

SPEIRS GROUP LIMITED
REPORT TO SHAREHOLDERS
FOR THE 6 MONTHS ENDED 31 DECEMBER 2017

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Directors' Commentary

Overview

The first six months of the 2017/18 year produced an overall group profit of \$179,000 compared to a profit of \$222,000 for the previous corresponding period. Pleasingly, this result was primarily driven by a return to profitability of Speirs Foods.

Profitability

The contributions to the overall profit after tax of \$179,000 can be summarised as:

	<i>Six Months 31 December 2017 \$000</i>	<i>Six Months 31 December 2016 \$000</i>	<i>Improvement/ (Deterioration) %</i>
Speirs Foods trading profit before interest and tax	437	17	2,470.5
Associates' profit/(loss)			
- Rosa Foods Limited	61	61	-
- Equipment, Leasing & Finance Holdings Limited	-	437	(100.0)
- Speirs Nutritionals Partners LP	(1)	(1)	-
Corporate governance and refinancing costs	(105)	(141)	25.5
Net financing costs	(213)	(151)	(41.1)
Overall profit/(loss) attributable to shareholders	179	222	(19.4)

The information appearing in the above table contains non-GAAP (Generally Accepted Accounting Practice) financial information. Non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The financial information in the reconciliation table above is extracted from the unaudited financial statements. The directors believe that this non-GAAP financial information is useful for readers of the financial statements as it provides a clear and concise comparative summary of the performance of each of our core activities and investments. Management use similar measures to monitor financial performance.

Details from each of our core activities and investments are outlined below.

Speirs Foods Limited

Speirs Foods trading profit before interest for the six month period was \$437,000 compared to \$17,000 in the corresponding period in the previous year. The actions to improve profitability outlined in the 2017 Annual report have had a positive impact and together with a progressive return to near normal supplies of raw materials trading profitability has returned to previous levels. Credit goes to the whole Speirs Foods team led by Ross Kane who have progressively improved the operation of the business.

Trading revenue was \$7.982 million compared to \$8.955 million in the previous business. The reduction in revenue has resulted from our decision to outsource our freight operation, meaning we no longer received income for carrying third party freight. The net impact on profit has been positive as the new arrangements have resulted in lower net freight costs to the business overall. It has also had the effect of simplifying our despatch and administration functions within the business.

Early in the new calendar year, Speirs Foods released a number of new products under "The Whole Mix" brand. These products are fresh, colourful and healthy and will come in a range of pre-packaged sizes. These products will diversify our product range and provide a new offering to our key supermarket customers.

The focus in Speirs Foods is to continually improve by streamlining operations and managing risk through maintaining multiple supply sources and diversifying the product range to match changing consumer buying behaviours.

Rosa Foods

Speirs Group holds a 40% shareholding in Rosa Foods Limited. Based in Porirua, Rosa Foods manufactures heat and eat meals, frittatas, bakes, salads, pasta sauces, pies and a new range of family pies which are sold through the two main supermarket chains. Rosa also undertakes a range of contract food manufacture for a number of other food retailers.

Rosa provided a \$61,000 contribution to the Speirs Group result for the period, the same as provided in the previous period.

Equipment Leasing and Finance Holdings Limited (EL&F)

Speirs Group Limited) holds 2.0% of the equity plus 0.3% preference shares in the diversified finance, leasing, heavy equipment and truck business Equipment, Leasing & Finance Holdings ("EL&F").

The business continues to trade well and growth is in line with expectations.

The value of our shareholding in EL&F is recorded as our share of the net assets of the Company as at 30 June 2017. No adjustment has been made to the Group carrying value for the six months ended 31 December 2017

Financing

The Group had \$2.93 million of 2017 redeemable preference shares that were repaid on 30 September 2017, being re-financed by way of:

- Cash of just over \$400,000 recently received from EL&F from the partial repayment of subordinated debt held by Speirs Group Limited in that entity;
- \$2.5m raised by way of an offer for redeemable preference shares that mature in September 2021. The offer was made to a group of investors who qualified under certain exclusions in the Financial Markets Conduct Act 2013, namely: the “wholesale investor” exclusions; the “small offers” exclusion; and the “offers to close business associates” exclusion. The terms of the issue of 2021 redeemable preference shares are substantially similar to the terms to the 2017 redeemable preference shares

Dividend

The focus on capital management is to use profit and cash from any divestments to reduce debt within the Group as quickly as possible. The directors have thus decided to not pay an interim dividend for the period.

Outlook

Our focus over the next period will be to maintain the improvement in Speirs Foods profitability.

We expect positive value accretion from our investment in Equipment, Leasing and Finance Holdings Limited but this is unlikely to provide any cash flow to Speirs Group in the short term, apart from the interest received on the subordinated debt.

