not been practicable to conduct a detailed risk assessment process for each product application and its relevant value chain elements. However, Group management and subject-matter experts involved in the climate risk assessment have a broad knowledge of the Group's activities and accordingly, we are confident that all material risks have been identified. We will continue to refine and develop our approach to climate risk management in future years.

Metrics and Targets

Our GHG Emissions

The Group has been measuring its scope 1 and scope 2 GHG emissions since FY20. In FY24, we measured and reported our material scope 3 GHG emissions for the first time. Our total measured emissions were 53,903 tonnes of CO_2-e in FY24. A table summarising the Group's GHG emissions is shown on page 47.

Electricity and gas are the significant sources of our scope 1 and 2 emissions as they are used in all of the Group's manufacturing operations and distribution and other administrative centres. As the Group continues to grow in line with its strategy and growth plans, in the absence of change, our absolute emissions will likely increase too. The Group aims to implement appropriate, commercially sound improvements to our facilities and supply chains to limit the growth of emissions. Accordingly, the Group considers its emissions intensity measures as the most relevant for evaluating its performance. We do not apply internal emissions pricing within the Group.

Measurement of GHG emissions

We measure our emissions in accordance with the GHG Protocol: A Corporate Accounting and Reporting Standard, with reference to the additional guidance provided in the GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Scope 3 Standard) and GHG Protocol: Technical Guidance for Calculating Scope 3 Emissions (Scope 3 Guidance).

The GHG Protocol: A Corporate Accounting and Reporting Standard, Scope 3 Standard and Scope 3 Guidance are published by the World Resources Institute and the World Business Council for Sustainable Development. They were developed to provide a standardised approach and set of principles for companies to use in preparing GHG emissions inventories.

Scope 1 and 2 emissions are measured for all subsidiaries in the Group. Data for scope 1 and 2 emissions is gathered directly from our underlying operating systems.

We have elected to utilise Adoption Provision 4, disclosing a subset of our scope 3 emissions sources. A detailed materiality exercise was carried out to determine the scope 3 emissions to be included in the FY24 GHG emissions inventory. Based on this exercise, we have excluded scope 3 emissions from some non-material companies[7] in the Group on the basis of the relative size and nature of their operations. Scope 3 emissions from all other companies have been included.

Scope 3 categories 8 (upstream leased assets), 10 (processing of sold products), 11 (use of sold products), 13 (downstream leased assets), 14 (franchises) and 15 (investments) do not apply to Skellerup's operations and have therefore been excluded. All other categories of scope 3 emissions are included.

We intend to expand our scope 3 measurement to all operating subsidiaries in FY25.

Data for the measurement of scope 3 emissions is sourced directly from suppliers, where possible. Failing this, GHG emissions for the Group are calculated using alternative methods as prescribed by the GHG Protocol and guidance as appropriate.

7 Deks North America Limited, Ultralon Foam USA LLC, Conewango Products Corp., Deks Industries Europe Limited and Skellerup Gulf Nantong Trading Limited were excluded from the scope 3 GHG emissions measurement for FY24.

Due to the global nature of the Group's business and value chain, emission factors have been sourced from multiple issuing authorities. The main sources of the Group's emission factors used to build up the Group's GHG inventories are as follows:

Scope	Emission Factor Source
Scope 1 and 2	New Zealand Ministry for the Environment Measuring Emissions Guidance 2023 Australian National Greenhouse Accounts Factors: 2023 UK Government GHG Conversion Factors for Company Reporting US EPA Emission Factors for Greenhouse Gas Inventories Carbon footprint.com Country-specific Grid Electricity GHG Emissions Factors in Italy and PR China
Scope 3	New Zealand Ministry for the Environment Measuring Emissions Guidance 2023 UK Government GHG Conversion Factors for Company Reporting US EPA Emission Factors for Greenhouse Gas Inventories The Japan Rubber Manufacturers Association, Inc. CO_2 Calculation Guidelines Ver. 2.0 Worldstainless Stainless Steels and CO_2: Industry Emissions and Related Data International Aluminium Greenhouse Gas Emissions Intensity: Primary Aluminium Cosotex CO_2 Calculator for Textile Emissions Researchgate Published Lifecycle Emissions Assessments for Adhesives, Paints and Silicone Rubber ScienceDirect published report on Sustainable Carbon Fibre Production Auckland Council Consumption Emissions Modelling Carbon footprint.com Transport-related emissions factors

The Global Warming Potential (GWP) attached to each of the different GHG emissions is calculated through the use of appropriate emission factor sources. For further information on GWPs, refer to the Glossary on page 48.

Our Organisational Boundary

Organisational boundaries are defined as the boundaries that determine the operations owned or controlled by Skellerup, depending on the consolidation approach taken. We have elected to apply the control approach to consolidate the GHG emissions of the Group. Under the control approach, we account for our GHG emissions from operations over which the Group has control (noting our exclusion of de minimis emissions sources, as defined below, and immaterial sources of scope 3 emissions). Skellerup will not account for GHG emissions from operations in which we own an interest but have no control (Skellerup had no such entities during FY24).

Control can be defined in either financial or operational terms. Skellerup applies the financial control criterion, which aligns with our financial consolidation approach. Financial control is defined as having the ability to direct the financial and operating policies of an operation to gain economic benefits from its activities.

The consolidation approach is summarised as:

Subsidiaries	Include 100% of GHG emissions for operations accounted for as subsidiaries, regardless of the equity interest owned.
Non-incorporated joint ventures/ partnerships/ operations where partners have joint financial control	Include GHG emissions proportionate to the Group's interest in the operation. Skellerup has no non-incorporated joint ventures, partnerships or operations with joint financial control in FY24.
Associated / affiliated companies	Do not include GHG emissions from operations accounted for using the equity method in the consolidated financial statements. Skellerup had no associated or affiliated companies in FY24.

Our Operational Boundary

Operational boundaries are used to determine the direct and indirect emissions associated with operations owned or controlled by the Group.

The Group develops scope 1 and 2 emissions totals based on the operational control approach. The Group's GHG emissions inventory includes scope 1 and 2 emissions from all facilities where the Group has full authority to introduce and implement operating policies.

The Group reports additional relevant indirect (scope 3) emissions from activities in our value chain outside of the Group's operational control. For categories of scope 3 emissions, the boundary is currently defined on a category-by-category basis due to data limitations.

Our reported GHG emissions inventories for scopes 1, 2 and 3 accounted for using the financial control approach are subject to inherent uncertainties arising from reliance on data obtained from third parties, or necessarily estimated or assumed, and may not be accurate or complete, although all practical controls have been put in place to mitigate this risk as far as possible.

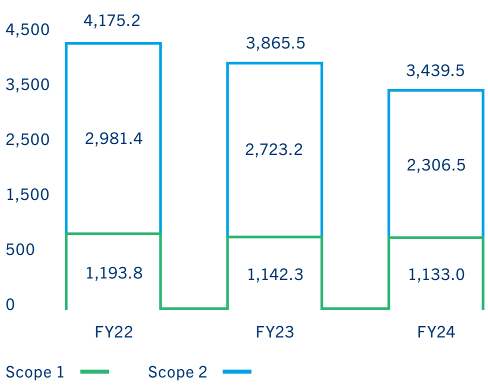
FY24 GHG emissions

In tonnes of CO_2-e	FY24 Emissions	FY23 Emissions	FY22 Emissions
Scope 1*	1,133.0	1,142.3	1,193.8
Scope 2*	2,306.5	2,723.2	2,981.4
Total Scope 1 and 2	**3,439.5**	**3,865.5**	**4,175.2**
Scope 3	50,463.9	NM*	NM*
Total measured Group emissions	**53,903.4**	**3,865.5**	**4,175.2**
Scope 1 and 2 emissions (tonnes CO_2-e) per $1 million revenue (GHG emissions intensity by revenue)	**10.40**	**11.59**	**13.18**
Total Group emissions (tonnes CO_2-e) per $1 million revenue (GHG emissions intensity by revenue)	**163.06**	**NM***	**NM***

* NM – Not measured
* Emissions for FY23 and FY22 remeasured to reflect updated emissions factors published subsequent to reporting dates for those years

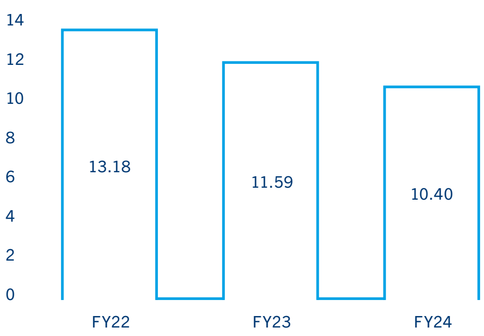
Scope 1 and 2 GHG emissions

(tonnes CO_2-e)



Scope 1 and 2 GHG emissions per $1 million revenue

(tonnes CO_2-e per $1 million revenue)



Pleasingly, we can report an 11 per cent reduction in our scope 1 and 2 emissions in FY24 from FY23. This is in addition to a seven per cent reduction in absolute emissions seen in FY23 from FY22. Although this reduction was partly a result of lower levels of activity, particularly at our dairy rubberware manufacturing facility in Christchurch, New Zealand, we have also seen the positive impacts of deliberate initiatives to reduce electricity consumption. These included:

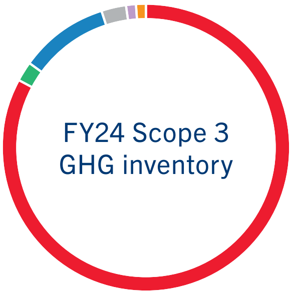
- Process and equipment improvements at our Skellerup Rubber Services facility in Auckland, New Zealand, which has seen electricity consumption reduce 19 per cent versus the prior comparative period;
- A pleasing return on the investment made in solar panels at our Ultralon site in Auckland, New Zealand, yielding up to 50 per cent of the site's monthly electricity requirements; and
- Modifications to our post-curing ovens at Silclear in the UK contributed to a decrease in electricity usage of 19 per cent.

Overall, 10 of our 18 sites achieved absolute emissions reductions in FY24 through a combination of large and small initiatives. We continue to evaluate investments in facilities, equipment and processes to reduce the Group's overall emissions footprint.

We also measure our scope 1 and 2 emissions intensity as a factor of revenue. Our intensity measure of 10.4 tonnes of CO_2-e per $1 million of revenue is 10 per cent lower than the remeasured result for FY23.

Scope 3 GHG Emissions

The Group measured its scope 3 emissions for the first time in FY24. The source of scope 3 emissions by category is summarised in the chart below and reflects the majority of scope 3 and all emissions being embedded in the Group's purchased goods and services.



- **Category 1:** Purchased goods and services **(83%)**
- **Category 2:** Capital goods **(2%)**
- **Categories 4 and 9:** Transportation and distribution **(10%)**
- **Category 5:** Waste generated in operations **(3%)**
- **Category 6:** Business travel **(1%)**
- **Category 7:** Employee commuting **(1%)**

Emissions Sources Identified and Excluded

Several GHG emissions have been excluded from the scope of our inventory due to being de minimis. Emissions sources identified and excluded are:

- Category 1: Purchased goods and services – non-inventory-related purchases of goods and services (i.e. those purchases not directly related to our manufacturing processes) are considered de minimis;
- Category 3: Transmission and distribution losses – the entire category is considered de minimis.
- Category 12: End-of-life treatment of sold products – based on the nature of products sold by the Group and the likely end-of-life treatment, this category is considered immaterial. We will continue to evaluate its measurement in future.

