



UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

HALF YEAR ENDED
31 DECEMBER 2011

SKELLERUP HOLDINGS LIMITED

Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	CONSOLIDATED	
	Half Year Ended 31 Dec 2011 \$000 (Unaudited)	Half Year Ended 31 Dec 2010 \$000 (Unaudited)
Note		
REVENUE		
Sale of goods	102,903	96,201
Rental revenue	68	92
Total Revenue	102,971	96,293
Cost of sales	61,140	57,757
Gross profit	41,831	38,536
Plus other income	136	365
TOTAL INCOME	41,967	38,901
Less distribution expenses	6,275	6,199
Less marketing expenses	9,058	8,347
Less administrative expenses	8,961	8,883
Profit for the period before tax, finance costs and earthquake costs	17,673	15,472
Less finance costs	1,149	1,370
Profit from operations before income tax and earthquake costs	16,524	14,102
Less income tax expense	5,007	4,273
Net profit for the period attributable to trading	11,517	9,829
Income and expenditure related to Canterbury earthquakes	6	
Claims against insurance policies for increased cost of working	2,002	350
Less costs incurred	2,002	350
Net after tax income from insurance proceeds	-	-
Net profit for the period attributable to the owners of the parent	11,517	9,829
Earnings per share (cents per share)		
Net profit attributable to owners of the parent:		
Basic earnings per share	5.97	5.12
Diluted earnings per share	5.97	5.12
Net tangible assets per share (cents per share)	33.57	28.84

SKELLERUP HOLDINGS LIMITED

Balance Sheet

AS AT 31 DECEMBER 2011

	As at 31 Dec 2011 \$000 (Unaudited)	As at 30 June 2011 \$000 (Audited)
CURRENT ASSETS		
Cash and cash equivalents	8,843	12,766
Trade and other receivables	36,724	40,658
Inventories	38,217	28,437
Income tax receivable	-	347
Derivative financial assets	452	430
Investments and advances	-	1,000
Total Current Assets	84,236	83,638
NON-CURRENT ASSETS		
Property, plant and equipment	37,806	37,751
Deferred tax assets	2,944	2,646
Goodwill and other intangible assets	49,257	49,801
Derivative financial assets	-	95
Investments and advances	-	-
Total Non-current Assets	90,007	90,293
Total Assets	174,243	173,931
CURRENT LIABILITIES		
Trade and other payables	24,811	23,918
Provisions	7,950	8,047
Interest bearing loans and borrowings	95	94
Income tax payable	4,852	6,658
Derivative financial liabilities	296	291
Total Current Liabilities	38,004	39,008
NON-CURRENT LIABILITIES		
Provisions	1,244	965
Interest bearing loans and borrowings	17,959	21,752
Derivative financial liabilities	96	129
Deferred tax liabilities	1,723	1,752
Total Non-current Liabilities	21,022	24,598
Total Liabilities	59,026	63,606
Net Assets	115,217	110,325
EQUITY		
Equity attributable to equity holders of the parent		
Share capital	69,732	69,732
Reserves	(7,902)	(8,984)
Retained earnings	53,387	49,577
Total Equity	115,217	110,325

SKELLERUP HOLDINGS LIMITED

Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED

<i>Half Year Ended</i>	<i>Half Year Ended</i>
<i>31 Dec 2011</i>	<i>31 Dec 2010</i>
<i>\$000</i>	<i>\$000</i>
<i>(Unaudited)</i>	<i>(Unaudited)</i>

Cash flows from operating activities

Receipts from customers	101,161	103,126
Interest received	47	248
Earthquake insurance claims	8,300	-
Payments to suppliers and employees	(92,560)	(85,051)
Interest paid	(1,277)	(1,760)
Income tax paid	(6,486)	(3,299)

Net cash flows from operating activities

	9,185	13,264
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Cash flows from investing activities

Repayment of advance	1,000	-
Purchase of property, plant and equipment	(2,863)	(3,117)

Net cash flows from/(used in) investing activities

	(1,863)	(3,117)
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Cash flows from financing activities

Repayment of borrowings	(3,792)	(6,483)
Equity dividends paid	(7,707)	(3,241)

Net cash flows from/(used in) financing activities

	(11,499)	(9,724)
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Net increase/(decrease) in cash and cash equivalents	(4,177)	423
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Cash and cash equivalents at beginning of the period	12,766	9,567
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Effect of exchange rate fluctuations	254	44
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Cash and cash equivalents at end of the period