For and on behalf of the Directors,

Derek Walker
Chairman of Directors
Speirs Group Limited

22 February 2018

Financial Statements

Throughout this report, the Statement of Financial Position, Statement of Comprehensive Income, and Statement of Cash Flows referring to:

- The six month period ended, and as at, 31 December 2017 are unaudited;
- The financial statements for the year ended, and as at, 30 June 2017 have been audited; and
- The six month period ended, and as at, 31 December 2016 are unaudited.

Statement of Financial Position

As at 31 December 2017

	Notes	<i>December</i> 2017 \$'000	<i>June</i> 2017 \$'000	<i>December</i> 2016 \$'000
Assets				
Current Assets				
Cash and Cash Equivalents	9	643	618	856
Prepayments		52	23	37
Loans, Advances and Investments	13	-	1,150	-
Trade and Other Receivables	10	2,297	1,697	2,570
Inventories	11	712	491	667
Total Current Assets		3,704	3,979	4,130
Non-Current Assets				
Investment in Associates	12	759	729	713
Loans, Advances and Investments	13	2,052	2,052	2,245
Deferred Income Tax Asset		315	315	315
Property, Plant & Equipment		2,251	2,319	2,367
Intangibles		22	26	14
Total Non-Current Assets		5,399	5,441	5,654
Total Assets		9,103	9,420	9,784
Liabilities				
Current Liabilities				
Borrowings	15	1,186	2,153	2,983
Trade and Other Payables	14	2,207	1,695	3,319
Total Current Liabilities		3,393	3,848	6,302
Non-Current Liabilities				
Borrowings	15	3,230	3,240	765
Total Non-Current Liabilities		3,230	3,240	765
Total Liabilities		6,623	7,088	7,067
Equity				
Contributed Capital	16	12,925	12,925	12,925
Revaluation Reserve for Available for Sale Financial Assets		72	72	-
Accumulated Deficits		(10,517)	(10,665)	(10,208)
Capital & Reserves		2,480	2,332	2,717
Total Equity and Liabilities		9,103	9,420	9,784

Statement of Comprehensive Income

For the six months ended 31 December 2017

		6 months	12 months	6 months
		31 December	30 June	31 December
		2017	2017	2016
	Notes	\$'000	\$'000	\$'000
Revenue		7,982	17,122	8,955
Purchases of Raw Materials		(3,477)	(6,620)	(3,160)
Employee Benefits Expense		(2,049)	(4,515)	(2,257)
Freight, Packaging & Other		(1,405)	(5,172)	(2,919)
Net Trading Income		1,051	815	619
Other Income	5	100	191	128
Total Net Income Earned from Operating Activities		1,151	1,006	747
Share of Gain/(Loss) of Associates	12	36	56	24
Gain on Recognition of Available for Sale Financial Asset		-	846	846
Impairment of Available for Sale Financial Asset		-	(233)	(373)
Other Expenses	6	(640)	(1,219)	(688)
Earnings Before Interest, Depreciation and Amortisation		547	456	556
Interest Income		38	101	51
Interest Expense		(251)	(413)	(202)
Net Interest Expense	7	(213)	(312)	(151)
Depreciation and Amortisation		(155)	(349)	(183)
Profit/(Loss) Before Income Tax		179	(205)	222
Income Tax (Expense)/ Benefit		-	-	-
Profit/(Loss) After Income Tax		179	(205)	222
Other Comprehensive Income				
Fair Value Adjustment on Available for Sale Financial Assets		-	72	-
Total Comprehensive Income/(Loss)		179	(133)	222
Total Earnings/(Loss) per Share Attributed to Equity Holders of the Company:				
Basic Profit/(Loss) per Share (c/share)	8	1.30	(2.35)	1.69
Diluted Profit/(Loss) per Share (c/share)	8	1.30	(2.35)	1.69

Statement of Changes in Equity

For the six months ended 31 December 2017

	Contributed Capital \$'000	Accumulated Deficits \$'000	Revaluation Reserve for Available for Sale Financial Assets \$'000	Total Equity \$'000
Balance at 30 June 2017	12,925	(10,665)	72	2,332
Comprehensive Income				
Profit/(Loss) for the Period	-	179	-	179
Total Comprehensive Income	-	179	-	179
Transactions with Owners				
Dividends on Perpetual Preference Shares	-	(31)	-	(31)
Total Transactions with Owners	-	(31)	-	(31)
Balance at 31 December 2017	12,925	(10,517)	72	2,480

For the year ended 30 June 2017

	Contributed Capital \$'000	Accumulated Deficits \$'000	Revaluation Reserve for Available for Sale Financial Assets \$'000	Total Equity \$'000
Balance at 1 July 2016	12,925	(10,399)	-	2,526
Comprehensive Income				
Profit/(Loss) for the Year	-	(205)	-	(205)
Fair Value Adjustment on Available for Sale Financial Assets	-	-	72	72
Total Comprehensive Income	-	(205)	72	133
Transactions with Owners				
Dividends Paid on Perpetual Preference Shares	-	(61)	-	(61)
Total Transactions with Owners	-	(61)	-	(61)
Balance at 30 June 2017	12,925	(10,665)	72	2,332