Other Metrics

The amount or percentage of assets or business activities vulnerable to physical risks – Skellerup's risk assessment detailed on pages 38 and 39 identified that none of its material assets were rated above a "moderate" risk rating in any scenario. As such, Skellerup's present assessment of the percentage of its assets vulnerable to physical risks is 0%.

Glossary of key terms used in Climate-Related Disclosures

Climate-related Opportunities	The potential positive impacts of climate change on the Group.
Climate-related Risks	The potential negative impacts of climate change on the Group, both physical and transitional.
Greenhouse Gas (GHG) Emissions	The release of GHGs into the atmosphere. Gross emissions are total GHG emissions excluding any removals, and excluding any purchase, sale or transfer of GHG emission offsets or allowances.
Global Warming Potential (GWP)	An index to translate the level of emissions of various greenhouse gases into a common measure in order to compare the relative radiative forcing of different gases. GWPs are calculated as the ratio of the radiative forcing that would result from the emissions of one kilogram (kg) of a greenhouse gas to that from the emission of one kg of CO_2 over a period of time (usually 100 years). GWPs are applied to the non-CO_2 gases to enable meaningful comparisons among the gas types compared with CO_2. Where GWPs are applied to these gases, GHG emissions are commonly expressed as their carbon dioxide equivalent (or CO_2-e). The larger the GWP, the more a given gas warms the earth, compared with CO_2 over that period. The time period usually used for GWPs is 100 years, to align with UNFCCC greenhouse gas inventory reporting requirements. The IPCC provides more information on how these factors are calculated.
Greenhouse Gas (GHG)	The greenhouse gases listed in the Kyoto Protocol: Carbon Dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF_3), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6)
Group	Skellerup Holdings Limited and its subsidiaries. A listing of significant subsidiaries is provided on page 104.

The amount or percentage of assets or business activities vulnerable to transition risks – Skellerup's transition risk assessment detailed on pages 40 and 41 identified that none of its business activities were exposed to risks rated above a "moderate" risk rating in a Middle of the Road Scenario over the short term. As such, Skellerup's present assessment of the percentage of its assets vulnerable to transitional risks in this time frame is 0%.

The amount or percentage of assets or business activities aligned with climate-related opportunities –Skellerup's assessment is that its dairy, potable and wastewater, roofing and construction and footwear product applications are aligned with climate-related opportunities, being the opportunities to supply these sectors with increased quantities of products, or new products, in response to physical effects of climate change (for example increased storm events). These product lines represent more than 70% of Skellerup's FY24 revenue.

Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities – No capital was specifically allocated towards climate-related risks and opportunities in FY24.

Assurance of GHG Emissions

Our FY24 GHG emissions inventory has not been subject to independent reasonable assurance. FY25 will be the first year our GHG emissions will be subject to such assurance.

Approval by the Board of Directors

These climate-related disclosures were authorised for issue by the Board of Directors on 15 August 2024.

For and on behalf of the Directors

John Strowger
Independent Chair

Alan Isaac
Independent Director

Group Climate Statements	The climate-related disclosures for a climate reporting entity as at and for the year ended on the reporting date that are required to be prepared under the applicable climate reporting standard.
Scenario Analysis	A process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty. Engaging in this process helps to identify climate-related risks and opportunities and develop a better understanding of the resilience of the business model and strategy.
Scope 1 GHG Emissions	Direct GHG emissions from sources owned or controlled by the Group.
Scope 2 GHG Emissions	Indirect GHG emissions from the consumption of purchased electricity, heat or steam. These emissions are measured using the location-based method which includes GHG emission intensity factors for energy production in a defined local or national region.
Scope 3 GHG Emissions	Other indirect GHG emissions not covered in scope 2 that occur in the value chain of the Group, including upstream and downstream GHG emissions. Relevant scope 3 categories for the Group are purchased goods and services, capital goods, upstream and downstream transportation and distribution, waste generated in operations, business travel and employee commuting.
Value Chains	The full range of activities, resources and relationships related to the Group's business model and the external environment in which the Group operates. A value chain encompasses the activities, resources and relationships the Group uses and relies on to create its products from conception to delivery, consumption and end of life.

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.

John Strowger
(LLB Hons)

Independent Chair

John was appointed Chair in October 2022, and was previously appointed to the Board in March 2015. John retired as a partner at Chapman Tripp on 30 November 2022. John specialised in corporate, contract and securities law, mergers & acquisitions as well as heading the firm's China desk. He was named NZ Deal Maker of the Year at the 2015, 2017 and 2019 Australasian Law Awards. John sits on the board of, and advisory committees to, a number of private sector businesses, and is a director of listed company, Sanford Limited. John is Chair of the Health and Safety, Remuneration and Nomination Committees and is a member of the Audit Committee.

David Cushing
(BCom, ACA)

Independent Director

David was appointed to the Skellerup Holdings Board in August 2017. He is currently Executive Chairman of Rural Equities Limited and Managing Director of private investment company H&G Limited. David is a former investment banker with over 25 years' experience as a director of listed companies. He 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, Webster Limited and NPT Limited. David 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. He 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, 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. He is Chair of the Audit Committee and also a member of the Sustainability and Remuneration Committees.

DIRECTOR CORE COMPETENCES

ESG (6/6)
Prior relevant Board and leadership experience, ESG best practice

Financial (3/6)
Experience in international finance, accounting, reporting, controls and taxation

Risk Management (6/6)
Financial and non-financial risk frameworks, and risk evaluation

Capital Markets (6/6)
Experience with equity and debt markets and capital structuring, including mergers, acquisitions and divestments, and investment analysis

Regulatory (5/6)
Experience across regulatory environments

Human Resources (5/6)
Leading team development, performance and remuneration structures for international business

Health & Safety (6/6)
Health and safety management for a global business

Paul Shearer
(BCom)

Independent Director

Paul was appointed to the Skellerup Holdings Board in August 2020. He was Senior Vice President - Sales and Marketing for Fisher & Paykel Healthcare for 30 years and has global business experience with proven success growing international markets and leading multi-disciplinary teams across 50 countries. He is a member of the Health and Safety, Sustainability and Remuneration Committees.

Rachel Farrant
(BCom, PGDipCom, FCA, CFIoD)

Independent Director

Rachel was appointed to the Skellerup Holdings Board in May 2022. She is a partner at BDO Wellington Limited and has over 20 years' experience in chartered accountancy and business advisory services and more than 10 years' experience as a director across a diverse range of sectors including construction, technology, financial and property. Rachel is currently a director of New Plymouth Airport, The Property Group Limited and Fairway Resolution Limited and was previously a director of Fulton Hogan Limited. She is Chair of the Sustainability Committee and is a member of the Audit Committee.

David Mair
(BE, MBA)

Non-Executive Director

David was appointed to the Skellerup Holdings Board in November 2006. He led the Group as CEO for over 12 years during which time it achieved significant revenue and earnings growth by focusing on designing and delivering critical engineered products for OEM customers. In March 2022, David was recognised as CEO of the Year in the Deloitte Top 200 Awards. David is currently CEO and a director of Sanford Limited and a director of Forté Funds Management Limited. David is a member of the Health & Safety Committee and the Sustainability Committee.

International (5/6)

Experience, across businesses with a substantial global presence, and understanding of OEM customers

Growth (6/6)

A track record of successful and sustainable business growth strategy

Agriculture (3/6)

International and domestic agriculture experience

Infrastructure, Leisure & Health (4/6)

Infrastructure for potable water, construction, sport and leisure, health and hygiene experience

Manufacturing & Supply Chain (4/6)

Manufacturing expertise, international contract oversight, international logistics and supply chain expertise. Understanding of contractual arrangements with large OEM customers

Technology (5/6)

Strong technological experience 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.

This Corporate Governance statement was approved by the Board of Skellerup Holdings Limited (Skellerup, or the Company) on 14 August 2024. 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 its subsidiaries (Group) 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 has reported against the recommendations of the updated NZX Corporate Governance Code dated 1 April 2023 (NZX Code) in respect of the financial year ended 30 June 2024 (FY24). Skellerup is in full compliance with all recommendations of the NZX Code for FY24.

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

Our compliance with the NZX Code for the FY24 is detailed below under headings for each of the eight Principles of the NZX Code.

Principle 1 – Ethical Standards

Skellerup complies with the recommendations of Principle 1.

Skellerup's Directors set high standards of ethical behaviour and require members of the management team to conduct themselves similarly. The Directors hold management accountable for delivering these standards throughout the Group.

Skellerup's Code of Ethics provides a framework of minimum standards of ethical behaviour according to which Directors, management and all employees of the Group are expected to conduct themselves. The Code of Ethics outlines the Company's expectations for all personnel. It includes consideration of conflicts of interest, conduct, legislative compliance, confidentiality and the use of the Group's assets and information. Skellerup's Code of Ethics is reviewed annually by the Board of Directors, the last review being conducted in June 2024.

Skellerup communicates its Code of Ethics to Directors and employees, explaining the Code's purpose and the mechanism for reporting any unethical behaviour. During FY24, the CEO and CFO shared a video presentation on the Code of Ethics, together with other key Group policies, with all Group and Business Managers. This presentation was made available to all employees to be trained on the Code of Ethics and other key Group policies during June 2024. Group and Business Managers then confirmed training attendance back to the CFO. The Code of Ethics is available to all employees on Skellerup's website.

Under Skellerup's Code of Ethics, contributions to political parties are expressly prohibited.

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 Whistleblower Policy. Skellerup has not received any reports of serious instances of unethical behaviour during FY24.

Skellerup is committed to ensuring its Directors and employees understand its policy on and rules for dealing in Skellerup ordinary shares or any other quoted financial products issued by Skellerup or 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 by permitting trading only in prescribed trading windows (unless an exemption is granted by the Board) and requires such persons to seek consent for any trading. The policy is available on the Company's website. Details of Directors' shareholdings as at 30 June 2024 are set out in the Shareholder Information section on page 106.

Principle 2 – Board Composition and Performance

Skellerup complies with the recommendations of Principle 2.

The Board has adopted a written 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.

The Board recognises a skills matrix can assist with identifying and assessing existing Directors' skills and competencies as well as new skills and competencies which may be needed to meet Skellerup's future governance requirements. The skills and experience the Board has determined are important to Skellerup's strategic direction and those held by the current Directors are shown on pages 50 and 51.

The maximum and minimum number of elected Directors and the procedures for their appointment, retirement and re-election at Annual Meetings are set out in Skellerup's Board Charter, Nomination Committee Charter, Constitution and the NZX Listing Rules. All Directors must retire by rotation and if eligible, may stand for re-election at the third annual meeting, or three years after their last election, whichever is longer. Any Director appointed since the previous annual meeting must also retire and is eligible for re-election.

Currently, the Board comprises five non-executive, independent Directors and one non-executive Director. The independence of Directors is reconsidered at least annually. Skellerup's Board most recently reviewed each Director's independence as at 30 June 2024. Having regard to the NZX Listing Rules and the NZX Code, five of the six non-executive Directors have been determined to be independent. David Mair is not considered independent as he is the former CEO of the Company, having resigned on 28 March 2024. Mr Mair continues on the Board as a non-executive Director. None of the factors in Table 2.4 of the NZX Code apply to any of the independent Directors. See pages 50 to 51 or the Company's website for more information on the tenure, skills and experience of Skellerup's current Board.