	8,843	10,034
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Statement of Comprehensive Income
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	<i>CONSOLIDATED</i>	
	<i>Half Year Ended</i>	<i>Half Year Ended</i>
	<i>31 Dec 2011</i>	<i>31 Dec 2010</i>
	<i>\$000</i>	<i>\$000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit for the period	11,517	9,829
Other comprehensive income		
Net gains/(losses) on hedge of net investments	(20)	(1,794)
Exchange movements on translation of foreign operations	825	80
Net gains/(losses) on cash flow hedges	(10)	471
Deferred tax relating to components of other comprehensive income	269	(154)
Other comprehensive income net of tax	1,064	(1,397)
Total comprehensive income for the period	12,581	8,432
Attributable to:		
- Equity holders of parent	12,581	8,432
- Minority interests	-	-
	12,581	8,432

SKELLERUP HOLDINGS LIMITED

Statement of Changes in Equity FOR THE HALF YEAR ENDED 31 DECEMBER 2011

<i>(Unaudited)</i>	<i>Fully Paid Ordinary Shares</i>	<i>Employee Share Based Incentive Reserve</i>	<i>Cash Flow Hedge Reserve</i>	<i>Foreign Currency Translation Reserve</i>	<i>Retained Earnings</i>	<i>Total</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
At 1 July 2011	69,732	-	125	(9,109)	49,577	110,325
Profit for the period	-	-	-	-	11,517	11,517
Other comprehensive income	-	-	204	860	-	1,064
Total comprehensive income for the period	-	-	204	860	11,517	12,581
Transactions with owners in their capacity as owners						
Share based expense	-	18	-	-	-	18
Issue of shares – dividend reinvestment	-	-	-	-	-	-
Dividends paid	-	-	-	-	(7,707)	(7,707)
Balance at 31 December 2011	69,732	18	329	(8,249)	53,387	115,217

Statement of Changes in Equity FOR THE HALF YEAR ENDED 31 DECEMBER 2010

<i>(Unaudited)</i>	<i>Fully Paid Ordinary Shares</i>	<i>Cash Flow Hedge Reserve</i>	<i>Foreign Currency Translation Reserve</i>	<i>Retained Earnings</i>	<i>Total</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
At 1 July 2010	68,198	(307)	(5,007)	38,006	100,890
Profit for the period	-	-	-	9,829	9,829
Other comprehensive income	-	332	(1,729)	-	(1,397)
Total comprehensive income for the period	-	332	(1,729)	9,829	8,432
Transactions with owners in their capacity as owners					
Issue of shares – dividend reinvestment	1,534	-	-	-	1,534
Dividends paid	-	-	-	(4,775)	(4,775)
Balance at 31 December 2010	69,732	25	(6,736)	43,060	106,081

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

1 CORPORATE INFORMATION

The financial statements of Skellerup Holdings Limited for the half year ended 31 December 2011, were authorised for issue in accordance with a resolution of the directors dated 23 February 2012.

Skellerup Holdings Limited is registered under the Companies Act 1993, incorporated in New Zealand, and listed on the New Zealand Exchange.

Skellerup Holdings Limited is an issuer for the purposes of the Financial Reporting Act 1993.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2011 has been prepared in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by Skellerup Holdings Limited during the half year ended 31 December 2011 in accordance with the continuous disclosure obligations of the NZX listing rules.

With the exception of the change in accounting policy noted below, all other accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

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

(b) Changes in Accounting Policy

During the period the following accounting policy was introduced:

Provisions and Employee Benefits

Employee Benefits – Share Based Incentive Scheme

The Group operates a share based incentive scheme for the Chief Executive whereby Redeemable Ordinary Shares have been issued and held in trust under a Deed which allows for the shares to vest, at the option of the Chief Executive, at a future period. The cost of the issued equity is measured by reference to the fair value at the date on which the equity is granted. The fair value is determined by an independent valuer using the Black-Scholes formula.

The cost of the equity settled transaction is recognised over the period in which the conditions are fulfilled. The cumulative expense recognised at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in the cumulative expense between the beginning and end of that period. The cumulative expense over the vesting period is recognised through the Employee Share Based Incentive Reserve in equity.

No expense is recognised for equity that does not vest.

Where an equity award is cancelled, it is treated as if it vested on the date of cancellation. No further expense is recognised, and the cumulative balance in the Employee Share Based Incentive Reserve transfers to Retained Earnings.

