

SPEIRS GROUP LIMITED 2021 AGM CHAIRMAN'S SPEECH

I am pleased to report to you a summary of our results to 30 June 2021 and an update on Company and Group affairs since that date.

The business environment generally and for Speirs Group remains impacted by the Covid-19 pandemic and it even has an impact on our meeting today.

While our two main investments, Speirs Foods, and Equipment, Leasing and Finance have suffered some of the impacts from the pandemic, they have remained substantially able to continue operating due to the industry sectors they sell into.

Overall Results

The overall financial results compared to last year are shown on the slide:

	2021 \$'000	2020 \$'000
Speirs Foods (2018) LP trading profit before interest	317	1,209
Fair Value Gain/(Loss)Through Profit and Loss Financial Assets Equipment, Leasing and Finance Holdings Limited	338	(249)
Dividend received from Equipment, Leasing and Finance Holdings Limited	229	-
Corporate governance costs	(276)	(288)
Net financing costs	(252)	(326)
Depreciation Expense of Speirs Group Limited in relation to acting as landlord for Speirs Foods (2018) LP	(77)	(107)
Total Profit Before Tax	279	239
Derecognition of Previously Recognised Future Income Tax Benefit	(133)	-
Total Profit After Tax	146	239
Profit attributable to non-controlling Interest	(11)	(269)
Overall Profit/(Loss) Attributable to Ordinary Shareholders of Speirs Group Limited	135	(30)

The Group reported a profit after deducting the impact of the non-controlling interest of \$135,000. This compares to the previous year loss of \$30,000. Our investment in Equipment Leasing and Finance Limited provided a significant contribution to this result with the receipt of a maiden dividend of \$229,000 and a write up in the value of the investment of \$338,000. The contribution of Speirs Foods was down on the previous year for reasons explained later in this address.

Turning to each of our core investments.

Speirs Foods (2018) LP (Speirs Foods)

Speirs Foods maintains its role in the processing and sale of fresh salads and related products throughout New Zealand, primarily through the two major supermarket chains.

Despite revenue increasing 6.5% to \$18.175 million compared to \$17.058 million in the previous period, trading profit for the year before interest was \$317,000 compared to \$1,209,000 for the previous period. While a disappointing result, the business was impacted by a number of factors consequential on the Covid-19 pandemic and other imposed government actions.

These included:

- reduced turnover and increased wastage from the two lockdowns in the Auckland region;
- a noticeable shift in customer demand from bulk products (those sold from “under the glass” in supermarket delicatessens) to pre-packaged products which are more labour intensive in their production and often require the use of higher cost raw materials;
- higher material costs and need to source higher cost alternative supplies due to increased shipping and freight costs and supply chain constraints;
- pressure on labour availability and costs due to general market shortages and the flow on effects of the increase in the minimum wage driving labour costs up across the general labour force.

The business has taken a number of steps to address these issues and improve profitability including:

- a significant capital investment in new plant to improve the efficiency of producing pre-pack products;

- continual work on improving product flow efficiency through the plant and increase productivity through new or replacement plant to improve labour efficiency;
- review of product margins to ensure products provide an acceptable return on the costs to produce;
- continuous development of innovative and fresh new products to support “The Whole Mix Brand” including Wholesome Bulk Salads in line with consumer trends, on-the-go delicious salads/meal solutions with protein and tasty salad kits for our customers “Home Brands”
- a project to update information systems to provide better and more timely information.

The benefits of the measures undertaken are showing returns but cost pressures remain and the business will need to keep innovating, investing and improving processes to maintain a reasonable return on the assets employed in the business.

In the current 2022 financial year sales have been impacted by Covid-19 outbreaks in Auckland and restrictions in other parts of the country. For example, when supermarkets are closed due to being locations of interest, we see reduced sales into these locations.

The Speirs Foods business is also under cost pressure as a number of suppliers have notified significant price increases, some due to increased operating and supply chain costs arising out of Covid requirements. Where possible we will recover these costs through our pricing but still have to maintain our competitive position in the market.

The current year will continue to be a challenging one for Speirs Foods as it responds to both the demand side and supply side impacts from Covid-19 but hopefully we will see the country returning to more traditional buying patterns.

Equipment, Leasing and Finance Holdings Limited (EL&F)

Speirs Group now holds 2.27% of the ordinary shares in EL&F, following the conversion of the 0.29% of preference shares that converted to ordinary shares on 1 October 2021, in accordance with their terms of issue.

The holding value of our interest in EL&F was reassessed as at 30 June 2021 based upon a detailed study of the EL&F performance over the last year and projections of future profit forecasts. This resulted in the holding value of the of the EL&F ordinary shares and preference shares, being increased from \$1.36 to \$1.55 per share.

EL & F supplies and funds heavy and light mobile equipment to a wide range of industry and commercial sectors throughout New Zealand. While Covid-19 has had some impact on trading, the bulk of the company's activities are classified as 'essential' within the Government's Covid rules, allowing the company to adapt and continue trading adequately and successfully during lockdowns.

Rosa Foods

As noted previously, Speirs Group Limited has sold its minority shareholding in Rosa Foods Limited. We received an upfront cash payment in April 2018 with the balance paid progressively over a three-year period. The deferred balance was subject to interest payments at market rates. The final settlement of this transaction was due by 31 March 2021 but we agreed to a short extension of payment terms over the period 31 March to 31 August 2021 for the remaining balance. All payments under the agreed schedule were met and this transaction was completed on 31 August 2021.

Financing

The principal borrowing of the parent company at the end of the 2021 financial year was \$2.5m of redeemable preference shares ("2021 RPS") that matured and were due for repayment in September 2021.