Directors are not required to own shares in the Company although five of the six Directors currently are shareholders of Skellerup.

Board procedures ensure that all Directors have the information needed to contribute to informed discussions and decisions consistently and to carry out their duties effectively. Senior management 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 business of the Group.

As at the date of this Annual Report, the Directors, including the dates of their appointment and independence are:

Board Appointment and Independence — 01 July 2023 to 30 June 2024

Director	Qualifications	Gender	Date of Appointment	Tenure (completed years)	Independence
John Strowger	LLB (Hons)	Male	04 March 2015	9	Yes
David Cushing	BCom, ACA	Male	21 August 2017	6	Yes
Rachel Farrant	BCom, PGDipCom, FCA, CFIoD	Female	02 May 2022	2	Yes
Alan Isaac	CNZM, BCA, FCA	Male	01 August 2016	8	Yes
Paul Shearer	BCom	Male	21 August 2020	3	Yes
David Mair	BE, MBA	Male	29 November 2006	17	No*

* David Mair is not independent because he is the former CEO of Skellerup.

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 Chair is currently an independent, non-executive Director and is also considered to be independent of the CEO. The table on page 57 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. A Directors' interests register is maintained by the Company. Particulars of the entries made in the interests register during FY24 are disclosed in the Shareholder Information section on page 106.

Training is made available to Directors and in FY24, Directors participated in training on a wide range of issues, including ESG matters and future requirements around reporting on climate-related disclosures.

Skellerup has a written Diversity and Inclusion Policy in place. Diversity at 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 and management is included below and a graph for our entire workforce is on page 5. 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 equitably remunerates equivalent roles.

Gender and Diversity as at 30 June 2024

	Directors		Officers		Management	
	2024	2023	**2024**	2023	**2024**	2023
Male	**5**	5	**2**	2	**24**	27
Female	**1**	1	**-**	-	**8**	8
Self-identify as gender diverse	**-**	-	**-**	-	**-**	-
Total	**6**	6	**2**	2	**32**	35

Skellerup's Diversity Policy requires measurable objectives to be set by the Board and reviewed annually. For FY24 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, or religious beliefs. In FY24 Skellerup adopted a target of zero complaints/findings of harassment, discrimination or victimisation. No such incidents were reported in FY24.

2. Flexible workplace environment

Skellerup aims to provide a workplace that accommodates flexible working arrangements to encourage diversity in our workforce. Our goal is to ensure that workplace arrangements are not an impediment to the retention of existing employees or attracting new employees. Supported by a Working from Home Policy, flexible workplace arrangements are implemented throughout the Group where suitable, to meet the needs of the business and the circumstances of employees. These arrangements include reviewing shift working hours for operating activities and part-time employment and working-from-home arrangements for certain roles. During FY23 Skellerup moved operating hours at several manufacturing sites to four-day, ten-hour shifts which more effectively and efficiently meet the needs of our business and provide an additional clear non-working day for our people. We plan to consider similar arrangements for other facilities in the future. As at 30 June 2024, the Group employed 31 employees on permanent part-time arrangements and 61 employees on hybrid working-from-home arrangements.

3. Pay equity

Skellerup is committed to ensuring all employees are paid equitably. We deploy a skills-based model in our manufacturing facilities which strengthens the effectiveness of our teams and ensures employees are rewarded in accordance with the skill level they achieve and maintain. At each annual salary review, our target is for there to be nil equity remuneration issues arising. At the last annual salary review in June and July 2024, business unit leaders reviewed and confirmed all roles were clearly defined, and that remuneration was based on relevant skills, experience, responsibility, effort and performance, independent of the person in the role. No equity issues arose from this review. Leaders are also empowered to monitor performance, development and changes in the scope of roles so that remuneration changes can be recommended and considered outside of the annual salary review. Recruitment for new or replacement roles is based on documented job descriptions with the assistance of external agencies to establish a shortlist of candidates that meet the requirements of each role and to provide an insight into the market level of remuneration for each role.

Principle 3 – Board Committees

Skellerup complies with the recommendations of Principle 3.

The Board has appointed five 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

The Audit Committee comprises four non-executive, independent Directors, one of whom is appointed as Chair. Other Directors are permitted to attend meetings of the Audit Committee. The CEO and the CFO attend as ex-officio members at the invitation of the Audit Committee; the external auditors attend by invitation of the Chair.

The Audit Committee meets a minimum of four times each year. Its responsibilities include:

- Advising the Board on accounting policies, practices and financial and non-financial (including climate) disclosure;
- Reviewing the scope and outcome of the external audit and the performance of the auditors; and
- Reviewing the annual and half-yearly statements before approval by the Board.

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

The current composition of the Audit Committee is Alan Isaac (Chair), John Strowger, David Cushing and Rachel Farrant. The members of the Audit Committee have a broad range of commercial, financial and risk management experience, as well as relevant qualifications, as outlined on pages 50 to 51.

2. Health and Safety Committee

The Health and Safety (H&S) Committee comprises three non-executive, independent Directors, one of whom is appointed as Chair, plus one non-executive Director. Other Directors are permitted to attend meetings of the H&S Committee. The CEO and CFO attend meetings also as ex-officio members.

The H&S Committee meets a minimum of three times each year. Its responsibilities include:

- Providing leadership and policy for H&S management within the Group;
- Advising the Board on H&S strategy and policy and specifying targets to track performance;
- Reviewing management systems to ensure that they are appropriate to manage hazards and risks of the business; and
- Monitoring and reviewing 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 H&S Committee is John Strowger (Chair), David Cushing, Paul Shearer and David Mair.

3. Sustainability Committee

The Sustainability Committee currently comprises three non-executive, independent Directors, one of whom is appointed as Chair, plus one non-executive Director. Other Directors are permitted to attend meetings of the Sustainability Committee. The CEO and CFO attend meetings also as ex-officio members.

The Sustainability Committee meets a minimum of three times per year. Its responsibilities include:

- Assisting the Board in setting a sustainability strategy that captures the material issues relevant to Skellerup and creates long-term value;
- Guiding the development and implementation of sustainability policies, initiatives, programmes and activities;
- Considering current and emerging sustainability-related matters that may affect Skellerup and its business, operations or performance and making recommendations;
- Ensuring alignment between community engagement and investment initiatives with sustainability and business objectives;
- Ensuring appropriate reporting mechanisms are in place as well as processes to assess the effectiveness of any sustainability policies and initiatives; and
- Monitoring compliance with any relevant sustainability policies and reviewing the alignment of Skellerup's activities with its commitment to sustainability matters.

The Sustainability Committee reports proceedings of each of its meetings to the full Board. The current composition of the Sustainability Committee is Rachel Farrant (Chair), Alan Isaac, Paul Shearer and David Mair.

4. Remuneration Committee

The Remuneration Committee comprises four non-executive, independent Directors, one of whom is appointed as Chair. Other Directors are permitted to attend meetings of the Committee.

The Remuneration Committee meets as required to:

- Review the remuneration packages of the CEO and senior managers;
- Make recommendations to shareholders concerning non-executive Directors' remuneration packages; and
- Reviewing the Group Diversity and Inclusion Policy, the diversity objectives and achievement against these objectives.

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

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

5. Board Nomination Committee

The Board Nomination Committee comprises two non-executive, independent Directors, one of whom is appointed as Chair. Other Directors are permitted to attend meetings of the Board Nomination Committee. It meets as required to recommend new appointments to the Board.

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

The current composition of the Board Nomination Committee is John Strowger (Chair) and David Cushing.

Skellerup has a 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. The Takeover Response Policy includes the option of establishing an independent takeover committee, and the likely composition of such a committee, should it be required.

Board and Committee Attendance – 1 July 2023 to 30 June 2024

Director	Board	Audit	Health & Safety	Sustainability	Remuneration	Nomination
John Strowger	8 of 8	5 of 5	4 of 4	N/A	2 of 2	None
David Cushing	8 of 8	4 of 5	3 of 4	N/A	2 of 2	None
Rachel Farrant	8 of 8	5 of 5	N/A	4 of 4	N/A	N/A
Alan Isaac	8 of 8	5 of 5	N/A	4 of 4	2 of 2	N/A
Paul Shearer	8 of 8	N/A	4 of 4	3 of 4	2 of 2	N/A
David Mair *	7 of 8	3 of 4*	4 of 4	3 of 4	N/A	N/A

* David Mair attended Audit Committee meetings in his capacity as CEO until 31 March 2024, at the invitation of the Committee.

Principle 4 – Reporting and Disclosure

Skellerup complies with the recommendations of Principle 4.

1. Financial Reporting

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 suppliers, risks facing the business, and the steps being taken to optimise outcomes.

The Audit Committee oversees the quality and integrity of external financial and non-financial reporting, including the accuracy, completeness and timeliness of financial statements and other disclosures. 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 the certification of the CEO and CFO that the financial statements fairly present the financial results and position of the Group.

2. Non-financial Reporting

The Company combines its non-financial reporting within its Annual Report, recognising the interdependence of financial and non-financial matters (including climate-related matters) to the long-term sustainability of the business. Non-financial reporting disclosures are not subject to external review. These disclosures are compiled by employees with the appropriate knowledge and experience and reviewed and approved by the CFO and CEO.

The principal focus for FY24 has been to ensure the Company complies with mandatory climate reporting under the Climate-related Disclosures (CRD) regime in New Zealand established by the External Reporting Board (XRB).

The Company continues to develop its wider Environmental, Social Sustainability and Governance (ESG) Framework and to pursue ESG initiatives on a prudent and commercial basis. For the Group's FY24 Climate Statements, see pages 30 to 49.

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. This policy is reviewed annually and circulated to Directors and employees, along with further guidance on the application of the policy and additional reminders about its purpose and importance. Continuous disclosure is a standing agenda item for each Board meeting. At each meeting, the Board considers whether there is any relevant material information that should be disclosed to the market and minutes of the outcome of that consideration whether or not any disclosure obligation is identified.

Principle 5 – Remuneration

Skellerup complies with the recommendations of Principle 5.

This section outlines the Group's overall remuneration governance and strategy for the year ended 30 June 2024 and provides detailed information on the remuneration arrangements in place for the Directors, CEO and other executives. This disclosure is aligned to the NZX Remuneration Reporting Template for Listed Issuers published by the NZX in December 2023.

Remuneration Governance

Skellerup has a Board Remuneration Committee comprised of a minimum of four independent non-executive Directors, one of whom is elected by the Board as chair of the Committee. Membership of the Remuneration Committee and the attendance of members at Committee meetings are listed on page 57. Management only attends Remuneration Committee meetings by invitation.

The Remuneration Committee operates under a written Charter, outlining its membership, procedures, responsibilities and authority. The Remuneration Committee Charter is available to view on the Company's website.

The Remuneration Committee is responsible for:

- Reviewing and recommending changes to the remuneration structure and policy of the Group, including Directors' fees,
- Reviewing the remuneration packages of the CEO and senior managers reporting directly to the CEO, and
- Reviewing the Group Diversity and Inclusion Policy, the diversity objectives and achievement against these objectives.

