SKELLERUP

Annual Report FY22

Contents

Business Review

Financial Statements

Shareholder Information

Skellerup is a global leader in the design, manufacture and distribution of precision-engineered products. The essence of Skellerup is working closely with customers to define and solve their problems through a dynamic interaction that takes place between our deep material expertise, strong product and tool design capability, and proven manufacturing knowledge.

We have developed enduringly strong relationships with key partners, in particular original equipment manufacturers (OEMs) and major distributors, who see us as a key component of their R&D team and our branded products carry a strong and reliable reputation.

We employ a diverse and highly skilled workforce of over 850 people. We are a respected global brand because of the collective efforts of our people, our family, and they are a dependent variable in our success.

We are a global business with more than 75 per cent of our revenue derived from international markets. We have manufacturing and distribution facilities and partners in New Zealand, Australia, China, Vietnam, UK, Italy and the US.

Highlights FY22

Delivering for our customers

over **4,400** Customers

sold to **75** Countries

Strong financial growth

Revenue growth
13%
$316.8M
(FY21: $279.5m)

Earnings (EBIT)
18%
$66.8M
(FY21: $56.4m)

Financial return ratio (RONA)
By 3%
32%
(FY21: 29%)

EPS growth
19%
24.5cps
(FY21: 20.6 cps)

Driving operational efficiency

Productivity

Wigram
Production volume up 2%
Staffing reduction of 4%

Jiangsu
Footwear volume up 12%
Vacuum Systems volume up 6%
On staffing increase of 2%

ERP upgrades

1
(FY21: 3)

Diverse and experienced team

over **490**
New products to market
last 24 months

4
Acquisitions over last 5 years

People
7%
869
(FY21: 813)

Total injury rate
179% (unfavourable)
2.43
(FY21: 0.87)

Earnings (NPAT)
19%
$47.8M
(FY21: $40.2m)

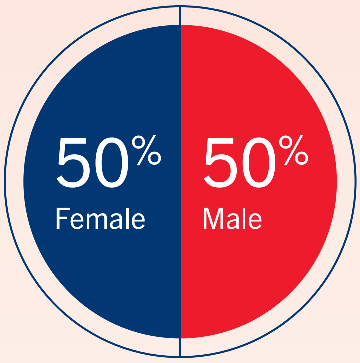
Operating cash flow
26%
$43.3M
(FY21: $58.8m)

Years' service for staff

Fewer than 2 years	28%
2 – 10 years	34%
10 – 20 years	28%
Greater than 20 years	10%

Dividend per share growth
21%
20.5cps
(FY21: 17.0 cps)

Demographic (gender)
(FY21 – f: 48% m: 52%)



Focused on community and environment

GHG* emissions
(Tonnes CO_2-e)
5% (unfavourable)
2,465
(FY21: 2,339)
*greenhouse gas

GHG emissions / revenue
(favourable)
7%
CO_2-e emissions per $1 million of revenue over the past year

GHG emissions / revenue
(favourable)
14%
CO2-e emissions per $1 million of revenue over the past two years

Pink Band sales

SKELLERUP PINK BAND

Doubled over prior year in support of Breast Cancer Foundation NZ

Skellerup's History

> “The essence of an interesting business is to be competitive.
>
> **- George Waldemar Skellerup**

George Skellerup Photo Credit: *Te Ara Encyclopedia of New Zealand*

1910

- Para Rubber Company founded by George Skellerup in Christchurch, establishing Skellerup's expertise in polymer technologies

Milking Machine Photo Credit: *Wyndham and District Historical Museum*

1914

- Skellerup's milking machine business established, and beginning of our focus on the dairy sector

1929

- Cotton Bros acquisition, establishing gumboots and motor tyres business

1939

- Empire Rubber Mills and Marathon Rubber Footwear begin rubber footwear production
- Rubber reclamation plant established to utilise old motor tyres

1948

- Skellerup Industries established, uniting the businesses, and listing on the New Zealand Stock Exchange

2006

- Skellerup expands its engineered rubber products capability for critical industrial and infrastructure applications with the acquisition of Gulf Rubber (NZ and Australia)

GULF engineered rubber and plastics

TUMEDEI rubber engineering

2007

- Skellerup further expands its engineered rubber products capability and international presence for industrial applications with acquisition of Tumedei (Italy)

2014

- Skellerup expands its high-performance foam business with the acquisition of Thermoplastic Foams (Australia)

2016

- Wigram Dairy Rubberware Development, Manufacturing and Distribution facility (19,000m²) opens

> I'm proud to lead a company with deep roots in our community but one that is now a growth–orientated global business. Kiwis can fly, and Skellerup has. **- David Mair**

- Skellerup Industries relisted on the Stock Exchange as part of Skellmax Industries Ltd (now Skellerup Holdings Ltd)

2002

SKELLERUP HOLDINGS LIMITED

RED BAND

1980s

- Skellerup produces nearly half of all New Zealand's casual, industrial and waterproof footwear, including Commandos, Skellerup All Stars (worn by tennis player Russell Simpson and world champion squash player Dame Susan Devoy), and the iconic Red Band gumboots

2004

- Skellerup expands its range of essential food–grade consumable products for the global dairy industry with the acquisition of Stevens Filterite (NZ)
- Skellerup expands its industrial focus to include roofing and plumbing products with the acquisition of DEKS (Australia)

SIMLIM engineered silicone solutions

- Skellerup invests in liquid silicone rubber capability with the acquisition of 35% interest in Sim Lim Technic LLC (USA)
- Winner of Deloitte Top 200 Award for Most Improved Company

2018

- Deloitte Top 200 names Liz Coutts as Chair of the Year

2020

2019

- Skellerup further expands its high-performance foam and soft material design and manufacturing capability with the acquisition of Nexus Foams (NZ)
- Skellerup extends its design and manufacturing capability for food–grade silicone products with the acquisition of Silclear (UK)

2021

- Deloitte Top 200 names David Mair as Chief Executive Officer of the Year
- Skellerup expands its engineered plastics design and manufacturing capability with the acquisition of Talbot Technologies (NZ)

Chair's Review

It is pleasing to report on the 2022 financial year (FY22) and another record financial result for Skellerup. Audited net profit after tax (NPAT) of $47.8 million represents a 19 per cent improvement on last year's record result.

The FY22 result was underpinned by sales growth for our engineered potable water, food–grade dairy and high-performance foam products. Our people have overcome the interruptions, increased costs and extended freight times wrought by Covid-19 to continue to deliver the many essential products our customers require. The resilience of our business model and strategy has been thoroughly tested, particularly during these past two years, and its success has seen us continue to deliver substantial growth in earnings and returns to our shareholders.

We are very pleased with the latest results but have and continue to be focused on measuring our performance over a longer term and ensuring we are well placed for the future. Over the past seven years, Skellerup's revenue has increased by 50 per cent and NPAT by 133 per cent. These are excellent outcomes but importantly we continue to invest in our new products, technology and people to provide the platform for delivering growing and sustainable shareholder returns in the years ahead. You will find more detail on these developments and investments throughout this report.

Leadership matters, and Skellerup is fortunate that ours has been strong, endorsed by Chief Executive David Mair being recognised as the Deloitte Top 200 CEO of the Year for 2021. Our Chief Financial Officer Graham Leaming was also acknowledged as a finalist for CFO of the Year, and Skellerup was a finalist for Company of the Year. These acknowledgements are a tribute to the entire Skellerup team. We thank all our people for their commitment and performance this past year. We are very grateful for their dedication and contributions.

Your Board is focused on long-term success. Skellerup was founded over 110 years ago. Naturally challenges over such a long period change; however, building and leading a sustainable business is a constant. We recognise the impact climate change is having on the world. In June 2022, we formed a Sustainability Committee to oversee and measure Skellerup's sustainability initiatives.

This will add impetus to our existing sustainability lens, evidenced by investments we have made over the past six years to reduce emissions and water usage at key sites across the world. Recently we consolidated three Auckland facilities onto a single site in Otahuhu, which will enable us to reduce emissions (see case study). We have also implemented the ESG World Platform, to provide shareholders and stakeholders the opportunity to review Skellerup's environmental, social and governance (ESG) performance against the range of frameworks in place throughout the world.

Skellerup is a global business, operating in New Zealand, Australia, China, Italy, the United Kingdom and the United States. Our Board has a diverse range of skills, knowledge and governance experience to deal with the complexities that accompany an international business. While travel restrictions have severely hampered the Board's ability to get out among our global network of businesses, we have visited our New Zealand sites. This has provided valuable insights into the strength of our business and people. We get to the essence of business decisions quickly and have the necessary agility to be responsive to business opportunities as they arise.

In May 2022, Rachel Farrant, a partner at BDO Wellington Ltd, joined our Board as an Independent Director. Rachel brings a strong financial focus to the Board and experience across a variety of sectors, including construction, technology, finance and property.

The Directors are very pleased to announce a final dividend, imputed to 50 per cent, of 13.0 cents per share, which takes the full-year dividend to 20.5 cents per share, a 21 per cent increase on the prior year. The final dividend will be paid on 14 October 2022 with a record date of 30 September 2022.

We are pleased to reward shareholders after another record result in FY22. Skellerup, as befits its history, is in it for the long haul as a future-orientated business. In line with our strategy, we'll continue to focus on working closely with key customers to provide engineered products used in a range of critical applications and to look for investment opportunities that create synergies to fuel our ongoing growth.

> "The resilience of our business model and strategy has been thoroughly tested, particularly during these past two years, and its success has seen us continue to deliver substantial growth in earnings and returns to our shareholders."

We are very optimistic about Skellerup's future growth prospects, look forward to the challenge of bolstering capacity to meet the opportunities, and thank shareholders for their ongoing support and trust in the Board, executives and employees of Skellerup.

Elizabeth (Liz) Coutts
Chair and Director

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.

Sport & Leisure

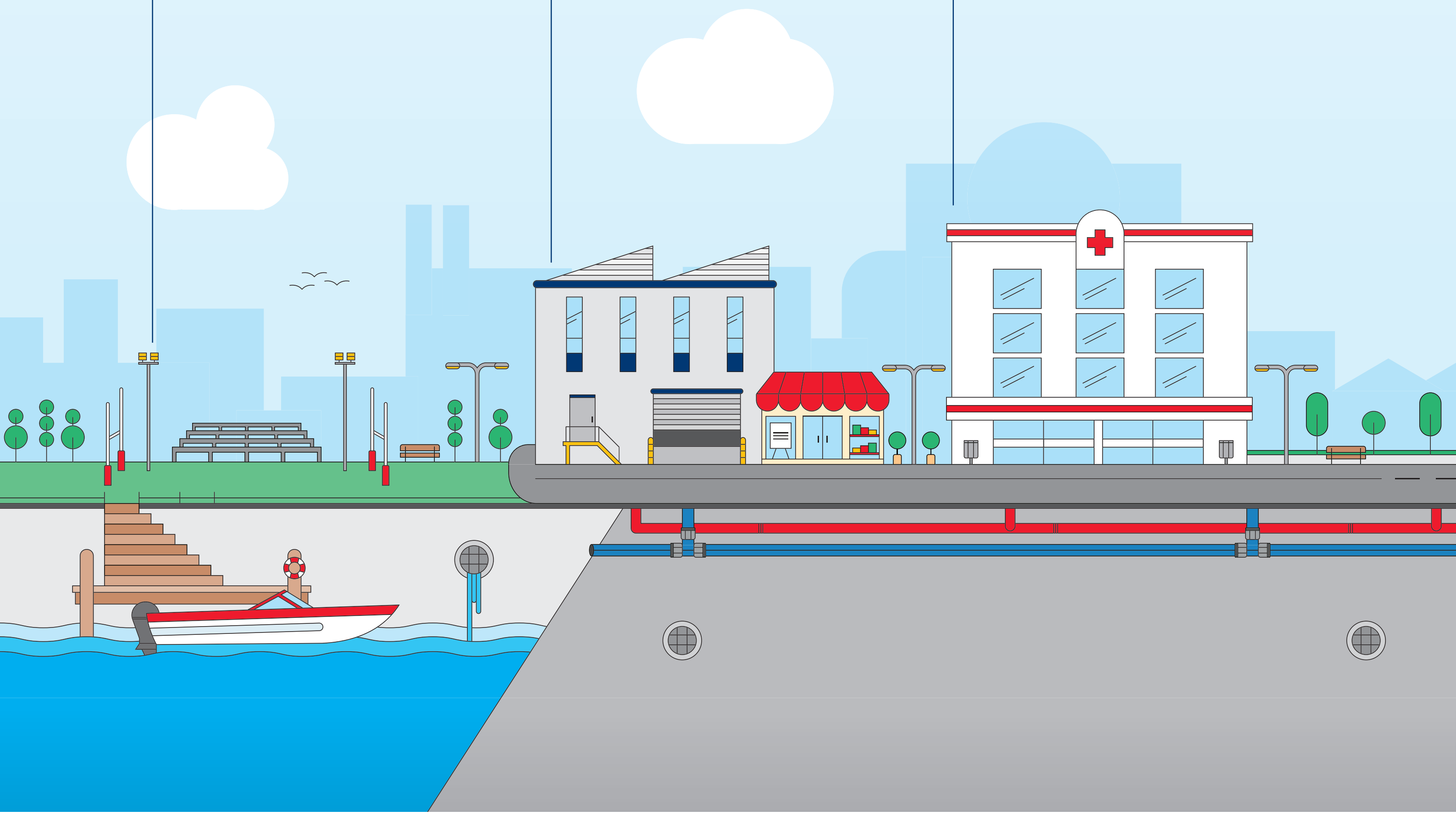
Skellerup's products are utilised in a variety of recreational settings, from marine, to snow, to field sports.

Industrial & Retail

Our products are used in potable water and wastewater applications, control systems, construction, and mobile equipment.

Medical, Health & Hygiene

Our products and components play a vital role in the equipment that helps to treat and heal patients, and keep front-line workers safe.



Our focus is on delivering innovative new products and improvements, keeping our customers ahead of the curve.

Residential

Skellerup's products are used in a wide range of home applications such as taps, showers, HVAC, roofing, solar, kitchen appliances and plumbing, and more.

Transport

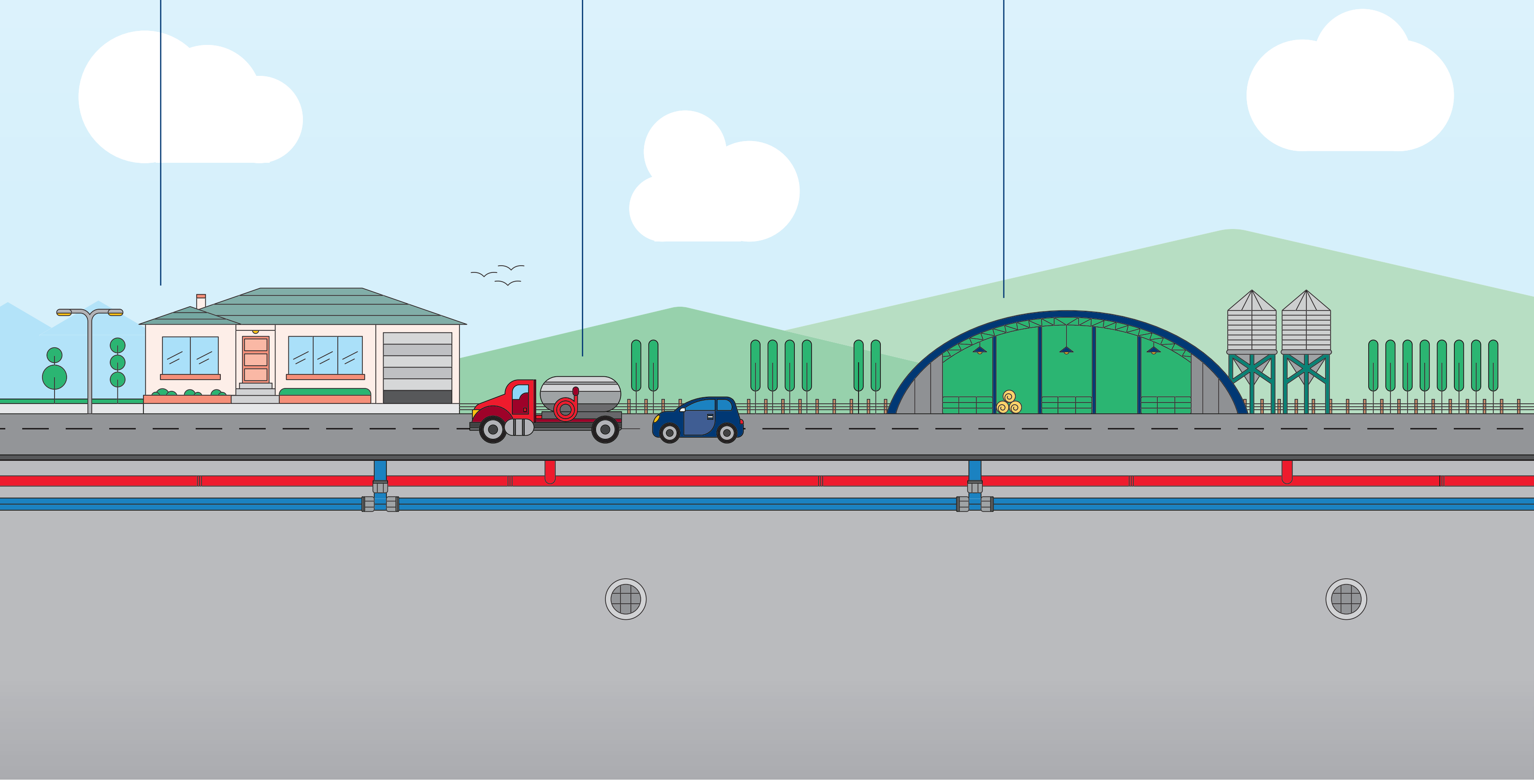
Our vacuum systems, seals, injectors, couplings and gaskets are utilised throughout the transport industry.