Any cash contribution made towards the equity share scheme at the grant date, has been offset against the initial recognised cost of the expired vesting period.

With the vesting shares being the market price at the time of vesting, there is no dilutive effect on the earnings per share calculation.

There have been no other changes to accounting policies during the reported period.

SKELLERUP HOLDINGS LIMITED

(c) **Comparatives**

Certain prior year balances have been reclassified to be consistent with the current period's presentation.

2 **SHARE BASED INCENTIVE SCHEME**

The Group has entered into an agreement with the Chief Executive to provide a long term share based incentive scheme. The scheme provides for the Chief Executive to convert 1,947,533 redeemable ordinary shares to fully paid ordinary shares, at a future date under the terms of the Chief Executive Incentive Scheme Deed.

The redeemable ordinary shares issued on grant date have been fair valued under the terms defined by NZ International Financial Reporting Standards NZ IFRS-2. The fair value determined has been valued at \$471,000 and is being recognised as an employee incentive scheme expense over the estimated vesting period.

Recognised share based employee incentive scheme

The expense recognised for the Chief Executive's Incentive Scheme is as follows:

	Half Year Ended 31 Dec 2011 \$000	Half Year Ended 31 Dec 2010 \$000
Expense arising from equity settled share based incentive scheme	18	-
	18	-

The terms of the Chief Executive Incentive Scheme are set out in the Chief Executive Incentive Scheme Deed, which defines the operative clauses of the scheme. These terms and conditions were defined in the Chief Executive Incentive Scheme proposal which accompanied the June 2011 Annual Report distribution.

3 **CONTRIBUTED EQUITY**

	As at 31 Dec 2011		As at 31 Dec 2010	
	Number of Shares	Value \$000	Number of Shares	Value \$000
Ordinary shares	192,805,807	69,732	192,805,807	69,732
Redeemable ordinary shares	1,947,533	-	-	-

The redeemable ordinary shares were issued on 26 October 2011. The shares were fully subscribed for by the Skellerup Holdings Employee Trustee Company Limited which holds the shares in trust under the terms of the Chief Executive's share based incentive scheme.

4. **OPERATING SEGMENTS**

The Group's operating segments are Agri, Industrial and Corporate, being the divisions reported to the executive management and Board of Directors to assess performance of the Group and allocate resources.

The principal measure of performance for each segment is EBIT (earnings before interest and tax). As a result, finance costs and taxation have not been allocated to each segment.

Agri Segment

The Agri segment 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 Segment

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

Corporate Segment

The Corporate segment includes the parent company and other central administration expenses that have not been allocated to the Agri and Industrial segments. With the Group operating a central treasury function, finance costs and costs relating to fair value derivatives have been retained in the corporate segment.

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INTER SEGMENT REVENUE

Inter segment transfer prices are set on an arm's length basis. Such inter segment revenue for the half year was \$1,414k (2010, \$1,245k) and relates to a range of Vacuum Pumps which the Industrial segment manufactures and transfers to the Agri segment to fulfill the sales demand for Agri customers.

Intra segment revenue and expenses within each segment are eliminated prior to disclosing the consolidated result for the individual segment.

The following table presents revenue, expenditure and certain asset information regarding the Operating Segments.

Half Year ended 31 December 2011	<i>Agri</i> \$000	<i>Industrial</i> \$000	<i>Corporate</i> \$000	<i>Total</i> \$000
Revenue				
Sales to customers	37,022	65,881	-	102,903
Rental revenue	-	-	68	68
Total revenue	37,022	65,881	68	102,971
Result				
Segment EBIT	9,015	10,984	(2,326)	17,673
Less finance expenses				1,149
Profit before tax				16,524
Less taxation				5,007
Trading net profit after tax				11,517
Assets and liabilities				
Segment assets	53,284	104,224	16,735	174,243
Segment liabilities	8,264	19,861	30,901	59,026
NET ASSETS	45,020	84,363	(14,166)	115,217
OTHER SEGMENT INFORMATION				
Capital expenditure	1,610	1,445	(192)	2,863
CASHFLOW				
Segment EBIT	9,015	10,984	(2,373)	17,626
Depreciation and amortisation	1,265	1,958	167	3,390
Movement in working capital	(6,548)	(4,134)	6,614	(4,115)
Segment cash flow	3,732	8,808	4,408	16,948
Finance and tax cash expense				(7,763)
Net cash flow from/(used in) operating activities				9,185