Skellerup has a written Remuneration Policy in place which is available on the Company's website. The Remuneration Policy outlines the remuneration principles that apply to the Directors and senior managers of Skellerup to ensure that remuneration practices are fair and appropriate for the Group, and that 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. Skellerup does not make discretionary sign-on, retention or departure payments to incoming or existing employees (including non-executive Directors).

The Remuneration Policy may be amended from time-to-time and is reviewed at least annually by the Remuneration Committee. The Group has also established a number of additional key policies to support a strong governance framework.

Disclosure of employees (other than employees who are Directors) who received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per year, in brackets of $10,000, as required by the Companies Act 1993 is included on page 62.

No loans or other forms of financial assistance have been provided to the CEO or to any other executives or non-executive Directors of the Skellerup Group.

Executive and Employee Remuneration

Executive and employee remuneration may be comprised of a fixed and at-risk component, depending on the scope and complexity of the role.

Fixed Annual Remuneration

Fixed annual 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 annually and 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 the 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 judgement each year as to whether the goal has been achieved or not. The STI earned is paid as cash remuneration.

The CEO approves (with notification to the 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 their targets for the year ahead.

In addition to the STI scheme, ad-hoc bonus payments may be made to any employee where certain outcomes are considered to positively impact on the performance of the Group. These payments are only made with the approval of the CEO.

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.

CEO Remuneration

The CEO's remuneration consists of fixed remuneration and variable remuneration in the form of a short-term incentive (STI) and long-term incentive (LTI) scheme. This structure is reviewed annually by the Remuneration Committee and subject to approval by the Board.

Total remuneration paid to the CEO in FY24 and prior financial years, together with a description of the share-based LTI scheme in place for the CEO, is detailed below.

David Mair resigned as CEO on 28 March 2024 and was replaced by Graham Leaming on 1 April 2024. The disclosures below cover the period each served as CEO of Skellerup.

CEO Remuneration

$000		Fixed Salary	Kiwisaver	STI[2]	Subtotal	LTI[3]	Total
Graham Leaming[1]	FY24	176	5	19	200	-	200
David Mair[1]	FY24	863	-	-	863	-	863
David Mair	FY23	725	-	265	990	2,303	3,293

1 The remuneration reflected above reflect the period of FY24 in the role as CEO (Mr Mair until 28 March 2024 and Mr Leaming from 1 April 2024).
2 The FY24 STI was accrued but not paid at 30 June 2024.
3 The FY23 LTI represents the value of options at the 1 November 2022 exercise date.

Fixed Annual Remuneration

The fixed annual remuneration of the CEO includes base salary and employer superannuation contributions, where provided. Base salary is benchmarked against comparable listed companies. The latest benchmarking exercise was completed by the Board in March 2024.

Short-term Incentives (STI)

The CEO's remuneration comprises a combination of fixed and at-risk components. The at-risk component incorporates an STI scheme that is directly linked to the overall financial and operational performance of the Group. Achievement of the STI is connected to exceeding the previous best annual financial performance of the Group under the CEO's leadership, measured based on earnings before interest and taxes (EBIT) adjusted to exclude the impact of NZ IFRS 16 Leases, certain non-recurring items of income and expense and changes in the composition of the Group, such as acquisitions and divestments. The targets set are specific, objective and measurable, such that there is an accurate judgement each year as to whether the target has been achieved or not. The STI earned is paid as a taxable cash bonus. As the STI scheme is a profit share scheme, there is no cap on the maximum amount payable under the arrangement.

The FY24 STI is the amount assessed as earned in FY24 but will be paid in FY25 as the assessment of the STI performance was made after the FY24 reporting date.

Long-term Incentives (LTI)

The Company operates a LTI scheme for the benefit of the CEO and other senior executives. The LTI scheme is intended to reward and retain key employees (including the CEO), drive longer-term performance and decision-making, and align incentives with the interests of shareholders.

The LTI scheme is a share option scheme which permits the Board to grant options to acquire fully-paid shares in the Company. The most recent grant was made in October 2022. Details of options granted in the current and preceding financial years are shown below.

Graham Leaming was granted 800,000 options on 1 November 2022, at an exercise price of $5.17 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 2024 and ending on 1 November 2024.

David Mair was granted 1,000,000 options on 1 November 2022, at an exercise price of $5.17 per share. The exercise price was the weighted average share price on the twenty-day trading period preceding issuance. The options were exercisable in the period beginning on 1 September 2024 and ending on 1 November 2024 but lapsed on Mr Mair's resignation as CEO on 28 March 2024.

CEO Long-term Incentive Scheme

	Financial Year of Grant	Number of Options	Price per Option NZ$	Exercise Period	Share Price at Exercise NZ$	Value at Exercise $000
Graham Leaming	FY23	800,000	5.17	01 Sept 2024 to 01 Nov 2024	N/A	N/A
David Mair[4]	FY23	1,000,000	5.17	01 Sept 2024 to 01 Nov 2024	N/A	N/A
David Mair	FY21	1,000,000	2.91	Exercised on 01 Nov 2022	5.21	2,303

4 Mr Mair's outstanding options lapsed on his resignation in March 2024

CEO Remuneration: Five Year Summary

$000		Fixed Salary	Kiwisaver	STI	Subtotal	LTI	Total	LTI Exercise	LTI Performance Period
Graham Leaming[1]	FY24	176	5	19	200	-	200	-	2022-2024
David Mair[1]	FY24	863	-	-	863	-	863	-	Lapsed
David Mair	FY23	725	-	265	990	2,303	3,293	100%	2020-2022
						-	-	-	2022-2024
David Mair	FY22	690	-	497	1,187	-	1,187	-	2020-2022
David Mair	FY21	740	-	626	1,366	813	2,179	100%	2018-2020
						-	-	-	2020-2022
David Mair	FY20	690	-	-	690	-	690	-	2018-2020

1 The remuneration reflected above reflects the period of FY24 in the role as CEO (Mr Mair until 28 March 2024 and Mr Leaming from 1 April 2024).

David Mair was granted 1,000,000 options on 29 October 2020, at an exercise price of $2.91 per share. The exercise price was the weighted average share price on the twenty-day trading period preceding issuance. On 1 November 2022, the options were exercised and converted to 441,778 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 $2.91 per share.

CEO/Worker Ratio

The CEO/worker ratio represents the number of times greater the CEO's remuneration is to an employee paid at the median of all Group employees. As at 30 June 2024, the CEO's base salary at $725,000 was 10.9 times that of the median employee at $66,500 per annum (30 June 2023 – the CEO's base salary at $725,000 was 11.9 times that of the median employee at $61,100 per annum).

Gender Pay Gap

The gender pay gap measures the median base remuneration between men and women regardless of the nature of work. The Group operates in several regions which makes comparisons between employees in different regions less meaningful. Skellerup, as a New Zealand-listed Company, has measured the gender pay gap of its New Zealand workforce which represents 40% of its total workforce at 30 June 2024.

As at 30 June 2024, the gender pay gap is 9.6% (30 June 2023 – 17.1%). That is, women earn $0.90 for every $1 that men earn. The median pay is $70,300 for the Group's New Zealand employees.

Remuneration Range $000	Number of Employees	Remuneration Range $000	Number of Employees
100-110	35	280-290	2
110-120	20	300-310	1
120-130	13	310-320	1
130-140	16	320-330	3
140-150	11	330-340	2
150-160	10	340-350	1
160-170	5	370-380	1
170-180	8	380-390	2
180-190	3	390-400	1
190-200	4	400-410	1
200-210	2	420-430	1
210-220	6	450-460	1
220-230	6	460-470	1
230-240	2	490-500	1
240-250	1	550-560	1
250-260	1	890-900	1
260-270	1	1,050-1,060	1
270-280	2	1,120-1,130	1

Remuneration Bands

The table above notes the number of employees or former employees of the Group, not being Directors, who, during FY24, received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum, in brackets of $10,000. The Group paid remuneration in excess of $100,000 to 169 current and former employees in FY24.

Directors' Remuneration

Non-executive Directors' remuneration is paid in the form of Director's fees and non-executive Directors have no entitlement to any performance-based remuneration or to participate in any share incentive schemes. Additional fees are paid to the Chairs of the Board, Audit Committee and Sustainability Committee to reflect the additional responsibilities of these positions. Skellerup does not pay retirement benefits to non-executive Directors.

The fee pool available for remuneration payable to non-executive Directors is approved by shareholders. The current approved annual fee pool available for the payment of non-executive Directors is $650,000. This was approved by shareholders at the Annual Meeting on 27 October 2021. Skellerup's Board comprised five non-executive Directors and one executive Director at the time the fee pool was approved. The NZX Listing Rules permit an increase in the aggregate remuneration paid to all Directors to allow for an increase in the number of Directors. The increase must not exceed the average amount paid to each non-executive Director (other than the Chair). In FY24, total fees paid to non-executive Directors amounted to $650,000. Details of the Directors' remuneration are shown below:

	Board Chair	Board Director	Audit Chair	Sustainability Chair	Total
John Strowger	100,000	100,000			200,000
David Cushing		100,000			100,000
Rachel Farrant		100,000		25,000	125,000
Alan Isaac		100,000	25,000		125,000
Paul Shearer		100,000			100,000
David Mair[1]		-			-
Total	**100,000**	**500,000**	**25,000**	**25,000**	**650,000**

1 David Mair served as CEO until 28 March 2024. He received no remuneration in the form of Directors' fees for the year ended 30 June 2024

The Remuneration Committee may commission studies, and surveys and obtain external advice on the remuneration structure and policy of the Company, including Director's fees, and determine whether those fees are appropriate. The Board and Remuneration Committee seek to set aggregate remuneration for non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the appropriate calibre and experience at a cost which represents fair value for shareholders.

Non-executive Directors are encouraged but are not required to hold shares in the Company.

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 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. Climate risk reporting is integrated into the Group's risk management systems. Climate risks are reviewed by the Board at least annually, with significant risks reported as part of the Group's key risks. The Sustainability Committee assists the Board in setting appropriate sustainability strategies aligned to Group objectives.

The Board ensures that adequate external insurance coverage is in place appropriate to the Company's size and risk profile. There were no material information security breaches in FY24 and the preceding year.

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 Group adhere to the Board-approved financial control policies.

The H&S Committee leads and monitors H&S management within the 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 Group. In FY24, the Board visited key sites in Christchurch and Auckland.

Details of Skellerup's key H&S risks and its performance for FY24 are included on pages 22 to 24.

Principle 7 – Auditors

Skellerup complies with the recommendations of Principle 7.

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

Skellerup's external auditor is Ernst & Young (EY). The EY audit partner responsible for the Skellerup audit was appointed during FY23 and will act for a maximum of five years. The EY audit partner attends the Annual Meetings and is available to answer questions relating to the audit. The EY audit partner attended the 2023 Annual Shareholders' Meeting and is expected to attend the 2024 Annual Shareholders' Meeting.

EY was asked to provide the Audit Committee with written confirmation that, in their view, they were able to operate independently during the FY24 audit. The total amount paid and payable to EY for the FY24 audit of the Group financial statements is $927,000. During the year, the external auditor provided approved non-audit services covering greenhouse gas emissions inventories. The fee for this service was $45,000.