Dairy

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

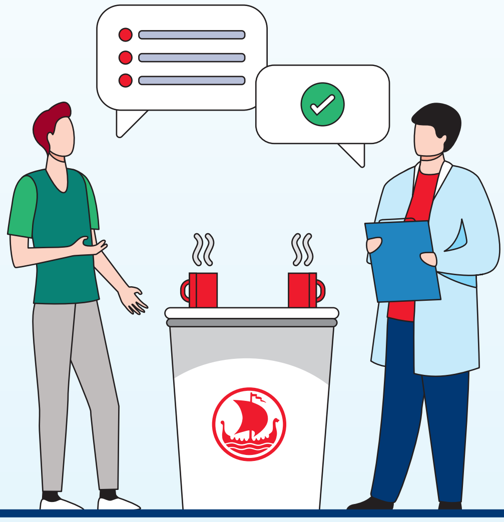
Specialist Footwear

Our protective rubber footwear is not only used on farms but also for speciality applications including fire, forestry, and electrical distribution.



A Successful Product Development Approach

The Skellerup R&D process



1. Identify the problem or opportunity

Proactively working with our customers, and potentially their customers, to understand their issues, challenges or pain points to see how we can solve them.

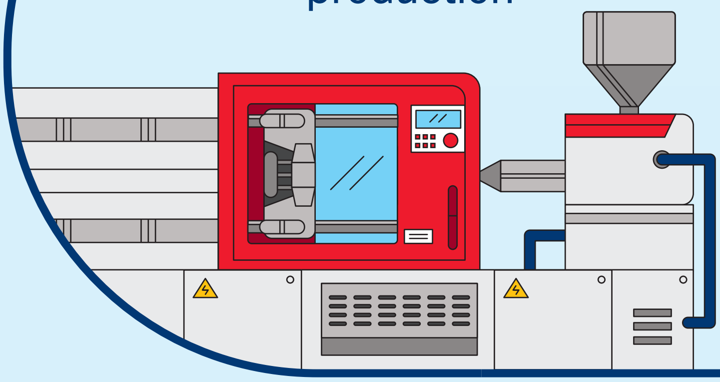
This approach means our product development is grounded in a customer need with an established market.

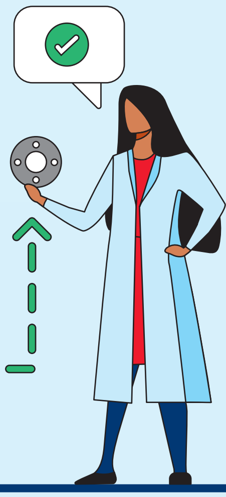
Our technical sales team are highly experienced and knowledgeable in their specific areas and well supported by our technical product development experts.

4. Develop tooling required for production

Our intellectual property includes clever solutions and a strong understanding of the production process and tooling to ensure the product can be manufactured and assembled to tight specifications, cost effectively. Then production processes can be scaled up quickly with low capital input.

We have a reputation for speed and accuracy, which are key components of our approach.





2. Design the solution

The design team includes engineering, chemistry and manufacturing expertise.

They work together to develop a solution based on deep understanding of material science, including polymers (rubber, plastic and foam), their interaction with other materials, the precise tooling dimensions required and process for manufacture.

Our products invariably must meet demanding standards (including food and potable water requirements) that vary across jurisdictions.

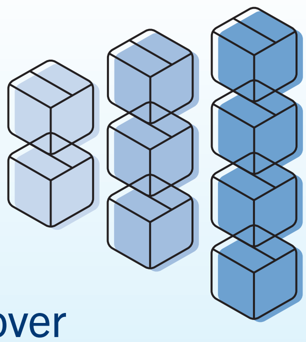
Next, we rapidly create product prototypes to provide both the proof–of–concept initial testing in the broader system and the opportunity for fast feedback from our customer to quickly iterate changes.

We also think hard about whether we can augment the product and reduce complexity for the customer.

3. Develop the prototype

Measuring our success

We have strong and deep relationships with our 4,400 customers, particularly OEM's, where we continue to deliver new products and developments.



over **490** new products in the last two years

15 of our top 20 customers in FY22 were also top 20 customers in FY18

5 new inclusions to our top 20 customers since FY18

CEO's Review

I am proud that through the efforts of all our people, Skellerup has delivered another outstanding result over the past 12 months.

Rising to meet a still very challenging operating environment while maintaining an unwavering focus on our customers and suppliers is a testament to our commitment and the outcomes delivered on behalf of our shareholders.

The FY22 net profit after tax (NPAT) was $47.8 million, a 19 per cent improvement on last year's record result.

Our People: Reciprocal Loyalty and Trust

I occasionally hear from people who worked or once had one of their parents work at Skellerup. The indelible impression left from these stories is Skellerup's reputation as an entrepreneurial business and a good employer. That reputational capital has been built up over generations and has always been one of Skellerup's strengths since its very beginning in 1910. Many employees talk about Skellerup as a family, and they feel connected to our purpose.

We are investing first in retaining and developing our people, then in attracting new, more highly qualified staff. I see it as inevitable that in the future we will need to have much more skilled people with a deeper sense of business acumen, much more highly paid, but fewer of them driven by the use of technology. Skellerup has a duty to help people achieve their potential in the business; also, employees must show that they are continuing to learn and develop themselves.

The protection and safety of our people and others from accidental harm in our workplaces is our highest priority. Every Skellerup site has an active Health and Safety Committee, reporting monthly to me. However, we need every employee to help create the environment where anyone is comfortable to speak up about any issue that could adversely affect an employee, not simply expect the Company or leaders to do that on their own.

Trust is everything in business. It helps when times are challenging, as they have been since Covid-19 first struck, and I couldn't be prouder of the adaptability and commitment shown by our staff across our regions. Our leaders have again stood up this past year. Their outstanding skill and tenacity under tough conditions underpins our all-round strong performance.

At Skellerup, we are committed to maintaining a high standard of ethics in how we operate and do business. We ensure our leaders work closely with their teams to review and discuss the behaviours that are required (and as outlined in our Code of Ethics).

Purpose

The essence of Skellerup is working closely with customers to define and solve their problems through a dynamic interaction that takes place between our people's deep material expertise, strong product and tool design capability, and proven manufacturing process knowledge.

Our ability to deliver critical and essential products that often integrate multiple materials to demanding and ever-shifting regulatory standards is our competitive advantage, and one we believe is not easily reverse engineered.

There are also five interrelated relationships that underpin Skellerup's purpose. First and foremost is our view of true customer focus. It must be good for the customer *and* good for Skellerup. We want our customers to be demanding of us because this drives our business and creates new opportunities. Maintaining and at every opportunity enhancing our customer relations is good for them and us.

Just as we expect demanding customers, we want to be a demanding but fair customer to our suppliers. I've said it before, but our goal is nothing short of being the best supplier to our customers and the best customer for our suppliers.

Our people, as I've mentioned above, are our best resource. We take seriously our responsibility to retain and develop them. Having a reputation as being a fair employer enables us to attract people to fit our culture.

The community we influence is made up of the people we interact with: customers, suppliers and staff (which includes their family and friends). By acting with integrity in these relationships we build reciprocal loyalty and trust. We see being active in that broader community as part of our social contract with them (see case study).

Case Study

Improving Efficiency of Operations and Supply Chain to help Customers

During FY22 we established a new entity operating in Nantong Free Trade Zone in China. This investment was made to improve both delivery and services to key global customers for potable water applications in mainland China and other areas of Asia. The move reinforces Skellerup's unwavering focus on our customers and staying close to them so that we can understand their challenges and respond with new approaches.

Skellerup's long-established presence and on-the-ground expertise in China ensured formation of this new operation was smooth and it has resulted in a win-win situation for Skellerup and our customers in getting products to market more efficiently through improved logistics. This has been proven during the unexpected Covid-19 lockdown of Shanghai from late March to the middle of May 2022. Despite port and transport interruptions, our team were able to ensure delivery to enable our customers to maintain operations during this critical period. Already quality assurance has improved and the lead times for the supply chain are reducing. Aside from economic benefits, reduced freight movement also reduces carbon emissions.

Case Study

Customer-focused Development of New Products

FY22 saw the launch of a new high-vacuum blower system for OEM customers in the US. The new system provides improved performance, where vacuum truck operators can boost productivity by collecting and discharging liquid waste more efficiently and effectively.

Working collaboratively with a series of OEMs, this project highlights Skellerup's ability to work closely with customers to define and solve problems and helps us to see solutions that others miss. The fruits of working closely with our customers have created new efficiencies, reduced consumable costs and broadened market opportunities while, importantly, also reducing environmental impacts by eliminating oil-based products.

The project to develop our new blower showcases our ability to collaborate across geographies to ensure the best team and solution for the client. Our New Zealand-based process and manufacturing engineer oversaw the project where our US–based design engineers worked with US subcontractors, and production was overseen and managed by our General Manager in China – a global team delivering a local solution.

Senior management is focused on capital allocation, the people and dollars being invested in the future of the Group. Over the past few years, we have successfully integrated a number of (albeit small) acquisitions and this, together with good organic growth, has provided the cash flow to provide a very good return to our shareholders, the owners of our business.

Industrial Division

Skellerup's Industrial Division designs and manufactures products that often combine multiple materials such as rubber, plastic and metals to perform in a wide range of applications.

During FY22 excellent sales growth and platform and process improvements combined to increase earnings before interest and tax (EBIT) by 20 per cent over the prior corresponding period (pcp) to a record $39.1 million.

Our customers' needs are central to our product development approach. We develop products for predominantly OEM customers. From our technical salespeople to our engineers and chemists, we work closely with our customers, and their customers, to develop and deliver reliable products that meet their requirements.

Working dynamically with our customers to help define and solve their needs and designing products that perform is a consistent thread across our Industrial Division's businesses. This approach helped drive strong growth in sales into potable water and wastewater applications and marine foam applications in particular during FY22. We also achieved ongoing strength across all other major applications in FY22.

Late FY22 saw the consolidation of three sites into a foam group located on one site at Savill Link in South Auckland. Significant operational efficiencies will be gained from shared facilities, along with improved warehousing and distribution from a single site, and better team cohesion and performance. The move has led to health and safety and sustainability gains as well, through an improved warehouse and office layout, LED lights and solar panelling on the roof.

Strategic acquisitions continue to contribute to Skellerup's performance. The acquisition of Talbot Advanced Technologies was completed at the end of August 2021. Realisation of some early synergies and process improvements derived from integration have seen Talbot's financial result meet expectations and the expanded production capability available to our customers will drive anticipated future revenue growth.

Despite the disruptive effects of Covid-19, we continued to develop new products and bring them to market, contributing to our excellent FY22 result. We see a healthy pipeline of new products creating further potential for earnings growth over the coming year.

The Industrial Division's successes in FY22 reflect the skill and diligence of our people. Supply chain challenges have been imposing, with a need to source alternative materials and varied compounds to ensure continuity of supply to our customers. Our expertise in deep material science was tested and I couldn't be prouder of our team's efforts and achievements.

Agri Division

Skellerup's Agri Division is focused on, and is a global leader in, the design and manufacture of dairy rubberware. We also design and manufacture rubber footwear for farming and speciality applications including the fire, forestry and electricity sectors.

During FY22, sales growth and gross margin improvements combined to increase EBIT by 10 per cent over the pcp to a record $33.6 million. Earnings growth is further supported through significant operational gains made over the past two years, alongside the injection of new people with skill and energy to drive change and improvements.

Skellerup is the second largest manufacturer of food-grade dairy rubberware in the world. Our products are critical to the supply of fresh milk and milk products. We have faced a challenging period in getting products to international markets. Our adaptive capability, in sourcing different materials and finding ways to deliver products to customers underscores the strength of our team and the value of our products. Despite these challenges revenue from our global markets grew, particularly in North America where we have increased our market share.

Footwear sales grew in FY22 also. Range rationalisation enabled us to increase sales of both the iconic Red Band, and our limited–run Pink Band boots, which are produced in support of the Breast Cancer Foundation NZ to help raise awareness and assist those affected by the disease, particularly focused on rural women (see case study).

Case Study

Skellerup in the Community: Pink Band Gumboot Appeal

In the past year, Skellerup has continued our active support of our communities. We launched another highly successful limited-edition Pink Band gumboot in support of Breast Cancer Foundation NZ (BCFNZ). This appeal raised funds, helped increase awareness and assist those affected by the disease, particularly rural women.

A third of New Zealanders diagnosed with breast cancer live outside the main centres. In rural communities access to treatment can prove problematic, as rural women and men have to travel much further for treatment and extended time off farm is very difficult to organise.

We were thrilled that Skellerup's Pink Band gumboot campaign more than doubled in volume in FY22, because this doubled the donation to BCFNZ, five dollars from every pair sold is donated to them. The campaign captured huge interest across the country with extensive coverage nationwide including being featured on the *Seven Sharp* current affairs programme, with Hilary Barry wearing a pair of Pink Band gumboots.

Skellerup's Red Band Calendar was again hugely popular as a showcase for rural New-Zealand. People send in photos of themselves wearing Red Band gumboots, the public vote for the winning image, and a selection of entries makes it into the final calendar. For the 2022 campaign we received more than 300 photos, more than 19,000 views and votes, and over 1,000 requests for the calendar.

Case Study

Investing in Better Business Information and Insights

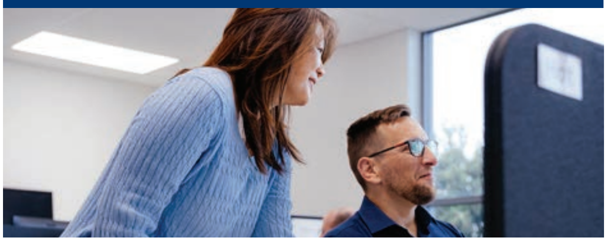
In FY21 we reported on the upgrade of information systems for several businesses in the Group. This year we continued to upgrade, viewing the investment as a core capability improvement.

Our objective is to simplify and adopt standardised business processes and tools, enabling access to more insightful information, a more secure environment, and ultimately better outcomes for our customers and people.

In FY22 we moved Ultralon in the United States onto the same platform as many of our other businesses and we commenced a project to move Masport, also in the US, onto the same platform. Our implementations are led by an internal team, which provides real ownership of the projects based on a deep understanding of our business needs and helps entrench a higher level of in-house expertise.

Importantly, the information system upgrade is also driven from the ground up. It is not a top-down, Head Office view of what is good for the business, so doesn't start unless there is a clear business need identified within a Group business.

Our philosophy is to keep it as simple as possible, setting the scope for the upgrade, managing it well and preferencing the adaptation of business processes to the system to minimise the extent of any customisation. We are pleased with the efficiency gains, the responsiveness of reporting and enhancement of understanding across different Group businesses.