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Half Year ended 31 December 2010	<i>Agri</i> \$000	<i>Industrial</i> \$000	<i>Corporate</i>	<i>Total</i> \$000
Revenue				
Sales to customers	33,452	62,749	-	96,201
Rental revenue	-	-	92	92
Total revenue	33,452	62,749	92	96,293
Result				
Segment EBIT	8,116	9,766	(2,410)	15,472
Less finance expenses				1,370
Profit before tax				14,102
Less taxation				4,273
Trading net profit after tax				9,829
Assets and liabilities				
Segment assets	42,549	104,734	22,011	169,294
Segment liabilities	5,245	20,799	37,169	63,213
NET ASSETS	37,304	83,935	(15,158)	106,081
OTHER SEGMENT INFORMATION				
Capital expenditure	1,376	1,721	20	3,117
CASHFLOW				
Segment EBIT	8,116	9,766	(2,410)	15,472
Depreciation and amortisation	2,139	1,349	181	3,669
Movement in working capital	3,185	(1,260)	(3,127)	(1,202)
Segment cash flow	13,440	9,855	(5,356)	17,939
Finance and tax	-	-	(4,675)	(4,675)
Net cash flow from/(used in) operating activities	13,440	9,855	(10,031)	13,264

5 DIVIDENDS PAID

	<i>Half Year Ended</i> 31 Dec 2011 \$000	<i>Half Year Ended</i> 31 Dec 2010 \$000
<i>Declared and paid during the period</i>		
<i>Final dividend – June 2011 year</i>		
Dividend on ordinary shares – 4.0 cents per share – fully imputed paid on 21 October 2011 (2010: 2.5 cents per share fully imputed paid on 21 October 2010)	7,707	4,775
Less reinvested under the dividend reinvestment plan Nil (2010: 1,657,879 shares @ 92.53 cents)	-	1,534
Net dividend paid	7,707	3,241

Subsequent to the six month period, the Board of Directors resolved to pay a fully imputed (to the extent of imputation credits available) interim dividend of 3 cents per share, a total of \$5,784k. The dividend will be paid on 30 March 2012 to shareholders on the register at 5 p.m. on 16 March 2012. The Dividend Reinvestment Plan will not be operative for this particular dividend payment.

This compares to the prior year interim dividend of 2.0 cents per share, totalling \$3,856k which was paid on 31 March 2011.

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6 CANTERBURY EARTHQUAKE

As a result of the Canterbury earthquakes, the following income and expenditure have been recorded in the Group financial statements.

<i>Income Statement</i>	<i>Half Year Ended 31 Dec 2011 \$000</i>	<i>Half Year Ended 31 Dec 2010 \$000</i>
Earthquake income		
Insurance claims made on insurers for expenses incurred	2,002	350
Earthquake expenditure		
Increased expenditure for repairs and to maintain operations	2,002	350
Total income from insurers for the period	-	-

<i>Balance Sheet</i>	<i>General repairs & increased expenditure \$000</i>	<i>Building expenditure \$000</i>	<i>Total expenditure \$000</i>
<i>Balance at start of period</i>	1,298	1,420	2,718
Additional expenditure incurred during the period	2,002	-	2,002
Provisional cash received during the period (excl. GST)	2,000	5,217	7,217
Balance at end of period – receivable/(payable)	1,300	(3,797)	(2,497)

The strengthening work undertaken to buildings and plant in the Christchurch manufacturing operations to mitigate risk of further damage and business interruptions from the earthquake aftershocks, has allowed Skellerup to maintain its usual high level of customer service.

Skellerup continues to work with engineering and insurance claim specialists to quantify and finalise the material damage and business interruption claims relating to past earthquake events. When the total insurance claim values become virtually certain and can be reliably measured, the remaining values relating to the total claim will be recognised through the Income Statement.

For the period to 31 December 2011, only those values which are virtually certain and can be reliably measured have been recognised through the Income Statement.

Although the insurers have provided cash settlements of \$7,217k (excl. GST) during the period, these settlements have been made on a provisional basis and subject to finalising the total material damage and business interruption insurance claims.

7 BANK FACILITY

During the reported period the company has arranged with the ANZ National Bank Limited to extend the Group funding facility to August 2014. With the lower level of term debt required, the total funding facility has been reduced to NZD 35 million.

As at 31 December 2011 the company was compliant with all covenant ratios.

8 EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred since the half year reporting date that require additional disclosure.