Skellerup maintains an internal audit function with the assistance of external advisors. Skellerup reviews the residual risks from its semi-annual Risk Management Report to determine priorities for consideration for internal audit review. 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] of the financial statements on page 78.

Principle 8 – Shareholder Rights and 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 and other key stakeholders through the annual and interim reports, disclosures 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. Voting of shareholders is by poll, based on one share, one vote. In 2023, the Company's Annual Meeting was a hybrid meeting allowing those not present at the meeting venue in Auckland, New Zealand to actively participate and shareholders were provided with a virtual meeting guide ahead of the Annual Meeting. Shareholders and their proxies were able to vote, ask questions and view the live presentations whether they attended the meeting in person or online.

All shareholders have the option to elect to receive electronic communications from the Company through the Company's share registrar (Computershare) and by electing to receive email notifications of investor news from the Company.

In addition to shareholders, Skellerup has a wide range of stakeholders and maintains open channels of communication for all audiences, including the investing community, regulators, employees, customers and suppliers.

The Company maintains information for shareholders on its website at **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 can receive all communication from Skellerup electronically.

The Board respects the interests of all shareholders 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 Group operates.

No major decisions which may change the nature of Skellerup were made during FY24 and therefore no such matters were required to be put to shareholders. Similarly, Skellerup did not seek additional equity capital in FY24 and therefore there was no such offer to be made to shareholders on a pro-rata basis.

The Company's Notice of its 2024 Annual Meeting will be released on the NZX Market Announcement Platform at least 20 working days before the Annual Meeting and will also be made available on the Company's website. Notice of the 2023 Annual Meeting (being the only meeting of shareholders called in FY24) was given more than 20 working dates prior to the meeting.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

Building a better working world

Independent auditor's report to the shareholders of Skellerup Holdings Limited

We have audited the financial statements of Skellerup Holdings Limited (the "Company") and its subsidiaries (together the "Group") on pages 72 to 105, which comprise the consolidated balance sheet of the Group as at 30 June 2024, and the 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 notes to the consolidated financial statements including material accounting policy information.

In our opinion, the consolidated financial statements on pages 72 to 105 present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2024 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.

Ernst & Young has provided sustainability assurance pre-assessment services to the Group. 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.

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 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.

EY
Building a better working world

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 ("components") 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 reflecting the extent of audit procedures required and a materiality reflecting the size and risk profile of the component relative to the group. The group audit team communicated to the component audit teams 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. 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/or component teams in all major locations as well as visiting a number of locations to better understand their operations. During these discussions, the work performed by each team was discussed including any key judgements as well as findings relevant to the group audit. In selected instances the group audit team reviewed elements of the component team's workpapers. 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.

EY
Building a better working world

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 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 Susan Jones.

Ernst + Young

Chartered Accountants
Auckland
15 August 2024

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 30 June 2024

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 2024, and the financial performance and cash flows for the year ended 30 June 2024.

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 Markets Conduct Act 2013.

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 2024.

The Group financial statements are dated 15 August 2024 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

John Strowger
Independent Chair

Alan Isaac
Independent Director

INCOME STATEMENT

for the year ended 30 June 2024

	Note	2024 $000	2023 $000
Revenue	2	330,578	333,537
Cost of sales		(187,311)	(194,409)
Gross profit		143,267	139,128
Other income/(expenses)	4	354	(343)
Selling, general and administration expenses		(70,933)	(67,126)
Profit for the year before tax, finance costs and share of profit of associates		72,688	71,659
Finance costs	16	(4,939)	(4,594)
Share of net profit of associates accounted for using the equity method		-	(78)
Profit for the year before tax		67,749	66,987
Income tax expense before abnormal tax item	5	(17,735)	(16,046)
Net profit for the year before abnormal tax item		50,014	50,941
Income tax expense relating to building depreciation	5, 25	(3,121)	-
Net after-tax profit for the year, attributable to owners of the Parent		46,893	50,941
Profit for the year before tax		67,749	66,987
Income tax expense	5	(20,856)	(16,046)
Net after-tax profit for the year, attributable to owners of the Parent		46,893	50,941
Earnings per share before abnormal tax item			
Basic earnings per share (cents)	19	25.51	26.02
Diluted earnings per share (cents)	19	25.40	25.82
Earnings per share			
Basic earnings per share (cents)	19	23.92	26.02
Diluted earnings per share (cents)	19	23.82	25.82

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2024

	Note	2024 $000	2023 $000
Net profit after tax for the year		**46,893**	50,941
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gains/(losses) on cash flow hedges	17	2,135	2,325
Income tax related to gains/(losses) on cash flow hedges	5	(598)	(651)
Foreign exchange movements on translation of overseas subsidiaries	17	(313)	1,966
Income tax related to gains/(losses) on foreign exchange movements of loans with overseas subsidiaries	5	(6)	96
Other comprehensive income net of tax		**1,218**	3,736
Total comprehensive income for the year attributable to equity holders of the Parent		**48,111**	54,677

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

BALANCE SHEET

as at 30 June 2024

	Note	2024 $000	2023 $000
Current assets			
Cash and cash equivalents	6	16,629	17,094
Trade and other receivables and prepayments	7	58,718	57,515
Inventories	8	71,563	74,886
Income tax receivable		218	805
Derivative financial assets	22	568	109
Total current assets		147,696	150,409
Non-current assets			
Property, plant and equipment	9	90,068	90,320
Right-of-use assets	9	26,810	31,839
Deferred tax assets	5	3,772	3,167
Goodwill	10	63,517	63,596
Intangible assets	10	2,585	2,815
Derivative financial assets	22	679	831
Total non-current assets		187,431	192,568
Total assets		335,127	342,977
Current liabilities			
Bank overdraft	6	-	1,624
Trade and other payables	11	27,607	27,082
Provisions	12	5,480	5,085
Income tax payable		3,918	1,605
Lease liabilities – short term	14	6,623	6,118
Derivative financial liabilities	22	337	1,858
Total current liabilities		43,965	43,372
Non-current liabilities			
Provisions	12	1,341	1,813
Interest-bearing loans and borrowings	13	32,000	42,300
Deferred tax liabilities	5	5,867	2,087
Lease liabilities – long term	14	22,426	27,594
Derivative financial liabilities	22	35	375
Total non-current liabilities		61,669	74,169
Total liabilities		105,634	117,541
Net assets		229,493	225,436
Equity			
Equity attributable to equity holders of the Parent			
Contributed equity	15	72,406	72,406
Reserves	17	(1,777)	(3,057)
Retained earnings	20	158,864	156,087
Total equity		229,493	225,436

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

	Note	Fully Paid Ordinary Shares $000	Cash Flow Hedge Reserve $000	Foreign Currency Translation Reserve $000	Employee Share Plan Reserve $000	Retained Earnings $000	Total $000
Balance 1 July 2022		72,406	(2,501)	(4,841)	739	145,405	211,208
Net profit after tax for the year ended 30 June 2023		-	-	-	-	50,941	50,941
Other comprehensive income		-	1,674	2,062	-	-	3,736
Total comprehensive income for the year		-	1,674	2,062	-	50,941	54,677
Share incentive scheme		-	-	-	(190)	813	623
Dividends		-	-	-	-	(41,072)	(41,072)
Balance 30 June 2023		72,406	(827)	(2,779)	549	156,087	225,436
Net profit after tax for the year ended 30 June 2024		-	-	-	-	46,893	**46,893**
Other comprehensive income	17	-	1,537	(319)	-	-	**1,218**
Total comprehensive income for the year		-	**1,537**	**(319)**	-	**46,893**	**48,111**
Share incentive scheme	18	-	-	-	62	-	**62**
Dividends	20	-	-	-	-	(44,116)	**(44,116)**
Balance 30 June 2024		**72,406**	**710**	**(3,098)**	**611**	**158,864**	**229,493**

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 2024

	Note	2024 $000	2023 $000
Cash flows from operating activities			
Receipts from customers		328,717	339,860
Interest received		115	57
Dividends received		3	2
Payments to suppliers and employees		(237,746)	(260,633)
Income tax refund/(paid)		(15,340)	(20,578)
Interest and bank fees paid		(3,510)	(3,183)
Interest on right-of-use asset leases		(1,429)	(1,411)
Net cash flows from/(used in) operating activities		70,810	54,114
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		781	546
Payments for property, plant and equipment		(8,901)	(7,751)
Payments for intangible assets		(543)	(496)
Acquisition of a business, net of cash acquired		-	(862)
Net cash flows from/(used in) investing activities		(8,663)	(8,563)
Cash flows from financing activities			
Proceeds from/(repayments of) loans and advances	13	(10,299)	2,284
Repayments of lease liabilities		(6,336)	(6,030)
Dividends paid to equity holders of Parent		(44,116)	(41,072)
Net cash flows from/(used in) financing activities		(60,751)	(44,818)
Net increase/(decrease) in cash and cash equivalents		1,396	733
Cash and cash equivalents at the beginning of the year		15,470	14,796
Effect of exchange rate fluctuations		(237)	(59)
Cash and cash equivalents at the end of the year	6	16,629	15,470

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

	2024 $000	2023 $000
Net profit after tax	46,893	50,941
Adjustments for:		
Depreciation and impairment – property, plant and equipment	8,323	7,838
Depreciation and impairment – right-of-use assets	6,734	6,663
Amortisation	775	732
(Gain)/loss on sale of assets	7	(143)
Foreign currency movements	(145)	27
Bad debts written off	5	209
Increase/(decrease) in provision for doubtful debts	54	(152)
Share of profit in associates	-	(78)
Net movement in working capital	8,164	(11,923)
Net cash inflow from operating activities	70,810	54,114

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2024

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 15 August 2024.

(a) Nature of operations

The Skellerup Group of companies 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 2024.

(c) Statement of compliance

The consolidated financial statements for the year ended 30 June 2024 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 Group's accounting policies have been applied consistently to all periods presented in those financial statements, and have been applied consistently by all Group entities.

To ensure consistency with the current period, comparative figures have been amended to conform with current period presentation where appropriate.

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 2024. 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 note.

- Note 10 Impairment of goodwill page 89

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 and Industrial, 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, and distributes engineered products across a range of industrial applications, including potable and waste water, roofing, plumbing, sport and leisure, electrical, health and hygiene.