The Agri Division continued to see improved operating performance, with greater process standardisation to meet increased demands and revenue from the same capability. Skellerup's commitment to continuous process improvement has also seen equipment and people better utilised to increase productivity.

In FY22 we launched a dairy shed rubberware survey in New Zealand to highlight efficiency opportunities for farmers in their use of rubberware as part of our effort to raise awareness and promote best practice in that sector.

In June 2022 we announced that we would relocate our Stevens milk filter business from Featherston to Christchurch. Difficulties in getting materials efficiently in and product out to our customers and gaining access to a larger pool of labour drove the decision and will enable the Stevens business, which was founded 60 years ago, to flourish for many years to come. We greatly appreciate the contribution of current and past staff to the development and manufacture of this product range which is a critical consumable product in milking sheds in New Zealand, Australia and the US. We are delighted we will have a couple of staff members relocate with the business when it moves in late August 2022.

Solution Focused and Future Orientated

While we are proud of Skellerup's history, we are always focused on the future. As the business environment will remain challenging in the medium term, we will be turning our minds to pricing strategy and structures and ensure we possess a good understanding of costs so that products are priced fairly for market conditions.

Staying close to our customers to provide them with solutions will remain the main driver of our performance going forward. Helping them navigate a high inflationary environment will be a focus in the short-to-medium term.

> “Staying close with our customers to provide them with solutions will remain the main driver of our performance going forward. Helping them navigate a high inflationary environment will be a focus in the short-to-medium term.”

We continue to strive to ensure our consistency of performance, standardising processes to internalise our commitment to continuous improvement and building resilience across our businesses.

We will also continue to build trust capital with our people and support them, focusing on retaining, developing and attracting the quality staff Skellerup needs as labour markets stay hugely competitive. We know that change is the only constant, so building an adaptable and highly skilled workforce that is well-led is central to our future growth ambitions.

Our business strategy has been very successful for more than seven years and I am confident that it will ensure Skellerup's ability to deliver further revenue and earnings growth for our shareholders.

David Mair
Chief Executive Officer and Director

Case Study

Improving Operational Efficiencies and Supply Chain

Late FY22 saw the consolidation of our foam and soft materials businesses (Ultralon and Nexus) at a single location in Savill Link, Otahuhu.

The project began in July 2021, with occupation beginning gradually from February 2022. Relocation of all businesses was completed in July 2022.

Foam products are the fastest-growing part of Skellerup's business. The Foam Group exemplifies the dynamic interaction that takes place between our deep material expertise, needed for the harsh environmental conditions for marine-based foam products, strong product and tool design capability, and proven manufacturing knowledge.

Ultralon produces a range of bespoke foam products for the high-end sport and leisure market. Sales of U-Dek® marine decking, developed and introduced in 2015, have grown rapidly year-on-year in the US and Australasian markets. We have improved productivity with our new U-Dek HP (high performance) product, which that offers even better machinability for customers.

There have been several key benefits from the Savill Link consolidation. The appointment of a Foam Group General Manager, co-location of sales and customer service functions, single-point distribution reducing lead times and freight costs, and a more sustainable structure through the depth of on-site resource and experience have already brought significant improvements.

The new site offers better health and safety protection for our workforce. It has a high stud height and improved layout, uncongested hardstand for devanning containers and handling of freight, improved fire and earthquake protection, better security and a well-lit canopy, and greater space for hygiene and social distancing.

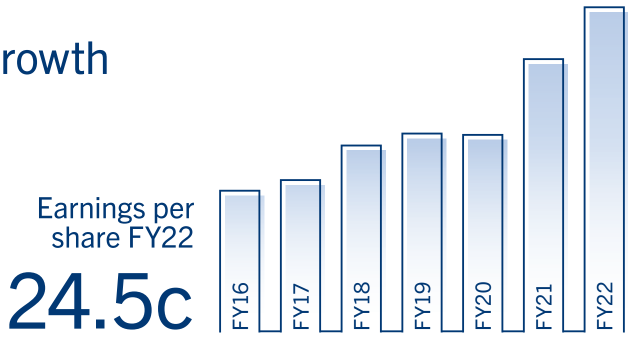
The site also advances our sustainability goals through modern LED lighting and installation of solar panels on the roof that are expected to reduce emissions and generate approximately 20 per cent annual saving on energy costs.

Skellerup's Strengths

01

Proven track record of earnings and cash flow growth

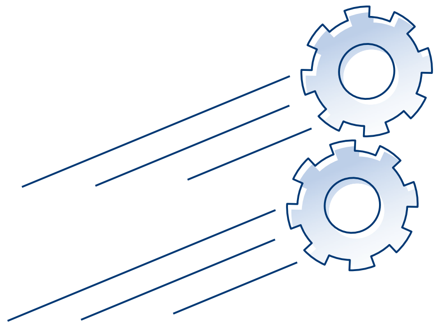
We have achieved continued excellent year-on-year performance with a healthy balance sheet, strong cash flow, low debt and a strong dividend yield.



02

A track record for rapid R&D

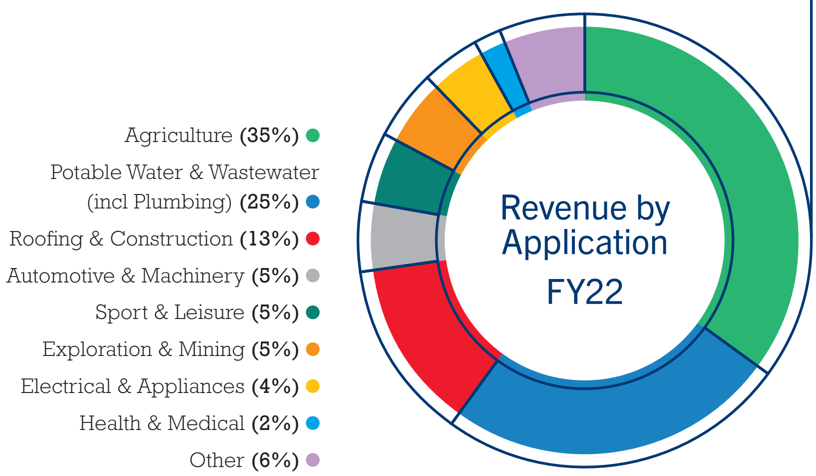
Working closely with customers and suppliers, our development investments are based on helping them define and solve their problems. This underscores our team knowing their markets to deliver new products and improvements, constantly and consistently.



03

Focus on products in key markets

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



04

Highly experienced technical team

Our team pride themselves in understanding our customers and their markets. They are highly skilled and trained, from our technical salespeople through to our product designers.

Global team

869

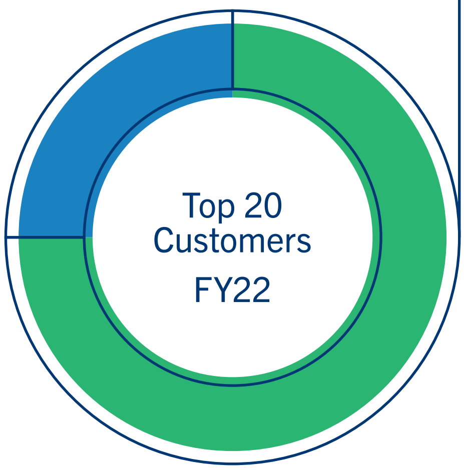
across 6 countries

05

Customer relationships with growth potential

We have enduringly strong relationships with over 4,400 customers, particularly OEMs, who we work with closely in a dynamic interaction to deliver new products and developments.

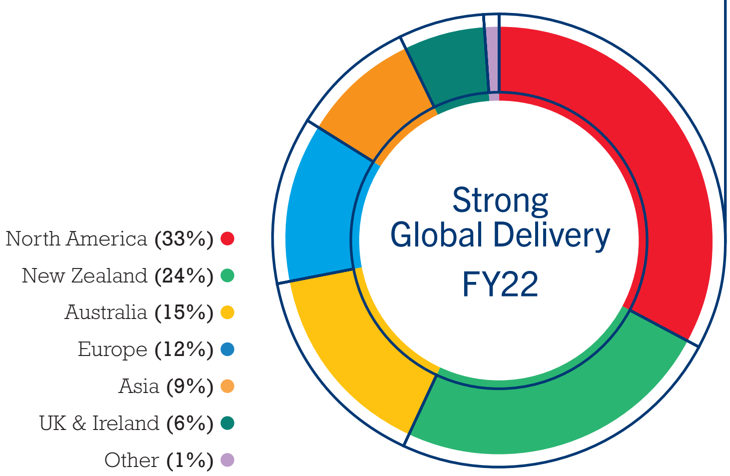
15 Of our top customers were also in our top 20 in FY18.



06

Strong relationships across global markets

We are a global business and respected global brand, with world-class manufacturing and distribution facilities to serve the diverse needs of customers and markets all across the world.



Financial Review

In FY22 we have delivered another record result and maintained a very strong financial position.

By generating good returns and maintaining low levels of debt, we have been able to overcome supply chain challenges with increased investment in inventory and capacity, and fund new products for future growth. We will continue to focus on delivering sustainable growth in financial returns for our shareholders and opportunities for our employees, by providing innovation and assurance to our customers for the essential engineered solutions they need now and in the future.

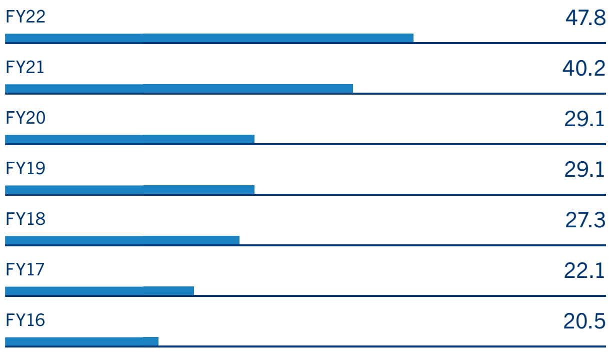
FY22 Group Earnings and Dividends

For the year ended 30 June 2022 (FY22), Skellerup achieved a record audited net profit after tax (NPAT) of $47.8 million and declared a gross dividend pay-out of 20.5 cents per share (50 per cent imputed). FY22's NPAT is a 19 per cent improvement on the record result achieved in the prior corresponding period (pcp).

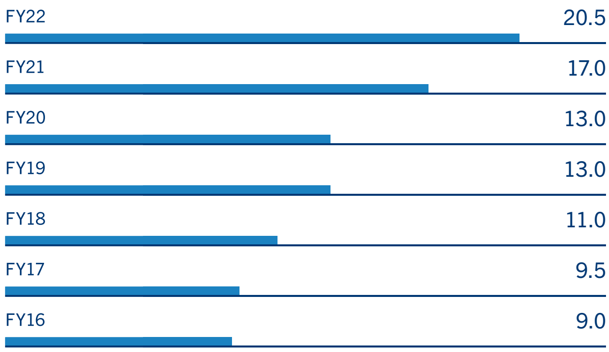
The gross dividend pay-out declared for FY22 is up 3.5 cents (21 per cent) on the pcp and represents a gross yield[1] of 3.9 per cent for shareholders.

[1] Gross yield is determined by comparing the FY22 dividends paid and declared, totalling 20 cents per share (50% imputed), with the closing share price on 30 June 2022.

Net Profit After Tax ($m)



Dividend Declared (cents per share)



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

Industrial Division

Our Industrial Division's sales were a record $206.4 million, up 16 per cent on FY21. Earnings before interest and tax (EBIT) was $39.1 million – also a record and up 20 per cent on FY21.

Our Industrial Division generates 85 per cent of its revenue from international markets. We work closely with customers to design and manufacture products that often combine multiple materials such as rubber, plastic and metals to perform in a wide range of critical and high-performance applications including potable water, health and hygiene, sport and leisure. In FY22, sales revenue increased by $28.9 million over pcp. This growth was primarily attributable to four key factors:

- Increased sales of gaskets, seals and vacuum systems into potable water and wastewater applications (most notably in the US)
- Increased sales of high-performance marine foam products (in the US, New Zealand, Australia and Europe)
- The 10-month contribution from Talbot Advanced Technologies (acquired on 31 August 2021)
- The lower New Zealand Dollar (NZD) compared to pcp.

The 16 per cent growth in revenue translated to 20 per cent growth in EBIT. Growth from new and existing products, pricing changes and productivity gains meant we were largely able to offset the significant impact of increased raw material prices and freight costs. Indirect costs increased but at a lower rate than revenue as we invested in people and systems improvements. As a result, the FY22 Industrial Division's EBIT increased by $6.4 million over pcp.

Agri Division

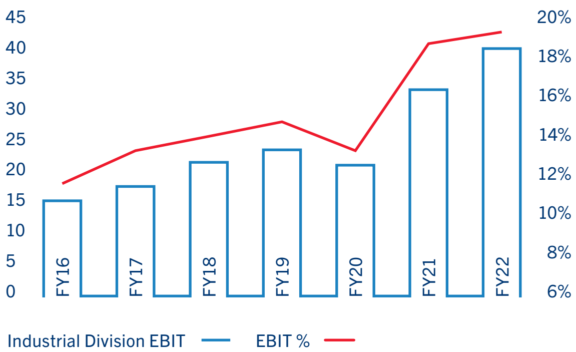
Our Agri Division's sales were a record $110.5 million, up 8 per cent on FY21. EBIT was $33.6 million, also a record and up 10 per cent on FY21.

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 speciality applications including fire, forestry and electricity. Agri Division revenue generated from international markets amounts to 58 per cent. During FY22, sales revenue increased by $8.3 million. This increase was largely attributable to three factors:

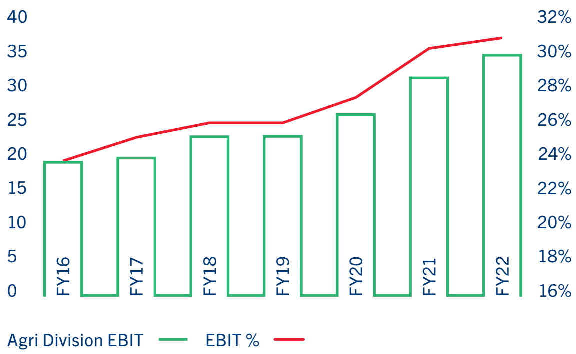
- Increased sales of food grade dairy rubberware (in the US and New Zealand)
- Increased sales of rubber footwear (most notably in New Zealand)
- The lower NZD compared to pcp.

The 8 per cent growth in revenue translated to 10 per cent growth in EBIT. Productivity gains at our large New Zealand and China manufacturing facilities helped offset the significant impact of increased raw material prices and freight costs. Indirect costs increased but at a much lower rate than revenue as we invested in new people to help lead future business growth. As a result, the FY22 Agri Division's EBIT increased by $3.1 million over pcp.

Industrial Division EBIT ($m)



Agri Division EBIT ($m)



Corporate

Corporate costs were down $0.8 million on pcp due to the prior period's non-recurring provision for costs associated with defending a claim against a business Skellerup sold in 2008.

FY22 Financial Position

Skellerup remains in a very strong financial position. During FY22 we overcame the worst impacts of shortages in materials and extended lead times by investing in inventory to ensure we could continue to meet customer requirements. We have increased holdings of key raw materials and finished goods in our warehouses and in-transit to mitigate the risk of longer shipping times, port congestion and in-market distribution disruptions. These actions, along with the impact of increased raw material and freight costs and a weaker NZD, mean inventory closed FY22 up $19.3 million on pcp. If supply chain pressures ease in FY23 we expect to see some reduction in the inventory Skellerup needs to carry.

We have maintained a very close focus on credit collection. Receivables closed up $11.8 million on pcp reflecting increased revenue and in particular a strong finish to FY22. The quality of our customers and therefore receivables remain high representing 50 days of sales outstanding at the end of FY22 compared to 51 days at the end of FY21.