In April 2021 the Group made a new offer of up to \$2.2 million of 2025 Redeemable Preference Shares ("2025 RPS") to existing 2021 RPS holders and

other eligible investors on similar terms and conditions to the maturing 2021 RPS. The dividend rate on the 2025 RPS is 7.5% compared to the 9.0% that has been paid on the 2021 RPS.

This re-financing exercise has been successfully completed with the net impact reducing the annual borrowing costs on the RPS by \$65,000.

In September 2020 Speirs Foods (2018) LP entered into a five year term loan facility for up to \$1 million with a New Zealand registered bank at an interest rate of 2.30%. This facility has been used to fund capital expenditure including plant for increased automation of the prepack product line. Speirs Foods also undertook a rearrangement of its working capital funding which is expected to significantly reduce facility and interest costs.

Ordinary Share Consolidation

At a Board meeting held on 21 November 2021, the directors of Speirs Group Limited have decided to undertake a 1 for 10 share consolidation in relation to Speirs Group Limited's ordinary shares on Wednesday 24 November 2021.

On Wednesday 24 November 2021 shareholders will receive one consolidated ordinary share for every 10 ordinary shares that they currently hold. Shareholders should note that the number of consolidated ordinary shares which they will be entitled to will be based on their holdings of ordinary shares on 24 November 2021 and will be rounded up to the nearest whole consolidated ordinary share.

There is no impact on shareholders' rights, for example, proportionate rights to dividends and voting rights will be unchanged. The share consolidation merely alters the number of ordinary shares on issue. At 30 June 2021 the group reported net tangible assets per share of 26 cents per ordinary share. The impact of the consolidation increases the net tangible assets per share by a factor of 10 to \$2.60 per ordinary share at 30 June 2021.

Prior to the consolidation Speirs Group Limited had 11,334,576 ordinary shares on issue. After the ordinary share consolidation Speirs Group Limited will have approximately 1,133,597 ordinary shares on issue.

The directors are undertaking the ordinary share consolidation as they believe that the reduced number of total ordinary shares on issue better reflects the current requirements of Speirs Group Limited's size and scope of operations.

Board and Management

The Board of Speirs Group presently comprises four non-executive directors—Fred Hutchings, Nelson Speirs, David Speirs and myself.

Nelson Speirs retires by rotation this year and offers himself for re-election.

I am due to retire by rotation at the next annual meeting and I have advised the Board that I do not intend to seek re-election. The Company is in a stable position, so it is an opportune time for me to step down. The Board will undertake a process to find a successor as Chair and a new director over the next 12 months.

The Board of the General Partner for Speirs Foods (2018) LP is Fred Hutchings (Chair), Ross Kane and Sarah McCormack.

Both boards have continued to work effectively over the last year and I thank my colleagues for their work on behalf of the Company.

Our company secretary Lee Simpson continues to provide excellent support to the Group. He carries out his secretarial and finance responsibilities with a high degree of efficiency and professionalism.

I would also like to thank again the team at Speirs Foods for their continued hard work in a what is always a challenging market environment.

I would like to especially acknowledge again this year the extra efforts that the staff and directors continue to make in responding to Covid-19. In a rapidly

changing market and operating environment everybody continues to stand up and provide considerable additional effort to enable the business to continue operating safely and effectively and respond to the needs of our customers.

Dividend

While the position of the Group has improved, the Board considers it prudent to preserve cash and decided not to pay a dividend for the period to 30 June 2021. In the future, if the two key trading investments, Speirs Foods and Equipment Leasing and Finance distribute cash to the Speirs Group parent in excess of parent costs, then dividend payments will be considered.

Outlook

The economic outlook remains uncertain due to the impacts of Covid-19 with inflation emerging and supply chain and labour constraints evident. This will continue to challenge trading conditions in the near term.

Maximising returns from our key investments continues. We remain firmly on this path with a focus on reducing debt. Once we have debt at a manageable level, then cash returns from trading activities or divestments can be applied to returning cash to shareholders.

We note again that recent trading of Speirs Group shares which has been in the range 5.5 to 10 cents per share over the past year, continues at a large discount to the net tangible asset backing of the ordinary shares which was approximately 26 cents per share at year end.



Annual General Meeting
22 November 2021

Financial Overview

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2021 Key Points

- A disappointing year from Speirs Foods due to ongoing impacts on sales and costs from Covid-19 impacts.
- Speirs Foods continues to rapidly deliver new products in response and has completed a significant capital expenditure to improve capacity and efficiency of pre-pack products.
- The Equipment, Leasing and Finance (E L & F) business operating profitably with maiden dividend and uplift in carrying value.
- Partial reduction and re-financing of Redeemable Preference Share funding.



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Ordinary Share Consolidation

- The Company will undertake a 1 for 10 share consolidation on 24 November 2021 with each ordinary shareholder receiving 1 share for every 10 currently held
- This has no impact on proportionate voting rights or right to distributions
- Shares will be reduced from 11,334,576 ordinary shares to approximately 1,333,597
- Net asset backing per ordinary share at 30 June 2021 will increase from 26 cents per share to \$2.60 per share

The 2022 Year

- Challenges and risks from Covid-19 pandemic expected to continue to impact Speirs Foods and E L & F but a slow return to normal trading.
- Speirs Foods will have another challenging year as it adjusts to changes in consumer habits, delivery of new products and cost increases coming through.
- E L & F trading well to date with most business with essential industries
- Future dividends are dependent on trading performance and cash position of the group.



Formal Business

1. Consideration of the Annual Report and Financial Statements
2. Resolution 1: That Nelson Speirs be re-appointed a Director
3. Resolution 2: That the Directors be authorised to set the remuneration of the auditors
4. General Business



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