Corporate Division

The Corporate Division is not an operating segment, and 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 2024	**Agri** $000	**Industrial** $000	**Corporate** $000	**Eliminations** $000	**Total** $000
Revenue	105,294	226,216	-	(932)	330,578
Segment EBIT	30,699	46,900	(4,900)	(11)	72,688
Profit before tax, finance costs and share of profit of associate					72,688
Finance costs					(4,939)
Profit for the year before tax					**67,749**
Income tax expense before abnormal tax item					(17,735)
Net profit for the year before abnormal tax item					**50,014**
Income tax expense relating to building depreciation					(3,121)
Net after-tax profit					**46,893**
Assets and liabilities					
Segment assets	127,355	184,763	23,009	-	335,127
Segment liabilities	12,490	48,526	44,618	-	105,634
Net assets	**114,865**	**136,237**	**(21,609)**	**-**	**229,493**
Other segment information					
Additions to fixed assets and intangibles	3,416	5,796	232	-	9,444
Cash flow					
Segment EBIT	30,699	46,900	(4,900)	(11)	72,688
Adjustments for:					
- Depreciation and amortisation	5,026	10,677	129	-	15,832
- Non-cash items	-	-	(79)	-	(79)
Movement in working capital	1,567	4,610	1,978	9	8,164
Segment cash flow	37,292	62,187	(2,872)	(2)	96,605
Finance and tax cash expense					(18,850)
Movement in finance and tax accrual					(6,945)
Net cash flow from operating activities					**70,810**

1. Segment Information (continued)

For the year ended 30 June 2023	Agri $000	Industrial $000	Corporate $000	Eliminations $000	Total $000
Revenue	117,025	216,840	-	(328)	333,537
Segment EBIT	34,031	42,903	(5,258)	(17)	71,659
Profit before tax, finance costs and share of profit of associate					71,659
Finance costs					(4,594)
Share of net profit of associates					(78)
Profit for the year before tax					**66,987**
Income tax expense					(16,046)
Net after-tax profit					**50,941**
Assets and liabilities					
Segment assets	130,604	190,172	22,201	-	342,977
Segment liabilities	15,357	50,024	52,160	-	117,541
Net assets	**115,247**	**140,148**	**(29,959)**	**-**	**225,436**
Other segment information					
Additions to fixed assets and intangibles	2,376	8,073	3	-	10,452
Cash flow					
Segment EBIT	34,031	42,903	(5,258)	(17)	71,659
Adjustments for:					
- Depreciation and amortisation	5,146	9,960	127	-	15,233
- Non-cash items	-	-	(137)	-	(137)
Movement in working capital	(2,225)	(7,319)	(2,392)	13	(11,923)
Segment cash flow	36,952	45,544	(7,660)	(4)	74,832
Finance and tax cash expense					(23,761)
Movement in finance and tax accrual					3,043
Net cash flow from operating activities					**54,114**

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 34.5% (2023: 36.8%) of the Agri Division revenue. For the Industrial Division, the three largest customers account for 9.3% (2023: 9.3%) of the Industrial Division revenue.

1. Segment Information (continued)

(b) Geographical revenue

Revenue from external customers by geographical locations 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.

	2024 $000	2023 $000
North America	121,980	118,639
New Zealand	67,270	75,602
Australia	43,940	49,113
Europe	41,877	41,551
Asia	29,752	25,288
United Kingdom and Ireland	23,035	20,831
Other	2,724	2,513
Total revenue	330,578	333,537

(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:

	2024 $000	2023 $000
New Zealand	121,127	123,725
United Kingdom and Ireland	17,776	18,503
Europe	12,740	14,088
Australia	12,669	13,319
North America	11,651	11,437
Asia	7,017	7,498
Non-current assets	182,980	188,570

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	2024 $000	2023 $000
Employee benefits expense			
Wages and salaries (including annual leave, long-service leave, sick leave and executive share scheme)		60,953	60,327
Termination benefits		726	86
Defined contribution expense		3,478	3,293
Total employee benefit expense		65,157	63,706
Depreciation, amortisation and impairment expense			
Depreciation and impairment of property, plant and equipment	9	8,323	7,838
Depreciation and impairment of right-of-use assets	9	6,734	6,663
Amortisation of intangible assets	10	775	732
Total depreciation, amortisation and impairment expense		15,832	15,233
Total (gain)/loss on disposal of property, plant and equipment		7	(143)
Total product development costs		3,245	3,884
Short term and low value lease costs		450	435
Remuneration of auditors			
Audit of the financial statements by Parent company auditors		927	792
Other auditors' fees for the audit of the financial statements in foreign jurisdictions		53	115
Other services provided by Parent company auditors*		45	-
Total remuneration of auditors		1,025	907

* Other services include pre-assessment review services over scope 3 greenhouse gas emissions inventories for Skellerup Industries Limited.

4. Other Income/(Expenses)

	2024 $000	2023 $000
Interest income	115	57
Government grants received	45	112
Realised and unrealised foreign currency gains/(losses)	(1,202)	(2,113)
Other sundry income	1,396	1,601
Total other income/(expenses)	354	(343)

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, 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.

5. Taxation (continued)

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

	Note	2024 $000	2023 $000
Current income tax			
Current income tax charge/(credit)		18,203	15,680
Prior year adjustments		80	(72)
Deferred income tax			
Temporary difference reversal/(origination)		(599)	709
Prior year adjustments		38	(326)
Effect of movements in tax rates		13	55
Income tax expense before abnormal tax item		17,735	16,046
Deferred tax on removal of tax depreciation on buildings	25	3,121	-
Income tax expense as per income statement		20,856	16,046

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

	Note	2024 $000	2023 $000
Deferred income tax			
Gains/(losses) on cash flow hedges	17	598	651
Translation of foreign operations	17	6	(96)
Total income tax expense/(credit) relating to other comprehensive income		604	555

(c) Reconciliation

	Note	2024 $000	2023 $000
Total profit before tax as reported		67,749	66,987
Tax percentage at Parent company rate		28%	28%
Tax at Parent company rate		18,970	18,757
Non-deductible expenses/(non-assessable income)		141	(1,105)
Effect of tax rates in foreign jurisdictions		(1,507)	(1,263)
Adjustments for prior years		118	(398)
Effect of movements in tax rates		13	55
Income tax expense before abnormal tax item		17,735	16,046
Deferred tax on removal of tax depreciation on buildings	25	3,121	-
Income tax expense as per income statement		20,856	16,046

5. Taxation (continued)

(d) Deferred tax assets and liabilities

	2024 $000	2023 $000
Deferred tax asset	**3,772**	3,167
Deferred tax liability	**(5,867)**	(2,087)
Net tax (liability)/asset	**(2,095)**	1,080

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

2024	Opening Balance $000	Charged to Income $000	Charged to Other Comprehensive Income $000	Foreign Currency Movements $000	Closing Balance $000
Property, plant and equipment	(11,294)	(1,946)	-	6	**(13,234)**
Provisions and accruals	12,053	(627)	-	(10)	**11,416**
Financial derivatives	321	-	(598)	-	**(277)**
Net tax (liability)/asset	**1,080**	**(2,573)**	**(598)**	**(4)**	**(2,095)**

2023	Opening Balance $000	Charged to Income $000	Charged to Other Comprehensive Income $000	Foreign Currency Movements $000	Closing Balance $000
Property, plant and equipment	(5,929)	(5,289)	-	(76)	(11,294)
Provisions and accruals	7,158	4,851	-	44	12,053
Financial derivatives	972	-	(651)	-	321
Net tax (liability)/asset	**2,201**	**(438)**	**(651)**	**(32)**	**1,080**

(e) Imputation credit account

	Note	2024 $000	2023 $000
Balance at the beginning of the year		**5,628**	4,302
Attached to dividends paid	20	**(8,264)**	(7,630)
Income tax paid/payable in New Zealand		**5,866**	8,956
Total imputation credits		**3,230**	5,628

6. Cash and Cash Equivalents

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

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.

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.

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.

	2024 $000	2023 $000
Cash at banks and on hand	**16,629**	17,094
Bank overdraft	**-**	(1,624)
Cash and cash equivalents per cash flow statement	**16,629**	15,470

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 from contracts with customers. The Group recognises an allowance for expected credit losses where there is an increase in credit risk subsequent to initial recognition.

	2024 $000	2023 $000
Trade receivables	51,375	49,374
Less allowance for doubtful debts	(136)	(86)
	51,239	49,288
GST/VAT receivable	684	599
Other receivables and prepayments	6,795	7,628
Total trade and other receivables and prepayments	58,718	57,515

The average credit period for the sale of goods is 48 days (2023: 48 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.

Of the trade receivables balance at the end of the year, $11.1 million (2023: $9.0 million) representing 21.6% (2023: 18.3%) 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	2024 $000	2023 $000
One to 30 days	4,730	3,237
31 to 60 days	364	385
61 days plus	100	81
Total past due trade receivables	5,194	3,703
Movement in the allowance for doubtful debts:		
Balance at the beginning of the year	86	242
Impairment losses recognised	66	75
Amounts written off as uncollectable	(3)	(193)
Impairment losses reversed	(11)	(34)
Net foreign currency exchange differences	(2)	(4)
Balance at the end of the year	136	86

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 condition 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.

	2024 $000	2023 $000
Raw materials	17,786	21,687
Work-in-progress	1,804	1,895
Finished goods	51,973	51,304
Total inventories	71,563	74,886

The value of inventories is net of $2,158,164 (2023: $2,453,432) 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:	Term of the lease

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. 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.

	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 2022		7,084	34,483	126,939	9,561	42,600	220,667
Additions		-	-	7,151	1,347	10,149	18,647
Disposals		-	-	(2,066)	(1,365)	-	(3,431)
Net foreign currency exchange differences		-	-	633	105	(201)	537
Balance 30 June 2023		7,084	34,483	132,657	9,648	52,548	236,420
Additions		-	89	6,766	2,038	1,670	10,563
Disposals		-	-	(2,012)	(465)	-	(2,477)
Net foreign currency exchange differences		-	-	(170)	(6)	(1,923)	(2,099)
Balance 30 June 2024		7,084	34,572	137,241	11,215	52,295	242,407
Accumulated depreciation and impairment							
Balance 1 July 2022		-	5,161	76,380	6,769	14,634	102,944
Depreciation expense	3	-	911	6,000	927	6,663	14,501
Disposals		-	-	(1,724)	(1,304)	-	(3,028)
Net foreign currency exchange differences		-	-	563	(131)	(588)	(156)
Balance 30 June 2023		-	6,072	81,219	6,261	20,709	114,261
Depreciation expense	3	-	913	6,426	984	6,734	15,057
Disposals		-	-	(1,213)	(477)	-	(1,690)
Net foreign currency exchange differences		-	-	(126)	(15)	(1,958)	(2,099)
Balance 30 June 2024		-	6,985	86,306	6,753	25,485	125,529
Carrying value							
As at 30 June 2023		7,084	28,411	51,438	3,387	31,839	122,159
As at 30 June 2024		7,084	27,587	50,935	4,462	26,810	116,878

Right-of-use assets comprise property with a carrying value of $26.0 million (2023: $30.9 million) and motor vehicles and plant and equipment with a carrying value of $0.8 million (2023: $0.9 million) and represent the Group's right to use those underlying assets as a lessee under lease agreements.

Plant and equipment and freehold buildings include work in progress of $1,085,000 (2023: $566,000).
Capital expenditure commitments are $1,514,000 (2023: $1,494,000)

10. Intangible Assets

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

	Note	Goodwill $000	Software $000	Other $000	Total $000
Cost					
Balance 1 July 2022		61,453	11,404	812	73,669
Additions		1,350	503	-	1,853
Disposals		-	(6,142)	-	(6,142)
Net foreign currency exchange differences		793	49	-	842
Balance 30 June 2023		63,596	5,814	812	70,222
Additions		**-**	**550**	**-**	**550**
Disposals		**-**	**(130)**	**-**	**(130)**
Net foreign currency exchange differences		**(79)**	**(3)**	**-**	**(82)**
Balance 30 June 2024		**63,517**	**6,231**	**812**	**70,560**
Accumulated amortisation					
Balance 1 July 2022		-	8,892	292	9,184
Amortisation expense	3	-	606	126	732
Disposals		-	(6,141)	-	(6,141)
Net foreign currency exchange differences		-	36	-	36
Balance 30 June 2023		-	3,393	418	3,811
Amortisation expense	3	**-**	**649**	**126**	**775**
Disposals		**-**	**(130)**	**-**	**(130)**
Net foreign currency exchange differences		**-**	**2**	**-**	**2**
Balance 30 June 2024		**-**	**3,914**	**544**	**4,458**
Carrying value of goodwill and intangible assets					
As at 30 June 2023		63,596	2,421	394	66,411
As at 30 June 2024		**63,517**	**2,317**	**268**	**66,102**

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.