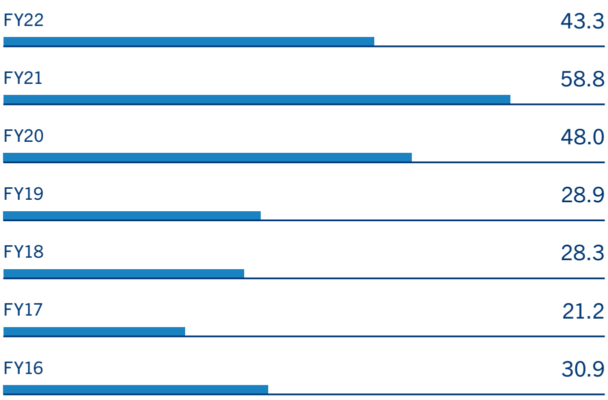
Despite the investment in inventory, our operating cash flow remained robust at $43.3 million in FY22. Strong cash flow generation continues to be an enduring feature of Skellerup and has underpinned our ability to invest in organic growth and make a number of small strategic acquisitions over the past four years. In FY22 capital expenditure totalled $10.2 million, surpassing our annual depreciation and amortisation charge of $7.9 million for the first time in five years. We invested in increased capacity and new products across the world and established our new foam facility in Auckland where we have consolidated three businesses onto a single site.

On 31 August 2021 we completed the acquisition of Talbot Advanced Technologies for $10.2 million. The financial results of Talbot have met our expectations, and we look forward to realising the growth opportunities this investment brings to the Group.

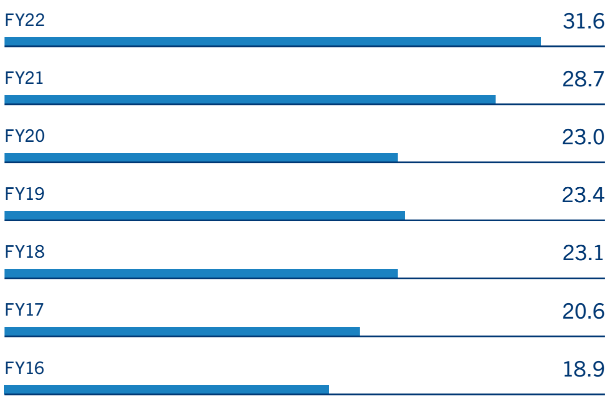
Robust analysis supports disciplined capital allocation. This means our financial position remains strong as is our ability to reward shareholders with increasing dividends commensurate with earnings growth. In FY22 we paid $35.2 million in dividends, up $7.9 million on pcp.

Net debt remains low at $25.2 million representing just 7 per cent of our total assets. Net debt is up $16.5 million over pcp (due to the investment in inventory and Talbot as described above). Skellerup is well placed to continue to invest for profitable growth.

Operating Cash Flow ($m)



Return on Net Assets ($m)



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 seven-year period, revenue has grown by 50 per cent, NPAT has increased by 133 per cent and our return on net assets has grown by 67 per cent. The sustained earnings growth has enabled an increase in the gross dividend pay-out (excluding imputation credits) of 128 per cent over the same period.

Period Ending ($000)	**FY22**	**FY21**	**FY20**	**FY19**	**FY18**	**FY17**	**FY16**
Total Revenue	**316,829**	279,515	251,389	245,792	240,408	210,322	211,415
EBIT	**66,760**	56,361	42,486	41,798	39,781	32,824	29,365
Finance Costs	**2,249**	2,081	2,582	1,785	1,863	1,414	411
Share of Net Profit of Associates	**(224)**	(35)	(73)	23	-	-	-
Profit Before Tax	**64,287**	54,245	39,831	40,036	37,918	31,410	28,954
Tax	**16,474**	14,070	10,767	10,973	10,641	9,300	8,429
Net Profit After Tax	**47,813**	40,175	29,064	29,063	27,277	22,110	20,525
EPS (cents)	***24.5***	*20.6*	*14.9*	*15.0*	*14.1*	*11.5*	*10.7*
Dividend (cents)	***20.5***	*17.0*	*13.0*	*13.0*	*11.0*	*9.5*	*9.0*
Operating Cash Flow	**43,322**	58,796	48,006	28,920	28,345	21,229	30,939
Cash Reserves (Net Debt)	**(25,204)**	(8,736)	(28,513)	(36,576)	(30,719)	(35,755)	(26,903)
Total Assets	**336,644**	284,874	283,642	257,059	252,025	237,932	228,004
Total Liabilities	**125,436**	88,725	99,079	78,667	79,739	78,685	72,149
Net Assets	**211,208**	196,149	184,563	178,392	172,286	159,247	155,855
Return on Net Assets	**31.6%**	28.7%	23.0%	23.4%	23.1%	20.6%	18.9%

Skellerup's People

Our people have again demonstrated skill, commitment, diligence and resilience to ensure our and our customers' facilities have continued to operate in FY22.

The Covid-19 pandemic has changed the way many of our people and teams work and required our leaders and experts to adapt quickly and find solutions to staffing shortages, raw material shortages, freight constraints and rapidly increasing costs. A very visible outcome of the success of their efforts are the returns generated for shareholders, the less visible and critical outcome is continuing to supply the many critical products we make to our customers across the world.

Our people are our best resource. We take seriously our responsibility to not only retain them but also develop and grow them. Having a reputation as a good employer enables us to attract the people we want, who will fit our culture. Over the past 12 months we continued to invest in our people. By establishing multifunctional teams and training to develop specific skills, we provide opportunities to learn, develop and earn higher rewards for increasingly valuable contributions.

Changing how and where we operate our businesses has been an important element of Skellerup's long history and success and will continue to be so in the future. Where changes are made, we work hard to retain and minimise the impact on our people. We have had no large-scale redundancies in the Group over the past ten years.

In the CEO's Report we have highlighted the consolidation of three sites across Auckland onto a single site in Otahuhu and the benefits this brings to our customers and our people. We have also decided to relocate our Stevens milk filter business from Featherston to Christchurch. Stevens was acquired by Skellerup in 2004 and this year we celebrated its 60th anniversary. The move will secure the future of the Stevens products by overcoming supply chain constraints and labour availability risk. We are delighted two of our seven employees will relocate with the business and grateful for the contribution of those who will leave in August 2022 when the relocation is completed.

Despite the challenges of restricted travel, our international presence means our people stay close to customers so that we can work with them to understand their needs and provide solutions that work. Our teams are based in New Zealand, Australia, the US, China, the UK and Italy. Our diverse teams are essential to our future success and responding to the ever-changing environment in which we operate.

We do not discriminate on gender or gender identity, race, ethnicity, cultural background, physical ability or attributes, age, sexual orientation, religious or political beliefs. A breakdown of our gender composition is shown on page 5 of this report.

Meeting the needs of customers and ensuring our people remain healthy and well has resulted in some permanent changes to the way we do business and the need to quickly adapt and respond to restrictions. Our leaders and teams throughout the world have continued to navigate the impacts of disruptions, not just in their work, but in their personal lives with outstanding skill and tenacity. Contactless delivery, daily health monitoring, full time and part time work from home arrangements are more than ever part of Skellerup's mode to ensure we retain and attract the right people for our business.

The protection and safety of our people and others from accidental harm in our workplaces is our highest priority. All our practices and programmes are established with the objective to keep our people safe and free from workplace injury. Every Skellerup site has an active Health and Safety Committee that meets monthly, an annual plan of activities and improvements to keep their workplaces safe and report monthly to the CEO on progress. Our largest two sites (Christchurch and Jiangsu) are ISO 45001 certified. We use internal experts to complete peer reviews on sites across the Group to ensure the benefit of specific expertise is shared.

We also use external experts to assess on a site-by-site basis the processes, risks and behaviours they observe and report on improvements required. Oversight of our programmes is provided by the Board Health and Safety Committee. A Health and Safety Report is also provided at each Board Meeting, and Board members have been active in visiting sites to observe activities, meet and discuss with our managers and teams.

Ultimately the success of our programmes is measured in the number of injuries and incidents that occur. In FY22 and for the third successive year, we did not record any fatalities or serious harm injuries. We did however record an increase in our total injury rate[1] (TIR) from 0.87 in FY21 to 2.43 in FY22. An increase in strains and minor cuts occurred throughout the year. Reversing this trend by learning and educating from these incidents has and continues to be a key priority. We not only measure and review injuries and medical treatment; 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.

[1]The TIR (Total Injury Rate) is the total number of Serious Harm Injuries, Lost Time Injuries and Medically Treated Injuries multiplied by 2,000 (the estimated annual hours worked by an individual), divided by the actual year to date hours worked, annualised, and expressed as a percentage. The TIR represents the percentage likelihood of being injured on each site. Zero TIR is the benchmark that all sites are striving to achieve.

Skellerup's footprint is global and includes working with manufacturing partners, international suppliers, and customers across geographies. These partners and suppliers are key to our successfully delivering critical products to our customers. The strength of our relationships has enabled us to continue to successfully introduce new products remotely, with Covid-19 lockdowns largely eliminating travel over the past two years.

We guard the quality of our products and reputation with great care. Establishment of a new manufacturing partner relationship requires the approval of the CEO. In FY22 we implemented a Modern Slavery Policy to guide our people on processes and reporting alleged or suspected incidents. Modern slavery is an umbrella term for serious exploitative work practices including forced labour, bonded labour, child labour and people trafficking that represent violations of human rights. Skellerup does not tolerate any form of modern slavery in its operations or supply chain.

Each year we work with our leaders to ensure they and their teams spend time reviewing and discussing the behaviours that are required as outlined in our Code of Ethics (and key policies including modern slavery and information security) and equally importantly how they respond in the event they do witness or suspect behaviour inconsistent with this Code. Education continues to be supplemented by regular online cyber security training and periodic internal audits to ensure our control environment is working effectively and highlight opportunities for improvement.

As we closed FY22 our global team was 869 people strong, an increase of seven per cent over the past year and an increase of 17 per cent on seven years earlier. These increases compare to revenue growth of 13 per cent over the past year and 50 per cent over the past seven years. We are proud of our team for their sustained contribution and excited about the future for Skellerup and our people.

> Our people are our best resource. We take seriously our responsibility to not only retain them but also develop and grow them.

Sustainable Growth

Sustainability at Skellerup has broad meaning. It means working closely with customers to truly understand their needs to build long lasting valuable relationships. It means developing and investing in our people so that we have the expertise to grow and sustainably meet our customers' requirements. It also means minimising waste and reducing emissions to ensure our activities contribute positively to the communities and environments in which we operate and lastly it means generating sustainable improved financial returns.

Skellerup's Environmental Focus

Many of our products are used in the production and transportation of fresh milk and potable water. Designing and manufacturing products for these applications requires adherence to demanding and changing regulatory standards to assure food safety. Our understanding of materials and how they interact is critical to our success.

We are proud of the role we play in supplying these essential products and also recognise our responsibility to efficiently utilise energy and minimise emissions generated in manufacture. In this report we discuss our greenhouse gas (GHG) emissions and the actions we have taken and continue to take to reduce the intensity of these emissions. We also discuss the investments we have made to improve efficiency of manufacture and reduce other non-GHG emissions.

Greenhouse Gas Emissions

In FY22 Skellerup Group reduced the intensity of scope 1 and 2 GHG emissions relative to revenue by seven per cent over pcp. This follows an equivalent reduction in FY21 bringing our cumulative reduction over the past two years to 14 per cent.

Skellerup is a global business with facilities in New Zealand, Australia, China, the US, UK and Italy. We are focused on reviewing the nature of our emissions, reducing their intensity and decreasing the absolute volume of our emissions.

At the end of FY22 we occupied 21 facilities across the world. These facilities are a range of sizes and encompass a variety of activities – from combined design, manufacturing and distribution to singular distribution or administration. In this report, we highlight some of the key initiatives we have progressed in FY22, which form part of our overall performance.

Our two largest facilities generated 60 per cent of our GHG emissions – our Dairy rubberware design, manufacturing and distribution facility in Christchurch, New Zealand and our Footwear and Vacuum Pump assembly facility in Jiangsu, China.

Our Dairy facility in Christchurch is our largest site and generates 40 per cent of the scope 1 and 2 GHG emissions for the Group. Almost all of these emissions are related to the consumption of electricity primarily used to manufacture essential food-grade rubberware products that we design, manufacture and sell to customers around the world. Our electricity is provided by Meridian Energy who generate 100 per cent of their electricity from renewable sources.

Our Footwear and Vacuum Pump assembly facility in Jiangsu generates 20 per cent of the scope 1 and 2 GHG emissions for the Group. More than 70 per cent of these emissions are generated from the consumption of natural gas. In FY18 we invested in a new natural gas boiler to replace the coal-powered boiler generating a reduction in annual GHG emissions of more than 35 per cent at that time (and reducing sulphur dioxide and nitrogen oxide emissions). Additional investment in FY21 further reduced emissions to 66 per cent per annum compared to using the replaced boiler.

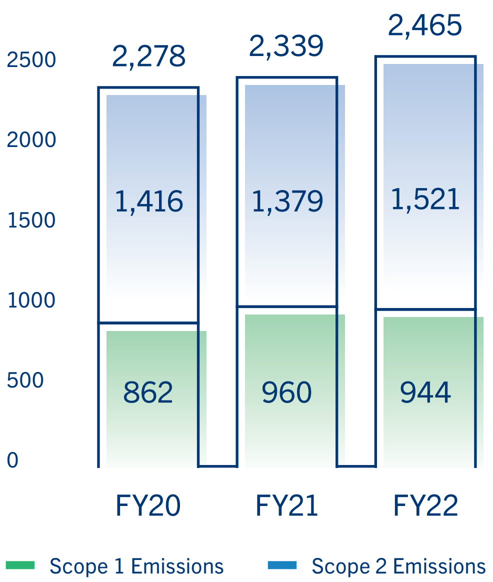
Our remaining 19 design, manufacturing and distribution facilities collectively generate 40 per cent of the scope 1 and 2 GHG emissions for the Group.

In FY23 Skellerup will be working to measure our scope 3 GHG emissions and in turn establish initiatives to reduce the intensity and volume of these emissions.

Group energy efficiency gains on growing revenue

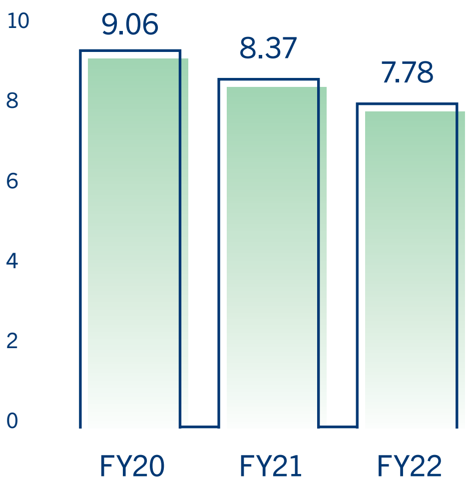
GHG emissions

(tonnes CO2-e)



GHG emissions per $1 million revenue

(tonnes CO2-e)



Skellerup GHG emissions relative to revenue have reduced by 7 per cent in each of the last two years.

FY22 Emissions and Waste Reduction Initiatives

We have a range of initiatives across the Group to deliver continuous environmental improvement including lowering emissions and reducing waste.

Invest in our facilities to generate efficiencies, improve the working environment for our people and reduce emissions

During FY22 we began a project to consolidate our Ultralon and Nexus high-performance foam and soft material manufacturing and distribution businesses from three sites to a single site in Auckland. The transfer was made progressively to ensure no interruption to our customers. Two sites were successfully transferred by the end of June 2022 and transfer of the third site was completed in July 2022. The new site will deliver a number of commercial and environmental benefits. Freight distances reduce and the new site is fitted with modern LED lighting and solar panels, which are expected to reduce emissions and generate approximately 20 per cent annual saving on GHG emissions and energy costs compared to the aggregate consumption across our prior three sites.

Throughout FY22 we continued with targeted initiatives to reduce energy consumption and emissions including installing LED lighting at a number of our facilities across the world. An example of the impact of these changes is provided by our Ambic facility in the UK, where in FY21 we upgraded windows, heating, cooling and lighting. As a result, in FY22 GHG emissions reduced by 18 per cent on the prior year.

Replace oil-based with water-based paint finish on Masport vacuum pumps to eliminate volatile organic compounds

In FY22 we assembled over 6,000 vacuum pumps and systems. During the year we completed the transition away from using oil-based to water-based paints on our vacuum systems to reduce annual emissions of volatile organic compounds (VOCs) from this activity by 80 per cent. The change was made following a series of trials to ensure the vacuum pump finish continued to meet the standard of durability and appearance required and be commensurate with our market leading performance and reputation.