Goodwill is tested annually for impairment. An impairment loss is recognised when the carrying amount of the cash generating unit (CGU) exceeds its recoverable amount, which is the greater of its value in use and fair value less costs to sell. This requires certain assumptions being made in determining the recoverable amount of the CGU, 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 other intangible assets

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 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 Talbot Advanced Technologies Limited, which have their own 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 CGU 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 (as well as the acquisition of the remaining 65% interest in Sim Lim Technic LLC in 2023). The net present value of future estimated cash flows exceeds the recoverable amount of goodwill allocated to each CGU based on a value-in-use calculation. A pre-tax discount rate of 13.44% (2023: 12.72%) has been applied to discount future estimated cash flows to their present value.

Cash-generating unit	2024 $000	2023 $000
Gulf	35,492	35,605
Ambic	8,267	8,255
Talbot	6,455	6,455
Silclear	4,816	4,818
Ultralon	4,163	4,163
Deks	3,893	3,869
Stevens Filterite	431	431
Total goodwill	63,517	63,596

(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.

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 -2% to 19% per annum (2023: 0% to 22%) 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 CGU 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 2024, 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 CGU, 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 business plans for the new financial year and the following two years, with assumed lower growth rates of 2% (2023: 2%) in years four and five and 1.5% (2023: 1.5%) in perpetuity. This process is based on key strategies that have been quantified at a product and customer level, reviewed by senior management and approved 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 CGUs, particularly with the estimated net present value of each CGU tested well above the carrying value of assets, including goodwill.

No reasonably possible change in assumptions would lead to an impairment of 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.

	2024 $000	2023 $000
Trade payables	**12,379**	11,650
Employee entitlements	**3,737**	3,911
Sundry payables and accruals	**9,443**	9,669
GST/VAT payable	**2,048**	1,852
Total trade and other payables	**27,607**	27,082

The average credit period on purchases of all goods and services represents an average of 25 days credit (2023: 23 days credit).

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.

	2024 $000	2023 $000
Provisions		
Employee entitlements for annual and long-service leave	6,166	5,867
Warranties	655	1,031
Total provisions	6,821	6,898
Current	5,480	5,085
Non-current	1,341	1,813
Total provisions	6,821	6,898

Warranties	2024 $000	2023 $000
Balance at the beginning of the year	1,031	1,476
Additional provisions recognised	90	47
Reductions arising from payments/sacrifices of economic benefits	(83)	(425)
Reductions arising from remeasurement or settlement without cost	(383)	(69)
Net foreign currency exchange differences	-	2
Balance at the end of the year	655	1,031

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 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.

	2024 $000	2023 $000
Secured at amortised cost		
Balance at the beginning of the year	42,300	40,000
Drawdowns	36,000	49,515
Repayments	(46,299)	(47,231)
Net foreign currency exchange differences	(1)	16
Balance at the end of the year	32,000	42,300
Effective interest rate	7.36%	7.42%

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 2026 (2023: expiry date of 31 August 2026).

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 Jiangsu Limited and other smaller entities in the Group) totalling $223 million (2023: $222 million) is pledged as security to secure the above term loans. Tangible assets are defined in the facility agreement as cash at bank, receivables, inventory and property, plant and equipment.

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 has entered into commercial leases on properties, motor vehicles and plant. 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 Group's incremental borrowing rate.

The costs of low value and short term leases are 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 the Group intends to exercise termination options.

	2024 $000	2023 $000
Balance at the beginning of the year	33,712	29,190
Additions/terminations	1,670	10,144
Accretion of interest	1,429	1,411
Payments	(7,765)	(7,441)
Net foreign currency exchange differences	3	408
Balance at the end of the year	29,049	33,712
Current	6,623	6,118
Non-current	22,426	27,594
Balance at the end of the year	29,049	33,712

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 2022	195,276,382	72,406
Balance 30 June 2023	196,071,582	72,406
Balance 30 June 2024	**196,071,582**	**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

	2024 $000	2023 $000
Interest on bank overdrafts and borrowings	2,984	2,708
Bank facility fees	526	475
Interest on capitalised leases	1,429	1,411
Total finance costs in income statement	4,939	4,594

17. Reserves

	2024 $000	2023 $000
Reserve balances		
Cash flow hedge reserve	710	(827)
Foreign currency translation reserve	(3,098)	(2,779)
Employee share plan reserve	611	549
Total reserves	(1,777)	(3,057)

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	2024 $000	2023 $000
Cash flow hedge reserve			
Balance at the beginning of the year		(827)	(2,501)
Gain/(loss) recognised on cash flow hedges:			
- Foreign exchange contracts and options		2,135	2,325
- Income tax related to gains/(losses) recognised in other comprehensive income	5	(598)	(651)
Movement for the year		1,537	1,674
Balance at the end of the year		710	(827)

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	2024 $000	2023 $000
Foreign currency translation reserve			
Balance at the beginning of the year		(2,779)	(4,841)
Gain/(loss) recognition:			
- Foreign exchange movements on translation of foreign operations		(313)	1,966
- Income tax related to gains/(losses) recognised in other comprehensive income	5	(6)	96
Movement for the year		(319)	2,062
Balance at the end of the year		(3,098)	(2,779)

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	2024 $000	2023 $000
Employee share plan reserve			
Balance at the beginning of the year		549	739
Expense recognised/(redeemable shares paid) for the year	18	711	623
Share options lapsed during the year	18	(649)	-
Shares redeemed during the year		-	(813)
Movement for the year		62	(190)
Balance at the end of the year		611	549

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 01 November 2022 the former Chief Executive Officer (CEO) and former Chief Financial Officer (CFO) converted 1,800,000 options to 795,200 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 $2.91 per share. The shares were issued under a Share-based Incentive Scheme which expired on 01 November 2022. The fair value of this scheme was $813,000 and was determined using the Black-Scholes formula.

Upon conversion of the shares the $813,000 recorded as an expense in profit and loss was transferred from the Employee Share Plan Reserve to Retained Earnings.

On 01 November 2022 the Board awarded 1,800,000 options to the former CEO and former CFO, issued at an exercise price of $5.17, being the weighted average price of Skellerup's shares in the prior twenty-day trading period. On 28 March 2024, 1,000,000 options lapsed on the retirement of the former CEO from the Company. The expense that had been recognised up to the date of lapse of $649,000 was reversed in FY24. The remaining 800,000 options issued to the former CFO (current CEO) are able to be exercised in the period beginning on 01 September 2024 and ending on 01 November 2024. Upon exercise, the current CEO 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 $671,550 for the 800,000 options still on issue. The expense recognised in the current period (before the reversal for lapsed options) for the incentive scheme is $711,000 (2023: $623,000).

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.

Earnings per share before abnormal tax item	2024 Cents per Share	2023 Cents per Share
Basic earnings per share	25.51	26.02
Diluted earnings per share	25.40	25.82

Earnings per share	2024 Cents per Share	2023 Cents per Share
Basic earnings per share	23.92	26.02
Diluted earnings per share	23.82	25.82

19. Earnings per Share (continued)

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

	2024 $000	2023 $000
Earnings used in the calculation of earnings per share before abnormal tax item	50,014	50,941
Earnings used in the calculation of earnings per share	46,893	50,941
Weighted average number of ordinary shares for		
- Basic earnings per share	196,071,582	195,803,610
- Diluted earnings per share	196,871,582	197,265,007

20. Retained Earnings

	2024 $000	2023 $000
Balance at the beginning of the year	156,087	145,405
Net profit for the year	46,893	50,941
Share incentive scheme	-	813
Payment of dividends	(44,116)	(41,072)
Balance at the end of the year	158,864	156,087

During the reporting period a dividend of 14.0 cents per share (imputed 50%) was paid on 13 October 2023 and 8.5 cents per share (imputed 50%) on 14 March 2024. The imputation tax credits totalled $8,263,523 (2023: $7,630,148).

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 options 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. Interest rates on bank loans are linked to short-term market interest rates plus agreed margins.

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 where forecast core debt is greater than $20 million. Where forecast core debt is less than $20 million, there is no minimum level of fixed interest rates.

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 reporting date, the Group had the following mix of financial assets and liabilities exposed to interest rate risk.

21. Financial Risk Management Objectives and Policies (continued)

Risk exposures and responses (continued)

(i) Interest rate risk (continued)

	2024 $000	2023 $000
Financial assets		
Cash and cash equivalents	16,629	17,094
Financial liabilities		
Bank overdraft	-	(1,624)
Bank loans	(32,000)	(42,300)
Net exposure	(15,371)	(26,830)

(ii) Foreign currency risk

The Group imports raw materials and finished goods from, and exports finished goods to, a number of foreign suppliers and 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 and options. 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 75% 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 2024				
USD	2,214	4,240	1,749	4,705
AUD	367	1,004	76	1,295
GBP	10	56	2	64
EUR	656	2,551	876	2,331
30 June 2023				
USD	1,703	3,411	1,211	3,903
AUD	185	1,522	409	1,298
GBP	61	138	2	197
EUR	443	1,421	854	1,010

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

	2024 $000	2023 $000
Financial assets		
Cash and cash equivalents	5,213	3,914
Trade and other receivables	12,664	10,078
	17,877	13,992
Financial liabilities		
Trade and other payables	(4,499)	(3,963)
Net exposure	13,378	10,029

21. Financial Risk Management Objectives and Policies (continued)

Foreign currency sensitivity

	Net Profit after Tax		Net Equity	
Higher/(Lower)	2024 $000	2023 $000	2024 $000	2023 $000
Foreign currency rates				
Increase +10%	(842)	(693)	(11,890)	(11,878)
Decrease -5%	487	401	6,883	6,877

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.

The effect on other comprehensive income results from foreign currency revaluations through the cash flow hedge reserve and the foreign currency translation reserve. 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 allowances for expected credit losses.

(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 2024	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	16,629	-	-	-	16,629
Trade and other receivables	57,540	298	196	-	58,034
Derivatives	173	395	679	-	1,247
	74,342	693	875	-	75,910
Financial liabilities					
Trade and other payables	25,386	75	98	-	25,559
Lease liabilities	3,337	3,287	17,639	4,786	29,049
Interest-bearing loans	-	-	32,000	-	32,000
Derivatives	224	113	35	-	372
	28,947	3,475	49,772	4,786	86,980
Net total	45,395	(2,782)	(48,897)	(4,786)	(11,070)

Balance 30 June 2023	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	17,094	-	-	-	17,094
Trade and other receivables	56,388	276	252	-	56,916
Derivatives	57	52	831	-	940
	73,539	328	1,083	-	74,950
Financial liabilities					
Bank overdraft	1,624	-	-	-	1,624
Trade and other payables	25,071	76	83	-	25,230
Lease liabilities	3,029	3,089	22,933	4,661	33,712
Interest-bearing loans	-	-	42,300	-	42,300
Derivatives	1,064	794	375	-	2,233
	30,788	3,959	65,691	4,661	105,099
Net total	42,751	(3,631)	(64,608)	(4,661)	(30,149)

Fair value

The derivative financial instruments that have been fair valued by the Group are detailed in Note 22 and have a fair value of $875,000 (2023: $1,293,000).