Invest in new and existing equipment to meet demand growth, achieving lower energy consumption

In FY22 we invested in increasing the capacity of existing moulding machines at our Agri facility in Christchurch, New Zealand. By increasing capacity of existing machines, we were able to increase production at a 33 per cent lower capital cost, with 67 per cent reduction in energy consumption compared to the alternative of investing in identical additional machines.

Expand our use of digital media to reduce the requirement for printed collateral and product guides

Over the past five years, we have produced a series of videos in English and Spanish to help our customers operate and maintain their Masport vacuum systems. These step-by-step guides allow customers to access information when they need it, eliminating the previous requirement to produce and ship manuals with each sale. During FY22 we began to affix a QR code to all systems to enable users to have easy access to our online training material.

During FY22 we relaunched the Skellerup Agri website, **www.skellerup.co.nz**, which included detailed and user-friendly product information. This allows customers to find information when needed rather than from printed catalogues which we discontinued in 2020.

More than 50 per cent of Skellerup's vehicle fleet in New Zealand are now hybrid vehicles.

Waste reduction

We continue to measure and target improvements in our manufacturing activities to reduce waste. In prior years we have reported on the elimination of plastic and cardboard packaging. These initiatives continue across the Group. Of critical importance is a continued focus on eliminating process waste. This is good for the environment and good for financial returns. During FY22 we reduced manufactured rejects of our footwear products by a further two per cent.

Small changes matter

While electricity and natural gas usage account for 95 per cent of our scope 1 and 2 GHG emissions, we continue to make changes to reduce the nature of and our overall GHG emissions. Across New Zealand we have a number of sales and technical staff travelling and engaging with customers. During FY22 we began adopting hybrid motor vehicles as existing leases expired. Hybrid vehicles best balance the business need and environmental impact as these staff are often travelling significant distances in remote areas. At the end of FY22 hybrid vehicles powered half our fleet.

ESG World

In July 2022 Skellerup adopted the ESG World platform to allow shareholders and stakeholders to readily review Skellerup's ESG practices in relation to the various frameworks operating across the world. **Skellerup's ESG profile** can be found on our website under the "Investors" tab. Viewers can compare Skellerup's ESG practices against the frameworks issued by various agencies around the world and download ESG-related reports from the portal.

Future

Skellerup's Board recently agreed to establish a Sustainability Committee to support the Board in setting Skellerup's overarching sustainability strategy, develop and implement policies and initiatives and monitor performance. This Committee will also help ensure Skellerup's readiness to report under the mandatory climate-related report disclosures that will apply to Skellerup for the year ending 30 June 2024.

> "We have a range of initiatives across the Group to deliver continuous environmental improvement including lowering emissions and reducing waste."

Board of Directors

Liz Coutts
(ONZM, BMS, FCA, CFIoD)

Independent Chair

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

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 20 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 and NPT Limited. David is a member of the Audit, Health and Safety, Remuneration and Nomination 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 a member of the Audit and Health and Safety 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 sports 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 Institute of Directors New Zealand. 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 Health and Safety, Remuneration and Nomination Committees.

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 Director

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

Paul Shearer
(BCom)

Independent Director

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

David Mair
(BE, MBA)

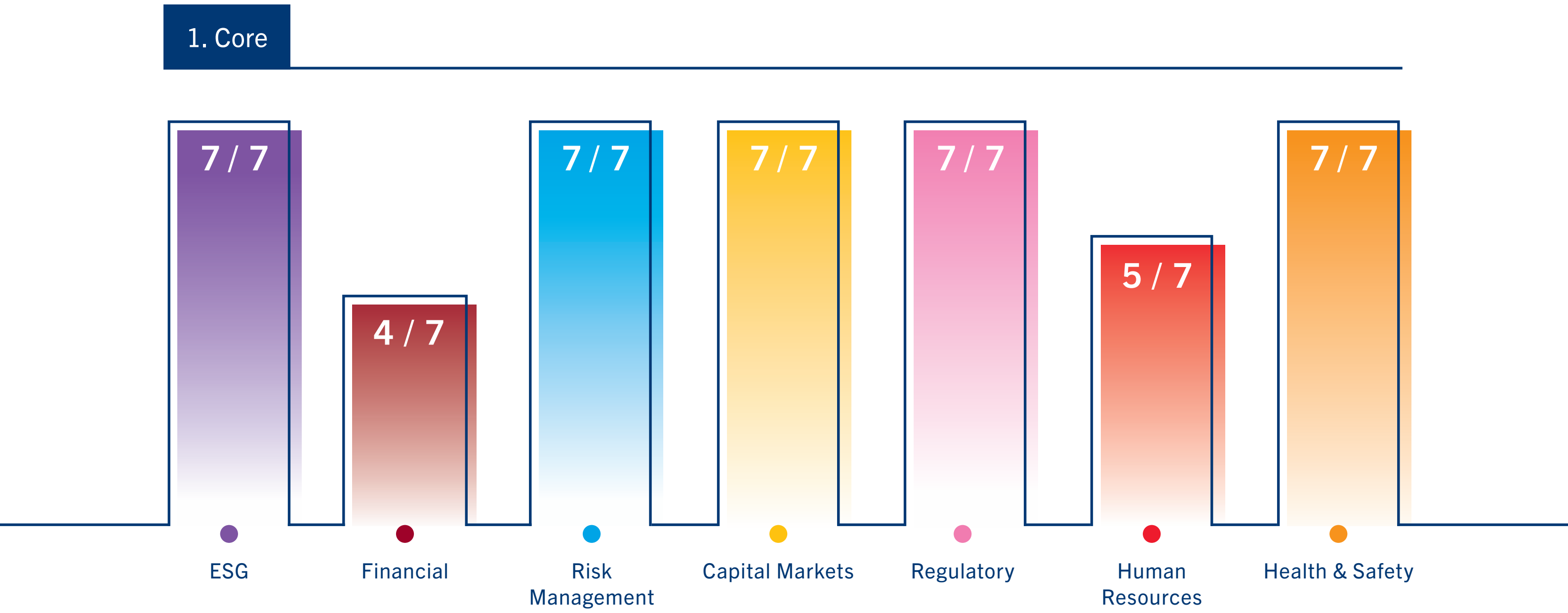
Executive Director

David was appointed to the Skellerup Holdings Board in November 2006, and as CEO in August 2011. He has been leading the Group for 11 years during which time it has achieved significant revenue and earnings growth by focusing on designing and delivering critical engineered products for OEM customers. In March 2022 David was recognised as CEO of the Year in the Deloitte Top 200 Awards. In particular, he has overseen the transformation of the Agri Division into a design-led, customer-focused growth business following on from the relocation from Woolston to Wigram after the Christchurch earthquakes. David is currently a Director of Forté Funds Management Limited. He is a member of the Health and Safety Committee.

CORE COMPETENCIES

- ESG
- Financial
- Risk Management
- Capital Markets
- Regulatory
- Human Resources
- Health & Safety
- International
- Growth
- Agriculture
- Infrastructure, Leisure & Health
- Manufacturing & Supply Chain
- Technology

Board Skills Matrix



1. Core

ESG

i. Experience in best-practice governance, social and environmental performance

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

iii. Experience in governing highly effective executive leaders

Financial

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

Risk Management

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

ii. Evaluating and managing financial and non-financial risks

Capital Markets

i. Experience with equity and debt markets and capital structuring

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

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

Regulatory

i. Understanding and appreciation of the regulatory environments that Skellerup's businesses operate within

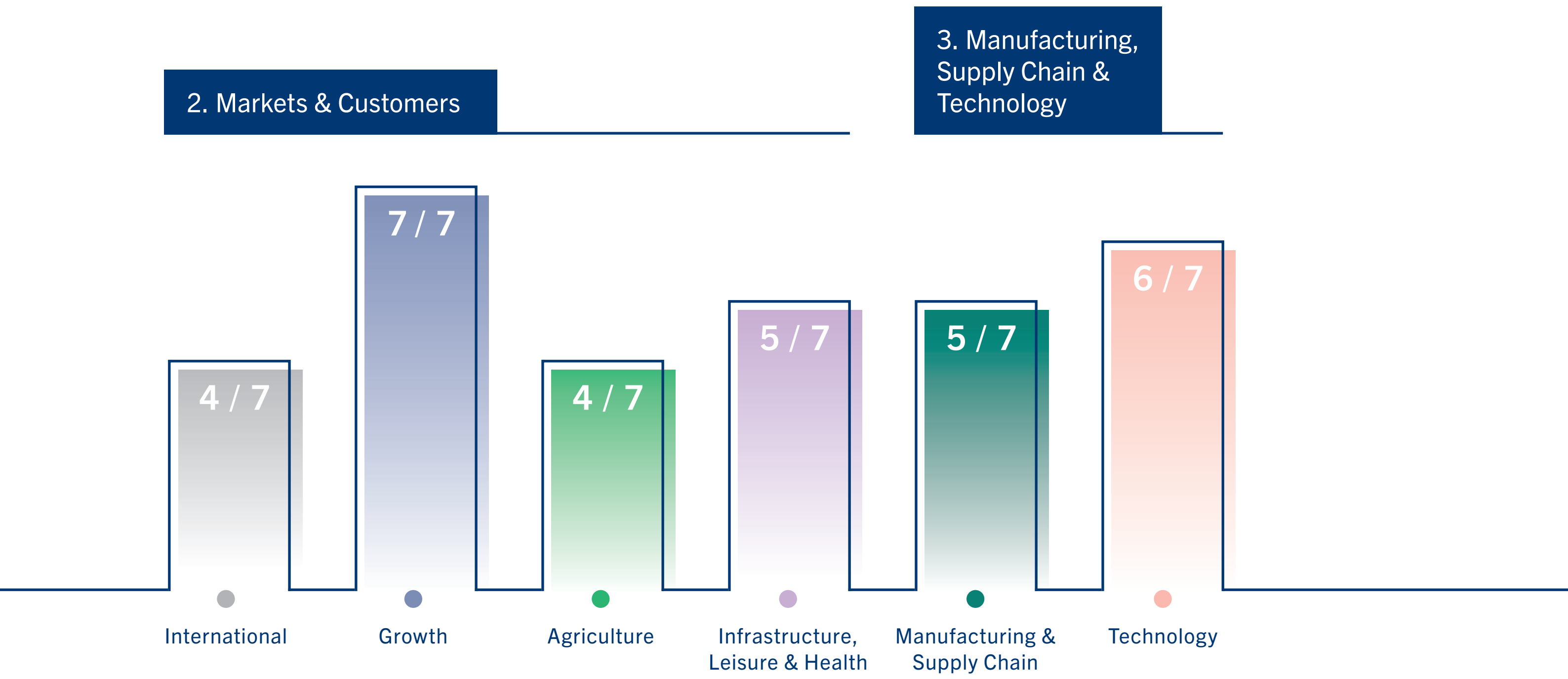
Human Resources

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

Health & Safety

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

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



2. Markets & Customers

International

i. Experience as a leader or advisor for a business with a substantial presence in global markets

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

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

Growth

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

Agriculture

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

Infrastructure, Leisure & Health

i. Experience and understanding of customers, products and risks associated with infrastructure for potable water, construction, sport and leisure, health and hygiene

3. Manufacturing, Supply Chain & Technology

Manufacturing & Supply Chain

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

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

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

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

Technology

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

Corporate Governance

This section of the Annual Report outlines our corporate governance structures and processes, and how they have been applied during the year. This Corporate Governance statement was approved by the Board of Skellerup Holdings Limited on 17 August 2022. The information contained in this Corporate Governance statement is current as at that date.

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

The Board regularly reviews and assesses Skellerup's governance policies, procedures and practices to ensure they are appropriate and effective. Skellerup reports against the recommendations of the NZX Corporate Governance Code (NZX Code) as required by the NZX Listing Rules. Skellerup has achieved full compliance with all recommendations of the NZX Code in all material respects for the year ended 30 June 2022.

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

Our compliance with the NZX Code for the financial year ended 30 June 2022 is detailed below.

Principle 1 – Code of Ethical Behaviour

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; they hold management accountable for delivering these standards throughout the organisation.

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

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

Skellerup is committed to ensuring its Directors and employees understand its policy on and rules for dealing in Skellerup ordinary shares or any other 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 or with consent.

Principle 2 – Board Composition and Performance

Skellerup complies with the recommendations of Principle 2.

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

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

The Board regularly reviews its performance and composition to ensure it has the range of capabilities required. During FY22 Skellerup's Board considered Director candidates with a view to appointing a further Director to assist in the Board's succession planning and to ensure the right mix of skills and experience is retained by the Board. As an outcome of this process, Rachel Farrant was appointed as an independent Director by the Board on 2 May 2022 under a written agreement. Rachel will stand for election at the Annual Meeting of Shareholders on 26 October 2022, as required by Listing Rule 2.7.1.

Currently, the Board comprises six non-executive, independent Directors and one executive Director. The independence of Directors is reconsidered at least annually. Skellerup's Board most recently reviewed each Director's independence at its Board Meeting on 16 June 2022. Having regard to the NZX Listing Rules and the NZX Code, all six non-executive Directors have been determined to be independent. See pages 34 to 37 or the Company's website for more information on the tenure, skills and experience of Skellerup's current Board. The independence of each Director is noted also on pages 34 and 35.

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

The table on page 41 shows each Director's Board Committee memberships, the number of meetings of the Board and its Committees held during the year and the number of meetings attended by each Director. Minutes are taken of all Board and Committee meetings.

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

Board procedures ensure that all Directors have the information needed to contribute to informed discussion and decisions on a consistent basis and to carry out their duties effectively. Senior 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. Training is made available to Directors and in the last financial year Directors participated in training on a wide range of issues, including ESG matters and future requirements around reporting on climate change.

Skellerup has a written Diversity 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, management is included on page 86 and a graph for our entire workforce 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 remunerates equivalent roles in an equitable manner.

Skellerup's Diversity Policy requires measurable objectives to be set by the Board and reviewed annually. For FY22 Skellerup set measurable objectives and reports progress as follows:

1. No discrimination

Skellerup aims to operate an inclusive workplace where employees are not discriminated against on the grounds of gender, gender identity, sexual orientation, colour, race/ethnicity/cultural background, disability, age, religious beliefs. In FY22 Skellerup adopted a target of zero complaints/findings of harassment, discrimination or victimisation. No such incidents were reported in FY22.

2. Flexible workplace environment

Skellerup aims to provide a workplace that accommodates flexible working arrangements as a means to encourage diversity of its workforce. 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 part-time employment and working from home arrangements for certain roles.

In FY22 Skellerup implemented several new arrangements that include partial working from home for employees with significant international customer and supply chain interaction.

3. Pay equity

Skellerup is committed to ensuring all of its employees are paid equitably. During FY22, as part of Skellerup's annual salary review, management ensured all roles were clearly defined, and based the review on relevant skills, experience, responsibility, effort and performance, independent of the person in the role. No issues arose from this review.

Principle 3 – Board Committees

Skellerup complies with the recommendations of Principle 3.

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

1. Audit Committee

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

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

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

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

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

2. Health and Safety Committee

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

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

- Providing leadership and policy for Health and Safety (H&S) management within the Skellerup 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
- 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 Committee is John Strowger (Chair), Elizabeth Coutts, Alan Isaac, David Cushing, Paul Shearer, Rachel Farrant and David Mair.

3. Remuneration Committee

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

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

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

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

Board and Committee Attendance – 1 July 2021 to 30 June 2022

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

+ Rachel Farrant was appointed by the Board on 2 May 2022.
* David Mair attends Audit Committee meetings ex-officio at the invitation of the Committee.

4. Board Nomination Committee

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

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

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

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

Principle 4 – Reporting and Disclosure

Skellerup complies with the recommendations of Principle 4.

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

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

The Audit Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness and timeliness of financial statements. The Company seeks to provide clear, concise financial statements and recognises the value of providing shareholders with financial and non-financial information including environmental, economic and social sustainability risk management as reported in this Annual Report.

Management accountability for the integrity of the Company's financial reporting is reinforced in writing by certification of the CEO and CFO that the financial statements fairly present the financial results and position of the Group.

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

Principle 5 – Remuneration

Skellerup complies with the recommendations of Principle 5.

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

The Remuneration Committee is responsible for reviewing remuneration packages of the CEO and senior managers and making recommendations to shareholders in relation to non-executive Directors' remuneration.

Skellerup has a written Remuneration Policy in place. This Policy outlines the remuneration principles that apply to Directors, officers and senior managers of Skellerup to ensure that remuneration practices are fair and appropriate for the organisation, and there is a clear link between remuneration and performance. The guiding principles of this Policy are that the remuneration of Directors, officers and managers will be transparent, fair and reasonable to meet the needs of the business and shareholders. Skellerup does not make discretionary sign-on, retention or departure payments to incoming or existing employees.

Directors' Remuneration

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

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 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). On 2 May 2022, the number of non-executive Directors was increased from five to six. Non-executive Directors are paid a fixed cash fee and are not part of any incentive or share scheme. In the year ended 30 June 2022, total fees paid to non-executive Directors amounted to $641,667. Details of Directors' remuneration are shown on page 84.

CEO's Remuneration

The CEO's remuneration consists of fixed remuneration, a short-term incentive (STI) and long-term incentive (LTI). This is reviewed annually by the Remuneration Committee and the Board. Total remuneration paid to the CEO in the year ended 30 June 2022 and in the prior years, together with a description of the long-term share-based incentive scheme in place for the CEO, is detailed on page 85.

Fixed Annual Remuneration

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

Short-term Incentives (STI)

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

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.

Long-term Incentives (LTI)

The company operates a LTI plan for the benefit of senior executives. The plan is intended to reward and retain key employees, drive longer-term performance and decision-making, and align incentives with the interests of the company's shareholders.

The LTI plan permits the Board to grant options to acquire fully paid shares in the company. The most recent award was made in October 2020.

Details are provided in note 18 to the Financial Statements.

Performance, Development and Remuneration Review

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

Pay Gap

The pay gap represents the number of times greater the CEO's remuneration is to an employee paid at the median of all Group employees. At 30 June 2022, the CEO's base salary at $690,000 was 11.6 times that of the median employee at $59,700 per annum.

Principle 6 – Risk Management

Skellerup complies with the recommendations of Principle 6.

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

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

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

The H&S Committee leads and monitors H&S management within the Skellerup Group. The Company operates a comprehensive H&S framework across all its businesses to identify and address workplace hazards and to monitor and review compliance with H&S policies and procedures. Board review of H&S is a priority and is facilitated by both the activities of the H&S Committee and the receipt and review of H&S reports at each Board meeting. This review is further facilitated by regular visits to key sites providing the opportunity to engage and query staff at all levels of the organisation. Details of Skellerup's key H&S risks and its performance for the year ended 30 June 2022 are included on pages 26 to 28.

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

Skellerup's external auditor is Ernst & Young (EY) and was reappointed by shareholders at the 2021 Annual Meeting in accordance with the Companies Act 1993. The audit partner responsible for the Skellerup audit was appointed during the year ended 30 June 2018 and will act for a maximum of five years. The audit partner attends the Annual Meetings and is available to answer questions relating to the audit. During the year ended 30 June 2022, EY have not provided any non-audit services to the Group.

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

The significant issues and judgements considered by the Audit Committee are disclosed in Note f of the financial statements on page 56.

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.

The Company maintains information for shareholders on its website **(www.skellerupholdings.com)**. This includes a description of Skellerup's business and structure, copies of key corporate governance documents and policies, and all information released to the NZX. Shareholders are able to receive all communication from Skellerup electronically.

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

No major decisions which may change the nature of Skellerup were made during FY22 and therefore no such matters were required to be put to shareholders. Similarly, Skellerup did not seek additional equity capital in FY22 and therefore there was no such offer to be made to shareholders on a pro rata basis. Notice of the 2021 Annual Meeting (being the only meeting of shareholders called in FY22) was given more than 20 working dates prior to the meeting.

Consolidated Financial Statements

For the year ended 30 June 2022

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

Opinion

We have audited the financial statements of Skellerup Holdings Limited ("the company") and its subsidiaries (together "the group") on pages 50 to 83, which comprise the consolidated balance sheet of the group as at 30 June 2022, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended of the group, and the consolidated notes to the financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 50 to 83 present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2022 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

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

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

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

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

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performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Scoping of the audit

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

Information other than the financial statements and auditor's report

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

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

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

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

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Ernst + Young

Chartered Accountants
Auckland
18 August 2022

Directors' Responsibility Statement

For the year ended 30 June 2022

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 2022, and the results of their operations and cash flows for the year ended 30 June 2022.

The Directors consider that the financial statements of the Group have been prepared using accounting policies appropriate to the Group's circumstances, consistently applied and supported by reasonable judgements and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

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

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

The Directors are pleased to present the Group financial statements of Skellerup Holdings Limited for the year ended 30 June 2022.

The Group financial statements are dated 18 August 2022 and are signed in accordance with a resolution of the Directors made pursuant to section 211 of the Companies Act 1993.

For and on behalf of the Directors

EM Coutts

EM Coutts
Independent Chair

AR Isaac
Independent Director

Income Statement

for the year ended 30 June 2022

	Note	2022 $000	2021 $000
Revenue	2	316,829	279,515
Cost of sales		(190,401)	(165,890)
Gross profit		126,428	113,625
Other income	4	2,688	2,330
Selling, general and administration expenses		(62,356)	(59,594)
Profit for the year before tax, finance costs and share of profit of associates		66,760	56,361
Finance costs	16	(2,249)	(2,081)
Share of net profit of associates accounted for using the equity method		(224)	(35)
Profit for the year before tax		64,287	54,245
Income tax expense	5	(16,474)	(14,070)
Net after-tax profit for the year, attributable to owners of the Parent		47,813	40,175
Earnings per share			
Basic earnings per share (cents)	19	24.48	20.59
Diluted earnings per share (cents)	19	24.26	20.40

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

Statement of Comprehensive Income

for the year ended 30 June 2022

	Note	2022 $000	2021 $000
Net profit after tax for the year		**47,813**	40,175
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gains/(losses) on cash flow hedges	17	(3,704)	(14)
Income tax related to gains/(losses) on cash flow hedges	5	1,037	4
Foreign exchange movements on translation of overseas subsidiaries	17	4,797	(1,971)
Income tax related to gains/(losses) on foreign exchange movements with overseas subsidiaries	5	(177)	125
Other comprehensive income net of tax		**1,953**	(1,856)
Total comprehensive income for the year attributable to equity holders of the Parent		**49,766**	38,319

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

Balance Sheet

as at 30 June 2022

	Note	2022 $000	2021 $000
Current assets			
Cash and cash equivalents	6	14,796	15,673
Trade and other receivables and prepayments	7	63,870	52,084
Inventories	8	69,595	50,259
Income tax receivable		202	303
Derivative financial assets	22	367	492
Total current assets		148,830	118,811
Non-current assets			
Property, plant and equipment	9	89,757	85,457
Right-of-use assets	9	27,966	17,850
Deferred tax assets	5	4,021	3,351
Goodwill	10	61,453	54,906
Intangible assets	10	3,032	2,914
Investment in associate		1,513	1,561
Derivative financial assets	22	72	24
Total non-current assets		187,814	166,063
Total assets		336,644	284,874
Current liabilities			
Trade and other payables	11	36,192	31,207
Provisions	12	5,949	5,669
Income tax payable		6,021	4,241
Interest-bearing loans and borrowings	13	-	409
Lease liabilities – short term	14	5,482	4,569
Derivative financial liabilities	22	2,252	257
Total current liabilities		55,896	46,352
Non-current liabilities			
Provisions	12	2,155	2,198
Interest-bearing loans and borrowings	13	40,000	24,000
Deferred tax liabilities	5	1,820	1,915
Lease liabilities – long term	14	23,708	14,225
Derivative financial liabilities	22	1,857	35
Total non-current liabilities		69,540	42,373
Total liabilities		125,436	88,725
Net assets		211,208	196,149
Equity			
Equity attributable to equity holders of the Parent			
Share capital	15	72,406	72,406
Reserves	17	(6,603)	(8,999)
Retained earnings	20	145,405	132,742
Total equity		211,208	196,149

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

Statement of Changes in Equity

for the year ended 30 June 2022

	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 2020		72,173	176	(7,615)	374	119,455	184,563
Net profit after tax for the year ended 30 June 2021		-	-	-	-	40,175	40,175
Other comprehensive income		-	(10)	(1,846)	-	-	(1,856)
Total comprehensive income for the year		-	(10)	(1,846)	-	40,175	38,319
Share incentive scheme		233	-	-	(78)	411	566
Dividends		-	-	-	-	(27,299)	(27,299)
Balance 30 June 2021		72,406	166	(9,461)	296	132,742	196,149
Net profit after tax for the year ended 30 June 2022		-	-	-	-	47,813	**47,813**
Other comprehensive income	17	-	(2,667)	4,620	-	-	**1,953**
Total comprehensive income for the year		-	**(2,667)**	**4,620**	-	**47,813**	**49,766**
Share incentive scheme	18	-	-	-	443	-	**443**
Dividends	20	-	-	-	-	(35,150)	**(35,150)**
Balance 30 June 2022		**72,406**	**(2,501)**	**(4,841)**	**739**	**145,405**	**211,208**

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 2022

	Note	2022 $000	2021 $000
Cash flows from operating activities			
Receipts from customers		309,427	274,326
Interest received		6	49
Dividends received		2	2
Payments to suppliers and employees		(249,323)	(202,125)
Income tax refund/(paid)		(14,541)	(11,375)
Interest and bank fees paid		(1,262)	(1,208)
Interest on right-of-use asset leases		(987)	(873)
Net cash flows from/(used in) operating activities		43,322	58,796
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		655	405
Payments for property, plant and equipment		(9,482)	(5,405)
Payments for intangible assets		(704)	(2,073)
Acquisition of a business, net of cash acquired		(10,216)	-
Net cash flows from/(used in) investing activities		(19,747)	(7,073)
Cash flows from financing activities			
Proceeds from/(repayments for) loans and advances	13	15,601	(17,640)
Proceeds from issue of shares		-	233
Repayments of lease liabilities		(5,487)	(4,528)
Dividends paid to equity holders of Parent		(35,150)	(27,299)
Net cash flows from/(used in) financing activities		(25,036)	(49,234)
Net increase/(decrease) in cash and cash equivalents		(1,461)	2,489
Cash and cash equivalents at the beginning of the year		15,673	13,617
Effect of exchange rate fluctuations		584	(433)
Cash and cash equivalents at the end of the year	6	14,796	15,673

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

	2022 $000	2021 $000
Net profit after tax	47,813	40,175
Adjustments for:		
Depreciation and impairment – property, plant and equipment	7,302	7,156
Depreciation and impairment – right-of-use assets	5,868	4,971
Amortisation	593	370
(Gain)/loss on sale of assets	(250)	11
Foreign currency movements	(674)	638
Bad debts written off	-	37
Increase/(decrease) in provision for doubtful debts	(3)	(424)
Share of profit in associates	(224)	(35)
Net movement in working capital	(17,103)	5,897
Net cash inflow from operating activities	43,322	58,796

Notes to the Financial Statements

for the year ended 30 June 2022

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 18 August 2022.

(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 2022.

(c) Statement of compliance

The consolidated financial statements for the year ended 30 June 2022 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.

To provide more meaningful information to the users of the financial statements and to align externally reported information with that reviewed internally, the disaggregation of operating expenses into distribution, marketing and administration expenses has been removed from the year ending 30 June 2022. These items are now presented in aggregate as selling, general and administrative expenses. To ensure consistency with this presentation, distribution expenses of $15.8 million, marketing expenses of $15.8 million and administration expenses of $28.0 million for the year ended 30 June 2021 have been aggregated to selling, general and administrative expenses of $59.6 million.

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 2022. Control is achieved when the Group is exposed, or has rights, to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

(e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

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

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

(f) Significant accounting judgements and assumptions

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

- Note 10 Impairment of goodwill page 66

Notes to the Financial Statements

for the year ended 30 June 2022

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 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 2022	Agri $000	Industrial $000	Corporate $000	Eliminations $000	Total $000
Revenue	110,540	206,353	-	(64)	316,829
Segment EBIT	33,597	39,093	(5,930)	-	66,760
Profit before tax, finance costs and share of profit of associate					66,760
Finance costs					(2,249)
Share of net profit of associate					(224)
Profit for the year before tax					64,287
Income tax expense					(16,474)
Net after-tax profit					**47,813**
Assets and liabilities					
Segment assets	132,330	182,433	21,881	-	336,644
Segment liabilities	16,901	52,531	56,004	-	125,436
Net assets	**115,429**	**129,902**	**(34,123)**	**-**	**211,208**
Other segment information					
Additions to fixed assets and intangibles	2,325	16,239	59	-	18,623
Cash flow					
Segment EBIT	33,597	39,093	(5,930)	-	66,760
Adjustments for:					
- Depreciation and amortisation	4,936	8,707	120	-	13,763
- Non-cash items	-	-	(1,151)	-	(1,151)
Movement in working capital	(6,480)	(11,480)	857	-	(17,103)
Segment cash flow	32,053	36,320	(6,104)	-	62,269
Finance and tax cash expense					(15,803)
Movement in finance and tax accrual					(3,144)
Net cash flow from operating activities					**43,322**

1. Segment Information (continued)

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

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 38.4% (2021: 35.0%) of the Agri Division revenue.
For the Industrial Division, the three largest customers account for 11.1% (2021: 9.6%) of the Industrial Division revenue.

1. Segment Information (continued)

(b) Geographical revenue

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

	2022 $000	2021 $000
New Zealand	75,342	62,029
Australia	48,090	51,588
North America	104,095	81,514
Europe	39,668	38,483
United Kingdom and Ireland	17,513	16,882
Asia	28,563	26,985
Other	3,558	2,034
Total revenue	316,829	279,515

(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:

	2022 $000	2021 $000
New Zealand	127,449	109,282
Australia	10,863	11,280
Europe	12,674	12,805
United Kingdom and Ireland	18,300	17,843
Asia	7,251	6,130
North America	5,671	3,787
Non-current assets	182,208	161,127

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	2022 $000	2021 $000
Employee benefits expense			
Wages and salaries (including annual leave, long-service leave, sick leave and executive share scheme)		62,072	57,515
Termination benefits		265	25
Defined contribution expense		2,958	2,582
Total employee benefit expense		65,295	60,122
Depreciation, amortisation and impairment expense			
Depreciation and impairment of property, plant and equipment	9	7,302	7,156
Depreciation and impairment of right-of-use assets	9	5,868	4,971
Amortisation of intangible assets	10	593	370
Total depreciation, amortisation and impairment expense		13,763	12,497
Total (gain)/loss on disposal of property, plant and equipment		(250)	11
Total product development costs		3,662	4,045
Short term and low value lease costs		332	269
Remuneration of auditors			
Audit of the financial statements by Parent company auditors		705	673
Other auditors' fees for the audit of the financial statements in foreign jurisdictions		102	81
Total remuneration of auditors		807	754

4. Other income

	2022 $000	2021 $000
Interest income	6	49
Government grants received	496	1,234
Realised and unrealised foreign currency gains/(losses)	882	251
Other sundry income	1,304	796
Total other income	2,688	2,330

Government grants have been received by some entities in the Group under wage subsidy and job retention support schemes offered by Governments of the USA (2021: Australia and the USA) in response to Covid-19.