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. Material 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 2024				
Cash and cash equivalents at amortised cost	16,629	-	-	16,629
Debt instruments at amortised cost	-	58,718	-	58,718
Derivatives designated as hedging instruments	-	-	1,247	1,247
Total financial assets	16,629	58,718	1,247	76,594
Balance 30 June 2023				
Cash and cash equivalents at amortised cost	17,094	-	-	17,094
Debt instruments at amortised cost	-	57,515	-	57,515
Derivatives designated as hedging instruments	-	-	940	940
Total financial assets	17,094	57,515	940	75,549

22. Financial Instruments (continued)

Financial Liabilities	Trade and Other Payables $000	Derivatives $000	Borrowings $000	Total Financial Liabilities $000
Balance 30 June 2024				
Derivatives designated as hedging instruments	-	372	-	372
Other financial liabilities at amortised cost	27,607	-	-	27,607
Interest bearing loans	-	-	32,000	32,000
Total financial liabilities	27,607	372	32,000	59,979
Balance 30 June 2023				
Derivatives designated as hedging instruments	-	2,233	-	2,233
Other financial liabilities at amortised cost	27,082	-	-	27,082
Interest bearing loans	-	-	43,924	43,924
Total financial liabilities	27,082	2,233	43,924	73,239

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 options 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 and options 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 Group 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:

	2024 $000	2023 $000
Current assets		
Forward currency contracts and options - cash flow hedge	568	109
Current assets	568	109
Non-current assets		
Forward currency contracts and options - cash flow hedge	679	831
Non-current assets	679	831
Total assets	1,247	940
Current liabilities		
Forward currency contracts and options - cash flow hedge	337	1,858
Current liabilities	337	1,858
Non-current liabilities		
Forward currency contracts and options - cash flow hedge	35	375
Non-current liabilities	35	375
Total liabilities	372	2,233
Net assets/(liabilities)	875	(1,293)

22. Financial Instruments (continued)

Forward currency contracts and options

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 the net value is 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 and options are as follows:

	Notional Amount (NZD)		Average Exchange Rates	
	2024 $000	2023 $000	2024	2023
Buy NZD/Sell EUR				
Maturing 2024: two to 24 months (2023: two to 23 months)	4,198	4,216	0.5479	0.5693
Buy NZD/Sell GBP				
Maturing 2024: two to 24 months (2023: two to 23 months)	9,973	7,310	0.4813	0.4924
Buy NZD/Sell USD				
Maturing 2024: one to 34 months (2023: one to 36 months)	57,161	54,615	0.6001	0.6235
Buy NZD/Sell AUD				
Maturing 2024: one to 21 months (2023: one to 24 months)	13,965	20,526	0.9023	0.9062
Buy CNY/Sell AUD				
Maturing 2024: one to 12 months (2023: one to eight months)	5,951	3,271	0.2089	0.2073

The forward currency contracts and options 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 considering current and projected debt levels, when forecast core debt is expected to exceed $20 million. At 30 June 2024 the Group had no interest rate swap agreements in place as forecast core debt (core debt expected balance in 12 months from reporting date) is not expected to exceed $20 million.

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 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 2024	Holding 2023	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 Europe Limited	Distribution	UK	100%	100%	30 June
Deks Industries Pty Limited	Manufacturing and Sales	Australia	100%	100%	30 June
Deks North America Incorporated	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
Silclear Limited	Manufacturing and Sales	UK	100%	100%	30 June
Skellerup Gulf Nantong Trading Limited	Distribution	China	100%	100%	31 December
Skellerup Jiangsu Limited	Manufacturing and Sales	China	100%	100%	31 December
Skellerup Rubber Services Limited	Manufacturing and Sales	New Zealand	100%	100%	30 June
Talbot Advanced Technologies 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) Compensation of Directors and key management

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

	2024 $000	2023 $000
Short-term benefits		
Directors' fees	650	667
Senior management's salaries and incentives	3,637	3,380
Contribution to defined contribution scheme for senior management personnel	86	51
Long-term benefits		
Share-based incentive scheme expensed/(redeemable shares paid) during the year	62	623

Key management personnel includes directors, the executive and key management of the Group. Outside of the non-executive directors, key management personnel includes six employees at 30 June 2024 (five employees at 30 June 2023).

24. Contingent Liabilities

	2024 $000	2023 $000
Bank guarantee provided to NZX Limited	**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. Abnormal tax item

Abnormal items are determined in accordance with the principles of consistency, relevance and clarity. Transactions considered for classification as abnormal items are transactions or events outside of the Group's ongoing operations that have a significant impact on reported profit after tax.

During the year the Group had no abnormal pre-tax expenses (2023: nil). The abnormal tax item was $3,121,000 (2023: nil).

	2024 Pre-Tax $000	2024 Tax $000	2024 After Tax $000
Deferred tax on removal of tax depreciation on buildings	**-**	**(3,121)**	**(3,121)**

On 28 March 2024, the New Zealand Government enacted changes to the tax legislation to remove the ability to depreciate buildings with a life over 50 years for tax deduction purposes. For the Group the application of this taxation change under NZ IAS 12 Income Taxes creates a tax carrying value for the Wigram building of nil from 1 July 2024 onwards. This increases the deferred taxation liability by $3,121,000 and creates a one-off non-cash accounting adjustment to the taxation expense for deferred tax on buildings for the year ended 30 June 2024 of $3,121,000. The application of NZ IAS 12 which creates this deferred taxation liability does not reflect taxation payable if the assets were sold.

26. Significant Events after Balance Date

The Directors agreed to pay a final dividend, imputed to 50%, of 15.5 cents per share on 18 October 2024, to shareholders on the register at 5.00pm on 4 October 2024. This dividend is not recorded in the financial statements.

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

27. New Accounting Standards, Amendments and 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 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 2024.

		Held with Beneficial Interest	Held with Non-beneficial Interest	Held by Associated Persons
John Strowger	Independent	-	-	143,920
David Cushing	Independent	-	-	8,366,169
Rachel Farrant	Independent	-	-	-
Alan Isaac	Independent	-	-	62,411
David Mair	Non-Executive	-	-	3,600,000
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 2023 to 05 August 2024 by a general notice disclosed to the Board and entered in the Company's Interest Register.

John Strowger

- Interest in 143,920 shares following the purchase of 25,600 shares on 06 June 2024.
- Appointed as a Director of Sanford Limited on 18 December 2023.

Alan Isaac

- Interest in 62,411 shares following the purchase of 2,411 shares on 25 March 2024 and 10,000 shares between 05-07 June 2024.
- Appointed as a Director of Community Online Gambling Holdings Limited and Community Online Gambling Limited on 20 June 2023.

David Mair

- Interest in 3,600,000 shares following the sale of 1,464,026 shares between 13-18 March 2024.
- Resigned as CEO of Skellerup Holdings Limited on 28 March 2024.
- Appointed as CEO of Sanford Limited on 01 May 2024.

Distribution of Ordinary Shares and Shareholders as at 05 August 2024

Range	Number of Shareholders	Number of Shares	% of Shares
1 - 999	564	250,826	0.13
1,000 - 9,999	3,507	14,254,516	7.27
10,000 - 49,999	1,653	31,554,710	16.09
50,000 - 99,999	191	12,570,384	6.41
100,000 - 499,999	109	17,756,518	9.06
500,000 - 999,999	12	7,327,319	3.74
1,000,000 Over	20	112,357,309	57.30
Total	**6,056**	**196,071,582**	**100.00%**

Substantial Product Holders

Pursuant to the Financial Markets Conduct Act 2013, the following parties had given notice as at 05 August 2024 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	%
Forsyth Barr Investment Management Limited	19,835,496	10.12
First Cape Group Limited	14,937,355	7.62

Twenty Largest Shareholders as at 05 August 2024

Rank	Name	Number of Shares	%
1	Forsyth Barr Custodians Limited	27,742,423	14.15
2	FNZ Custodians Limited	15,194,926	7.75
3	Custodial Services Limited	9,814,995	5.01
4	H & G Limited	8,366,169	4.27
5	BNP Paribas Nominees (NZ) Limited	8,105,614	4.13
6	Accident Compensation Corporation	8,062,429	4.11
7	New Zealand Depository Nominee Limited	5,005,046	2.55
8	David William Mair & John Gordon Phipps	3,600,000	1.84
9	Tea Custodians Limited	3,348,311	1.71
10	Forsyth Barr Custodians Limited	2,952,425	1.51
11	HSBC Nominees A/C (NZ) Superannuation Fund Nominees Limited	2,914,373	1.49
12	HSBC Nominees (New Zealand) Limited	2,840,522	1.45
13	FNZ Custodians Limited Non Resident A/C	2,683,849	1.37
14	Citibank Nominees (New Zealand) Limited	2,628,947	1.34
15	Simplicity Nominees Limited	2,072,434	1.06
16	Public Trust (Booster Investments) Nominees Limited	2,021,238	1.03
17	JBWere (NZ) Nominees Limited	1,355,881	0.69
18	Forsyth Barr Custodians Limited	1,309,385	0.67
19	Mint Nominees Limited	1,307,740	0.67
20	Investment Custodial Services Limited	1,030,602	0.53

CORPORATE DIRECTORY

Directors

WJ Strowger, LLB (Hons)

BD Cushing, BCom, ACA

RH Farrant, BCom, PGDipCom, FCA, CFInstD

AR Isaac, CNZM, BCA, FCA

DW Mair, BE, MBA

PN Shearer, BCom

Officers

GR Leaming, BCom, CA
Chief Executive Officer

TS Runnalls, BCom (Hons), CA
Chief Financial Officer

Registered Office

L3, 205 Great South Road
Greenlane
Auckland 1051
New Zealand

PO Box 74526
Greenlane
Auckland 1546
New Zealand

Email: ea@skellerupgroup.com
Telephone: +64 9 523 8240
Website: www.skellerupholdings.com

Legal Advisors

Chapman Tripp

L34, PwC Tower
15 Customs Street West
Auckland 1010
New Zealand

Bankers

ANZ Bank New Zealand Limited

23-29 Albert Street
Auckland 1010
New Zealand

Bank of New Zealand

Level 4
80 Queen Street
Auckland 1010
New Zealand

Auditors

Ernst & Young

2 Takutai Square
Britomart
Auckland 1010
New Zealand

Share Registrar

Computershare Investor Services Limited

Private Bag 92119
Auckland 1442
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

Email: enquiry@computershare.co.nz
Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787

Please assist our registrar by quoting your Common Shareholder Number (CSN)


SKEL


LLERUP

SKELLERUP
HOLDINGS LIMITED

L3, 205 Great South Road
Greenlane, Auckland 1051, New Zealand

PO Box 74526, Greenlane
Auckland 1546, New Zealand

E: ea@skellerupgroup.com
T: +64 9 523 8240
W: www.skellerupholdings.com