5. Taxation

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

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

(a) Income statement

	2022 $000	2021 $000
Current income tax		
Current income tax charge/(credit)	16,655	14,348
Prior-year adjustments	(514)	47
Deferred income tax		
Temporary difference reversal/(origination)	247	(386)
Prior-year adjustments	90	37
Effect of movements in tax rates	(4)	24
Income tax expense as per income statement	16,474	14,070

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

	Note	2022 $000	2021 $000
Current income tax			
Fair value of derivative financial instruments	17	(1,037)	(4)
Translation of foreign operations	17	177	(125)
Total income tax expense/(credit) relating to other comprehensive income		(860)	(129)

5. Taxation (continued)

(c) Reconciliation

	2022 $000	2021 $000
Total profit before tax as reported	**64,287**	54,245
Tax percentage at Parent company rate	28%	28%
Tax at Parent company rate	18,000	15,189
Non-deductible expenses/(non-assessable income)	(3)	(481)
Tax effects of non-New Zealand profits	(1,095)	(746)
Adjustments for prior years	(424)	84
Effect of movements in tax rates	(4)	24
Income tax as per income statement	**16,474**	14,070

(d) Deferred tax assets and liabilities

	2022 $000	2021 $000
Deferred tax asset	4,021	3,351
Deferred tax liability	(1,820)	(1,915)
Net tax asset	**2,201**	1,436

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

2022	Opening Balance $000	Charged to Income $000	Charged to Other Comprehensive Income $000	Acquired on Purchase of a Business $000	Foreign Currency Movements $000	Closing Balance $000
Property, plant and equipment	(6,557)	669	-	-	(41)	**(5,929)**
Provisions, accruals and lease liabilities	8,058	(1,002)	-	52	50	**7,158**
Financial derivatives	(65)	-	1,037	-	-	**972**
Net tax asset	**1,436**	**(333)**	**1,037**	**52**	**9**	**2,201**

2021	Opening Balance $000	Charged to Income $000	Charged to Other Comprehensive Income $000	Acquired on Purchase of a Business $000	Foreign Currency Movements $000	Closing Balance $000
Property, plant and equipment	(7,136)	631	-	-	(52)	(6,557)
Provisions, accruals and lease liabilities	8,288	(307)	-	-	77	8,058
Financial derivatives	(69)	-	4	-	-	(65)
Net tax asset	**1,083**	**324**	**4**	**-**	**25**	**1,436**

(e) Imputation credit account

	Note	2022 $000	2021 $000
Balance at the beginning of the year		2,056	147
Attached to dividends paid	20	(6,567)	(5,152)
Income tax paid/payable in New Zealand		8,813	7,061
Total imputation credits		4,302	2,056

6. Cash and Cash Equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash flows are included in the cash flow statement on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

In New Zealand, some Group companies operate bank accounts in overdraft. Under the Group facilities arrangement, bank facility overdrafts have a legal right of set-off against bank accounts in funds. Therefore, only the net in funds position has been disclosed.

Cash and cash equivalents at the end of the year as shown in the cash flow statement can be reconciled to the related items in the balance sheet.

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

7. Trade and Other Receivables and Prepayments

Trade receivables represent the Group's right to an amount of consideration that is unconditional. Trade receivables are recognised and measured at the transaction price determined under NZ IFRS 15 Revenue 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.

	2022 $000	2021 $000
Trade receivables	56,125	46,014
Less allowance for doubtful debts	(242)	(227)
	55,883	45,787
GST/VAT receivable	808	910
Other	7,179	5,387
Total trade and other receivables and prepayments	63,870	52,084

The average credit period for the sale of goods is 59 days (2021: 55 days). The Group offers credit terms ranging from 30 to 120 days to those customers for whom the Group has been able to validate acceptable credit quality. The credit terms and limits are reviewed monthly. No interest is charged on the trade receivables.

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

Of the trade receivables balance at the end of the year, $11.99 million (2021: $8.84 million) representing 21.5% (2021: 19.3%) 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	2022 $000	2021 $000
One to 30 days	5,390	3,412
31 to 60 days	690	210
61 days plus	40	220
Total past due trade receivables	6,120	3,842
Movement in the allowance for doubtful debts:		
Balance at the beginning of the year	227	725
Impaired losses recognised	42	30
Amounts written off as uncollectable	(5)	(84)
Impairment losses reversed	(34)	(439)
Net foreign currency exchange differences	12	(5)
Balance at the end of the year	242	227

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.

	2022 $000	2021 $000
Raw materials	17,062	11,533
Work-in-progress	2,648	1,916
Finished goods	49,885	36,810
Total inventories	69,595	50,259

The value of inventories is net of $2,371,820 (2021: $2,518,095) in respect of write-downs across all categories of inventory to net realisable value. All inventory write-down movements are included in the cost of sales.

9. Property, Plant and Equipment

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

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

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

9. Property, Plant and Equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

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

	Note	Freehold Land	Freehold Buildings	Plant and Equipment	Furniture, Fittings and Other	Right of Use Assets	Total
		$000	$000	$000	$000	$000	$000
Cost							
Balance 1 July 2020		7,084	34,483	113,520	8,470	27,038	190,595
Additions		-	-	4,756	649	1,249	6,654
Disposals		-	-	(947)	(825)	-	(1,772)
Net foreign currency exchange differences		-	-	(596)	(89)	(459)	(1,144)
Balance 30 June 2021		7,084	34,483	116,733	8,205	27,828	194,333
Additions		**-**	**-**	**9,819**	**1,628**	**15,647**	**27,094**
Disposals		**-**	**-**	**(1,577)**	**(505)**	**(1,142)**	**(3,224)**
Net foreign currency exchange differences		**-**	**-**	**1,964**	**233**	**267**	**2,464**
Balance 30 June 2022		**7,084**	**34,483**	**126,939**	**9,561**	**42,600**	**220,667**
Accumulated depreciation and impairment							
Balance 1 July 2020		-	3,339	66,012	6,360	5,227	80,938
Depreciation expense	3	-	911	5,410	711	4,971	12,003
Disposals		-	-	(552)	(804)	-	(1,356)
Impairment	3	-	-	124	-	-	124
Net foreign currency exchange differences		-	-	(361)	(102)	(220)	(683)
Balance 30 June 2021		-	4,250	70,633	6,165	9,978	91,026
Depreciation expense	3	**-**	**911**	**5,484**	**815**	**5,868**	**13,078**
Disposals		**-**	**-**	**(1,266)**	**(410)**	**(1,142)**	**(2,818)**
Impairment	3	**-**	**-**	**76**	**16**	**-**	**92**
Net foreign currency exchange differences		**-**	**-**	**1,453**	**183**	**(70)**	**1,566**
Balance 30 June 2022		**-**	**5,161**	**76,380**	**6,769**	**14,634**	**102,944**
Carrying value							
As at 30 June 2021		7,084	30,233	46,100	2,040	17,850	103,307
As at 30 June 2022		**7,084**	**29,322**	**50,559**	**2,792**	**27,966**	**117,723**

Plant and equipment and freehold buildings include work in progress of $1,075,000 (2021: $1,742,000).
Capital expenditure commitments are $672,000 (2021: $867,000).

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 2020		54,908	9,457	632	64,997
Additions		-	2,073	-	2,073
Disposals		-	(565)	-	(565)
Net foreign currency exchange differences		(2)	321	-	319
Balance 30 June 2021		54,906	11,286	632	66,824
Additions	23	**6,455**	**541**	**180**	**7,176**
Disposals		**-**	**(449)**	**-**	**(449)**
Net foreign currency exchange differences		**92**	**26**	**-**	**118**
Balance 30 June 2022		**61,453**	**11,404**	**812**	**73,669**
Accumulated amortisation					
Balance 1 July 2020		-	8,782	90	8,872
Disposals		-	(562)	-	(562)
Amortisation expense	3	-	280	90	370
Net foreign currency exchange differences		-	324	-	324
Balance 30 June 2021		-	8,824	180	9,004
Disposals		**-**	**(449)**	**-**	**(449)**
Amortisation expense	3	**-**	**481**	**112**	**593**
Net foreign currency exchange differences		**-**	**36**	**-**	**36**
Balance 30 June 2022		**-**	**8,892**	**292**	**9,184**
Carrying value of goodwill and intangible assets					
As at 30 June 2021		54,906	2,462	452	57,820
As at 30 June 2022		**61,453**	**2,512**	**520**	**64,485**

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 cash-generating units, using a value-in-use discounted cash flow methodology, to which the goodwill has been allocated. The assumptions used in determining the recoverable amount and the carrying amount of goodwill are detailed below.

10. Intangible Assets (continued)

Software and 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, Nexus Performance Foams Limited and Talbot Advanced Technologies Limited (Talbot), 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 cash-generating unit is shown in the table below. The changes in goodwill recorded are attributable to exchange rate movements on the translation of the goodwill balances denominated in foreign currencies and the acquisition of Talbot. The net present value of future estimated cash flows exceeds the recoverable amount of goodwill allocated to each cash-generating unit based on a value-in-use calculation. A pre-tax discount rate of 11.81% (2021: 10.36%) has been applied to discount future estimated cash flows to their present value.

Cash-generating unit	2022 $000	2021 $000
Gulf	33,783	33,729
Ambic	7,767	7,873
Deks	3,941	3,818
Stevens Filterite	431	431
Nexus	4,163	4,163
Silclear	4,913	4,892
Talbot	6,455	-
Total goodwill	61,453	54,906

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

Discount rate assumptions

The discount rate is intended to reflect the time value of money and the risks specific to each cash-generating unit achieving its forecast cash flows. In determining the appropriate discount rate, regard has been given to the weighted average cost of capital (WACC) of the Group, which has been updated as at 30 June 2022, to reflect the current market interest rates and the additional cost of capital applicable in the current risk environment. Any reasonable change to WACC is not expected to result in any impairment of goodwill.

Commodity cost pricing assumptions

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

Market share assumptions

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

Growth rate assumptions

The growth rates have been based on business plan assumptions applied in the preparation of the annual business plans for the new financial year and the following two years, with assumed lower growth rates in years four and five and in perpetuity. This process is based on key strategies that have been quantified at a product and customer level, reviewed by senior management and 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 cash-generating units, particularly with the estimated net present value of each cash-generating unit tested well above the carrying value of assets, including goodwill.

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.

	2022 $000	2021 $000
Trade payables	18,801	14,238
Employee entitlements for pay and incentives	5,739	6,174
Sundry payables and accruals	10,075	9,377
GST payable	1,577	1,418
Total trade and other payables	**36,192**	31,207

The average credit period on purchases of all goods and services represents an average of 38 days credit (2021: 33 days credit). The Group has financial risk management policies in place to ensure that all payables are met within acceptable terms and conditions of purchase.

12. Provisions

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

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the balance date.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

	2022 $000	2021 $000
Provisions		
Employee entitlements for annual and long-service leave	6,628	5,956
Warranties	1,476	1,911
Total provisions	8,104	7,867
Current	5,949	5,669
Non-current	2,155	2,198
Total provisions	8,104	7,867

Warranties	2022 $000	2021 $000
Balance at the beginning of the year	1,911	335
Additional provisions recognised	204	1,775
Reductions arising from payments/sacrifices of economic benefits	(441)	(138)
Reductions arising from remeasurement or settlement without cost	(206)	(62)
Net foreign currency exchange differences	8	1
Balance at the end of the year	1,476	1,911

Employee entitlements

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

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

(ii) Long-service leave

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

12. Provisions (continued)

(iii) Defined contribution scheme

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

Warranties

In determining the level of provision required for warranties, the Group has made judgements in respect of the expected performance of products and the costs of rectifying any products that do not meet the customers' quality standards. The provision for warranty claims represents the present value of the Directors' best judgement or estimate of the future outflow of economic benefits that will be required under the Group's various product warranty programmes.

The estimate has been made on the basis of the expected performance of products, historical warranty trends, the costs of rectifying any products that do not meet the customers' quality standards and insurance arrangements the Group has in place. The actual cost may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

13. Interest-bearing Loans and Borrowings

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

	2022 $000	2021 $000
Secured at amortised cost		
Balance at the beginning of the year	24,409	42,130
Drawdowns	48,500	28,988
Repayments	(32,899)	(46,628)
Net foreign currency exchange differences	(10)	(81)
Balance at the end of the year	40,000	24,409
Effective interest rate	4.15%	1.96%

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

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates. The carrying amount of tangible assets of the Charging Group (which excludes Skellerup Jiangsu Limited and other smaller entities in the Group) totalling $222 million is pledged as security to secure the above term loans.

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

14. Lease Liabilities

The Group 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 Groups incremental borrowing rate.

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

	2022 $000	2021 $000
Balance at the beginning of the year	18,794	22,316
Additions/terminations	15,514	1,251
Accretion of interest	987	873
Payments	(6,474)	(5,401)
Net foreign currency exchange differences	369	(245)
Balance at the end of the year	29,190	18,794
Current	5,482	4,569
Non-current	23,708	14,225
Balance at the end of the year	29,190	18,794

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 2020	194,753,340	72,173
Balance 30 June 2021	195,276,382	72,406
Balance 30 June 2022	**195,276,382**	**72,406**

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

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

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

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

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

16. Finance Costs

	2022 $000	2021 $000
Interest on bank overdrafts and borrowings	798	678
Bank facility fees	464	530
Interest on capitalised leases	987	873
Total finance costs in income statement	2,249	2,081

17. Reserves

	2022 $000	2021 $000
Reserve balances		
Cash flow hedge reserve	(2,501)	166
Foreign currency translation reserve	(4,841)	(9,461)
Employee share plan reserve	739	296
Total reserves	(6,603)	(8,999)

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	2022 $000	2021 $000
Cash flow hedge reserve			
Balance at the beginning of the year		166	176
Gain/(loss) recognised on cash flow hedges:			
- Foreign exchange contracts and options		(3,747)	(262)
- Interest rate swaps		43	248
- Income tax related to gains/(losses) recognised in other comprehensive income	5	1,037	4
Movement for the year		(2,667)	(10)
Balance at the end of the year		(2,501)	166

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	2022 $000	2021 $000
Foreign currency translation reserve			
Balance at the beginning of the year		(9,461)	(7,615)
Gain/(loss) recognition:			
- Foreign exchange movements on translation of foreign operations		4,797	(1,971)
- Income tax related to gains/(losses) recognised in other comprehensive income	5	(177)	125
Movement for the year		4,620	(1,846)
Balance at the end of the year		(4,841)	(9,461)

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	2022 $000	2021 $000
Employee share plan reserve			
Balance at the beginning of the year		296	374
Shares redeemed during the year		-	(411)
Expense recognised for the year	18	443	333
Balance at the end of the year		739	296

18. Share-based Incentive Scheme

The 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 29 October 2020 the Board awarded 1,800,000 options to the CEO and CFO (the option holders) issued at an exercise price of NZ$2.91, being the weighted average price of Skellerup's shares in the prior twenty-day trading period. Option holders will be able to exercise the options in the period beginning on 1 September 2022 and ending on 1 November 2022. Upon exercise, they will be issued one ordinary share in Skellerup per option exercised or alternatively they may elect to be issued the number of shares as is equal to the difference between the market value of Skellerup's ordinary shares on the exercise date and the exercise price. The options have been fair valued using the Black-Scholes formula. The fair value has been determined as NZ$813,000. The expense recognised in the current period for the incentive scheme is NZ$443,000 (2021: NZ$333,000).

19. Earnings per Share

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

	2022 Cents per Share	2021 Cents per Share
Basic earnings per share	24.48	20.59
Diluted earnings per share	24.26	20.40

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

	2022 $000	2021 $000
Earnings used in the calculation of earnings per share	47,813	40,175
Weighted average number of ordinary shares for		
- Basic earnings per share	195,276,382	195,101,557
- Diluted earnings per share	197,076,382	196,901,557

20. Retained Earnings

	2022 $000	2021 $000
Balance at the beginning of the year	132,742	119,455
Net profit for the year	47,813	40,175
Share incentive scheme	-	411
Payment of dividends	(35,150)	(27,299)
Balance at the end of the year	145,405	132,742

During the reporting period a dividend of 10.5 cents per share (imputed 50%) was paid on 15 October 2021 and 7.5 cents per share (imputed 50%) on 17 March 2022. The imputation tax credits totalled $6,567,272 (2021: $5,151,687).

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.

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 balance date, the Group had the following mix of financial assets and liabilities exposed to interest rate risk. Details of financial instruments in place to manage this risk are disclosed in Note 22.

	2022 $000	2021 $000
Financial assets		
Cash and cash equivalents	14,796	15,673
Financial liabilities		
Bank loans	(40,000)	(24,409)
Net exposure	(25,204)	(8,736)

21. Financial Risk Management Objectives and Policies (continued)

(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 50% of the forecast cash flows.

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

Foreign currency net monetary assets

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

	Cash and Cash Equivalents $000	Receivables $000	Payables $000	Net Monetary Assets $000
30 June 2022				
USD	**1,638**	**5,999**	**2,382**	**5,255**
AUD	**727**	**1,684**	**709**	**1,702**
GBP	**198**	**100**	**-**	**298**
EUR	**718**	**2,709**	**1,158**	**2,269**
30 June 2021				
USD	1,676	4,142	1,252	4,566
AUD	1,633	1,918	254	3,297
GBP	161	320	-	481
EUR	966	1,532	325	2,173

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

	2022 $000	2021 $000
Financial assets		
Cash and cash equivalents	**5,034**	6,111
Trade and other receivables	**16,258**	11,223
	21,292	17,334
Financial liabilities		
Trade and other payables	**(6,563)**	(2,619)
Net exposure	**14,729**	14,715

21. Financial Risk Management Objectives and Policies (continued)

Foreign currency sensitivity

	Net Profit after Tax		Net Equity	
Higher/(Lower)	2022 $000	2021 $000	2022 $000	2021 $000
Foreign currency rates				
Increase +10%	(996)	(991)	(10,920)	(9,299)
Decrease -5%	577	574	6,322	5,384

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

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

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

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

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

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

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

(iii) Credit risk

All customers who trade with any Group subsidiary on credit terms are subject to credit verification procedures including an assessment of their independent credit rating and financial position. Risk limits are set for individual customers according to the risk profile of each and, where it is considered appropriate, registrations are made to record a secured interest in the products supplied. Receivable balances are monitored on an ongoing basis with appropriate provisions held for doubtful debts.

(iv) Liquidity risk

The Group monitors its future cash inflows and outflows through rolling cash flow forecasts. At balance date, the liquidity risk is considered to be low with the bank facility not fully drawn, compliance with bank covenants, and forecast cash flows reporting positive operating cash generation for the Group over the next financial year. The following maturity analysis shows the profile of future payment commitments of the Group. With the available bank facility and the ability for the business to generate future positive operating cash inflows, the obligation to meet the forward commitments is considered to be a low risk.

21. Financial Risk Management Objectives and Policies (continued)

Maturity analysis of financial assets and liabilities

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

Balance 30 June 2022	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	14,796	-	-	-	14,796
Trade and other receivables and prepayments	63,390	285	195	-	63,870
Derivatives	218	149	72	-	439
	78,404	434	267	-	79,105
Financial liabilities					
Trade and other payables	35,640	469	83	-	36,192
Lease liabilities	2,798	2,684	19,345	4,363	29,190
Interest-bearing loans	-	-	40,000	-	40,000
Derivatives	1,371	881	1,857	-	4,109
	39,809	4,034	61,285	4,363	109,491
Net total	38,595	(3,600)	(61,018)	(4,363)	(30,386)

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

Fair value

The financial instruments that have been fair valued by the Group are detailed in Note 22 and have a fair value of $3,670,000 (2021: $224,000).

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

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

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

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

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

22. Financial Instruments

Financial assets and liabilities in the scope of NZ IFRS 9 Financial Instruments are classified as either financial assets and liabilities at fair value through profit or loss, debt instruments at amortised cost, derivatives designated as hedging instruments, or interest bearing loans. When financial assets and liabilities are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets and liabilities on initial recognition. Reclassifications of financial assets are only made upon a change to the Group's business model. Financial liabilities are not reclassified.

Recognition and derecognition

All regular purchases and sales of financial assets are recognised on the trade date: i.e. the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. Gains and losses on financial assets are exclusive of interest and dividends, which are recognised separately.

(i) Financial assets and liabilities

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

Detail of the Group's financial assets and liabilities are shown below. Significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis in which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the preceding notes.

Financial Assets	Cash and Bank Balances $000	Trade and Other Receivables $000	Derivatives $000	Total Financial Assets $000
Balance 30 June 2022				
Cash and cash equivalents at amortised cost	14,796	-	-	14,796
Debt instruments at amortised cost	-	63,870	-	63,870
Derivatives designated as hedging instruments	-	-	439	439
Total financial assets	14,796	63,870	439	79,105
Balance 30 June 2021				
Cash and cash equivalents at amortised cost	15,673	-	-	15,673
Debt instruments at amortised cost	-	52,084	-	52,084
Derivatives designated as hedging instruments	-	-	516	516
Total financial assets	15,673	52,084	516	68,273

22. Financial Instruments (continued)

Financial Liabilities	Trade and Other Payables $000	Derivatives $000	Borrowings $000	Total Financial Liabilities $000
Balance 30 June 2022				
Derivatives designated as hedging instruments	-	4,109	-	4,109
Other financial liabilities at amortised cost	36,192	-	-	36,192
Interest bearing loans	-	-	40,000	40,000
Total financial liabilities	36,192	4,109	40,000	80,301
Balance 30 June 2021				
Derivatives designated as hedging instruments	-	292	-	292
Other financial liabilities at amortised cost	31,207	-	-	31,207
Interest bearing loans	-	-	24,409	24,409
Total financial liabilities	31,207	292	24,409	55,908

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:

	2022 $000	2021 $000
Current assets		
Forward currency contracts and options - cash flow hedge	367	492
Current assets	367	492
Non-current assets		
Forward currency contracts and options - cash flow hedge	72	24
Non-current assets	72	24
Total assets	439	516
Current liabilities		
Forward currency contracts and options - cash flow hedge	2,252	214
Interest rate swaps - cash flow hedge	-	43
Current liabilities	2,252	257
Non-current liabilities		
Forward currency contracts and options - cash flow hedge	1,857	35
Non-current liabilities	1,857	35
Total liabilities	4,109	292
Net assets/(liabilities)	(3,670)	224

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 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		Average Exchange Rates	
	2022 $000	2021 $000	2022	2021
Buy NZD/Sell EUR				
Maturing 2022: one to 24 months (2021: two to 14 months)	10,270	4,125	0.5745	0.5576
Buy NZD/Sell GBP				
Maturing 2022: one to 24 months (2021: one to 12 months)	4,843	2,818	0.4956	0.4968
Buy NZD/Sell USD				
Maturing 2022: one to 44 months (2021: one to 18 months)	55,973	19,445	0.6610	0.7020
Buy NZD/Sell AUD				
Maturing 2022: one to 24 months (2021: one to 11 months)	25,670	8,220	0.9155	0.9246
Buy CNY/Sell AUD				
Maturing 2022: one to 14 months (2021: one to nine months)	5,338	4,056	0.2068	0.1971

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 where debt exceeds $20 million. At 30 June 2022 the Group had no interest rate swap agreements in place.

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

Credit risk

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

23. Business acquisition

On 30 July 2021, Skellerup established Talbot Advanced Technologies Limited ("Talbot"), a 100% owned subsidiary of Skellerup Industrial Holdings Limited. On 01 September 2021, Talbot acquired the assets less the employee entitlements of Talbot Technologies Limited. Talbot's focus, technical capability, products and processes align well with the plastic products already produced by the Group. The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	2022 $000
Assets	
Inventory	1,836
Other assets and prepayments	66
Fixed assets	2,046
Total assets	**3,948**
Liabilities	
Employee entitlements	(187)
Total identifiable net assets at value	**3,761**
Goodwill arising on acquisition (note 10)	6,455
Purchase consideration transferred	**10,216**

The goodwill recognised comprises the fair value of expected synergies arising from the acquisition.

From the date of acquisition, Talbot has contributed $7,424,000 of revenue and $1,126,000 of profit before tax to the Group.

24. Related Parties

The consolidated financial statements incorporate the following significant companies:

(a) Subsidiary companies

Name of Entity	Principal Activities	Country of Incorporation	Holding 2022	Holding 2021	Balance Date
Skellerup Industries Limited	Manufacturing and Sales	New Zealand	100%	100%	30 June
Skellerup Growth Limited	Property	New Zealand	100%	100%	30 June
Ambic Equipment Limited	Manufacturing and Sales	UK	100%	100%	30 June
Conewango Products Corporation	Distribution	USA	100%	100%	30 June
Deks Industries Pty Limited	Manufacturing and Sales	Australia	100%	100%	30 June
Deks North America 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
Nexus Performance Foams Limited	Manufacturing and Sales	New Zealand	100%	100%	30 June
Silclear Limited	Manufacturing and Sales	UK	100%	100%	30 June
Skellerup Gulf Nantong Trading Limited	Distribution	China	100%	0%	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%	0%	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

24. Related Parties (continued)

(b) Associate Investment

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

	Sales to Related Party $000	Purchases from Related Party $000	Amounts Owed by Related Party $000	Amounts Owed to Related Party $000
Sim Lim 2022	**416**	**173**	**14**	**-**
Sim Lim 2021	1,533	112	10	71

(c) Compensation of Directors and key management

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

	2022 $000	2021 $000
Short-term benefits		
Directors' fees	**642**	535
Senior management's salaries and incentives	**3,291**	4,042
Contribution to defined contribution scheme for senior management personnel	**86**	55
Long-term benefits		
Share-based incentive scheme expensed during the year	**443**	333

Mr. John Strowger is a Director of Skellerup and a partner of Chapman Tripp, the Group's legal advisors. Chapman Tripp has charged fees during the year amounting to $391,293 (2021: $172,492). There was $30,172 (2021: $9,674) outstanding (excluding GST) at balance date relating to these transactions. Mr. Strowger did not personally provide any of the services delivered.

25. Contingent Liabilities

	2022 $000	2021 $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.

26. Significant Events after Balance Date

The Directors agreed to pay a final dividend, imputed to 50%, of 13.0 cents per share on 14 October 2022, to shareholders on the register at 5.00pm on 30 September 2022. 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, Interpretations and IFRIC Interpretations

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

Directors' Disclosures, Remuneration and Shareholding

Directors holding office during the year and their shareholdings

Directors held interests in the following shares in the Company as at 30 June 2022.

		Held with Beneficial Interest	Held with Non-beneficial Interest	Held by Associated Persons
Liz Coutts	(Independent)	-	-	720,000
David Cushing	(Independent)	-	-	9,866,169
Rachel Farrant	(Independent)	-	-	-
Alan Isaac	(Independent)	-	-	50,000
David Mair	(Chief Executive)	-	-	4,802,248
Paul Shearer	(Independent)	100,000	-	-
John Strowger	(Independent)	-	-	118,320

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 2021 to 3 August 2022 by a general notice disclosed to the Board and entered in the Company's Interest Register.

Liz Coutts

- Appointed as a Director of Voyage Digital (NZ) Limited (trading as Two Degrees) on 25 July 2022.

Rachel Farrant

- Initial disclosures upon appointment to the Board on 2 May 2022: Director of BDO Wellington Limited, Director of Papa Rererangi I Puketapu Limited (trading as New Plymouth Airport), Director of The Property Group Limited and Director of Fairway Resolution Limited.

Alan Isaac

- Resigned as President of Institute of Directors Inc. on 23 July 2022.

David Mair

- Interest in 4,802,248 shares following the sale of 700,000 shares on 11 March 2022.

Director, CEO and Employee Remuneration

Director Remuneration

The current approved annual fee pool for payment of non-executive Directors is $650,000 as approved by the shareholders at the Annual Meeting on 27 October 2021. Director remuneration for FY22 is shown in the table below.

	Note	Board Chair	Board Director	Audit & Risk Chair	Total
Liz Coutts		100,000	100,000		200,000
David Cushing			100,000		100,000
Rachel Farrant			16,667		16,667
Alan Isaac			100,000	25,000	125,000
John Strowger			100,000		100,000
Paul Shearer			100,000		100,000
David Mair	1		-		-
Total		**100,000**	**516,667**	**25,000**	**641,667**

Note:

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

CEO Remuneration

CEO remuneration is made up of three components: Fixed remuneration, short-term performance incentive (STI) and long-term performance incentive (LTI). The STI and LTI are at risk because the outcome is determined by performance against financial objectives. The table below shows CEO remuneration in FY22 and FY21.

$000	Fixed Salary	STI[1]	Subtotal	LTI[2]	Total
David Mair FY22	690	497	1,187	-	1,187
David Mair FY21	740	626	1,367	813	2,180

[1] The FY22 STI was accrued but not paid at 30 June 2022.
[2] The FY21 LTI represents the value of options at the 30 October 2020 exercise date.

Short-term Incentive

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

Long-term Incentive

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

	Financial Year of Grant	Number of Options	Price per Option NZ$	Exercise Period	SharePrice at Exercise NZ$	Value at Exercise $000
David Mair	FY21	1,000,000	2.91	1 Sept to 1 Nov 2022	N/A	N/A
	FY19	1,000,000	2.12	30 Oct 2020	2.93	813

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

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

CEO Remuneration: Five Year Summary

$000	Salary	Kiwisaver	STI	Total	LTI Vesting	LTI Span
David Mair FY22	690	-	497	1,187	-	2020-2022
David Mair FY21	740	-	626	1,367	-	2020-2022
					100%	2018-2020
David Mair FY20	690	-	-	690	-	2018-2020
David Mair FY19	650	20	101	771	-	2018-2020
David Mair FY18	600	18	347	965	-	2011-2018

Employee Remuneration

The Group paid remuneration in excess of $100,000 including benefits to 155 employees (not including non-executive directors) during the FY22 year in the following bands.

Remuneration Range $000	Number of Employees	Remuneration Range $000	Number of Employees
100-110	31	270-280	3
110-120	24	280-290	1
120-130	10	290-300	2
130-140	16	310-320	1
140-150	4	330-340	1
150-160	9	400-410	1
160-170	7	420-430	1
170-180	6	450-460	1
180-190	6	530-540	1
190-200	4	540-550	1
200-210	5	580-590	1
210-220	5	600-610	1
220-230	2	1,190-1,200	2
240-250	1	1,320-1,330	1
250-260	4		
260-270	3		

Gender and Diversity as at 30 June 2022

	Directors		Officers		Management	
	2022	2021	**2022**	2021	**2022**	2021
Male	5	5	2	2	30	28
Female	2	1	0	0	8	8
Total	7	6	2	2	38	36

Distribution of Ordinary Shares and Shareholders as at 3 August 2022

Range	Number of Shareholders	Number of Shares	% of Shares
1 - 999	578	258,175	0.13
1,000 - 9,999	3,649	14,918,225	7.64
10,000 - 49,999	1,815	34,451,159	17.64
50,000 - 99,999	212	13,547,352	6.94
100,000 - 499,999	122	19,100,239	9.78
500,000 - 999,999	9	5,371,043	2.75
1,000,000 Over	24	107,630,189	55.12
Total	**6,409**	**195,276,382**	**100.00%**

Substantial Product Holders

Pursuant to the Financial Markets Conduct Act 2013, the following parties had given notice as at 3 August 2022 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 (26 August 2021)	11,815,162	6.05
H & G Limited (21 August 2018)	10,866,169	5.56
Sir Selwyn John Cushing (23 August 2021)	10,066,184	5.15

Twenty Largest Shareholders as at 3 August 2022

Rank	Name	Number of Shares	%
1	Forsyth Barr Custodians Limited	19,236,032	9.85
2	FNZ Custodians Limited	11,783,238	6.03
3	Custodial Services Limited	10,774,524	5.52
4	H & G Limited	9,866,169	5.05
5	Citibank Nominees (New Zealand) Limited	6,771,282	3.47
6	Accident Compensation Corporation	5,837,813	2.99
7	BNP Paribas Nominees (NZ) Limited	5,700,093	2.92
8	David William Mair & John Gordon Phipps	4,802,248	2.46
9	New Zealand Depository Nominee Limited	4,090,140	2.09
10	JP Morgan Chase Bank NA NZ Branch	3,670,605	1.88
11	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	2,506,703	1.28
12	FNZ Custodians Limited Non Resident A/C	2,493,814	1.28
13	HSBC Nominees (New Zealand) Limited	2,430,276	1.24
14	Hobson Wealth Custodian Limited	2,096,993	1.07
15	HSBC Nominees (New Zealand) Limited	1,866,889	0.96
16	JBWere (NZ) Nominees Limited	1,813,023	0.93
17	Public Trust Forte Nominees Limited	1,755,601	0.90
18	Tea Custodians Limited	1,682,830	0.86
19	Leveraged Equities Finance Limited	1,630,000	0.83
20	Forsyth Barr Custodians Limited	1,476,872	0.76

Corporate Directory

Directors

EM Coutts, ONZM, BMS, FCA, CFIoD Chair

BD Cushing, BCom, ACA

RH Farrant, BCom, PGDipCom, FCA, CFIoD

AR Isaac, CNZM, BCA, FCA

DW Mair, BE, MBA

PN Shearer, BCom

WJ Strowger, LLB (Hons)

Officers

DW Mair, BE, MBA
Chief Executive Officer

GR Leaming, BCom, CA
Chief Financial Officer

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)

Skellerup Holdings Limited

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

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