For the six months ended 31 December 2016

	Contributed Capital \$'000	Accumulated Deficits \$'000	Total Equity \$'000
Balance at 30 June 2016	12,925	(10,399)	2,526
Comprehensive Income			
Profit/(Loss) for the Period	-	222	222
Total Comprehensive Income	-	222	222
Transactions with Owners			
Dividends on Perpetual Preference Shares	-	(31)	(31)
Total Transactions with Owners	-	(31)	(31)
Balance at 31 December 2016	12,925	(10,208)	2,717

Statement of Cash Flows

For the six months ended 31 December 2017

	6 months 31 December 2017 \$'000	12 months 30 June 2017 \$'000	6 months 31 December 2016 \$'000
	<i>Notes</i>		
Cash Flows from Operating Activities			
Interest Received	38	101	51
Dividends Received	24	22	2
Cash Receipts from Customers	7,382	17,160	8,136
Other Income	43	136	93
Dividends Paid on Redeemable Preference Shares	(143)	(276)	(132)
Interest Expense	(110)	(135)	(70)
Cash Paid to Suppliers and Employees	(7,307)	(18,087)	(8,165)
Net Cash from Operating Activities	17 (73)	(1,079)	(85)
Cash Flows from Investing Activities			
Proceeds from Sale of Property, Plant and Equipment	33	737	738
Proceeds from Redemption of Short Term Deposits	1,150	-	-
Distribution Received from an Associate	6	-	-
Proceeds from Redemption of Preference Shares in an Associate	-	40	24
Proceeds from Partial Redemption of EL&F Subordinated Debt	-	405	-
Investment in Short Term Deposits	-	(1,150)	-
Acquisition of Intangibles	-	(30)	(10)
Acquisition of Property, Plant & Equipment	(83)	(315)	(206)
Net Cash Flows from Investing Activities	1,106	(313)	546
Cash Flows from Financing Activities			
Issue of 2021 Redeemable Preference Shares	-	911	-
Proceeds from borrowings	391	1,019	330
Repayments of Borrowings	(27)	(53)	(98)
Repayment of 2017 Redeemable Preference Shares	(1,341)	-	-
Dividends Paid on Perpetual Preference Shares	(31)	(61)	(31)
Net Cash Flows from Financing Activities	(1,008)	1,816	210
Net Increase / (Decrease) in Cash and Cash Equivalents	25	424	662
Cash and Cash Equivalents at Beginning of Period	618	194	194
Cash and Cash Equivalents at Period End	9 643	618	856

Notes to the Financial Statements

1. General Information

Speirs Group Limited operates as a holding company. Speirs Foods Limited was formed on 1 July 2010 and is also a wholly owned subsidiary of Speirs Group Limited and is involved in the production and distribution of fresh food products. Speirs Investments LP is a wholly owned subsidiary of Speirs Group Limited which holds a 2.29% investment in Equipment, Leasing & Finance Holdings Limited

Speirs Group Limited is a limited liability company incorporated and domiciled in New Zealand. The postal address of the head office of Speirs Group Limited is PO Box 318, Palmerston North, New Zealand.

Speirs Group Limited has equity securities listed the Unlisted trading platform.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are the same as those applied for the year ended 30 June 2017. Please refer to the annual report for the year ended 30 June 2017 on the company's website at www.speirs.co.nz for full disclosure of the applicable significant accounting policies applied in relation to the preparation of these interim financial statements. These interim financial statements are presented in accordance with NZ IAS 34 Interim Financial Reporting.

3. Estimates and Judgements

The Group makes assumptions and estimates that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no significant accounting estimates and assumptions deemed critical to the Company's results and financial position.

4. Segment Reporting

For the purposes of this note, the chief operating decision-maker has been identified as the Board of Directors of Speirs Group Limited. The Board reviews the Group's internal reporting pack on a monthly basis to assess performance and to allocate resources. Within the pack, operating segments have primarily been determined with reference to differences in products and services.

The Board of Directors assesses the performance of the operating segments based on a measure of net profit after tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

A summarised description of each business unit is shown below:

<i>Speirs Foods</i>	The supply of salad and fresh cut vegetables to retailers and caterers.
<i>Corporate</i>	The Group has some central operations and corporate costs which are not allocated to business segments. This includes the operations of Speirs Investments LP.

The Group operates predominantly within New Zealand.

Group 6 months 31 December 2017	<i>Speirs Foods</i> \$'000	<i>Corporate</i> \$'000	<i>Reconciliation</i> \$'000	<i>Consolidated</i> \$'000
External Revenue				
Interest Income	-	38	-	38
Revenue	7,982	-	-	7,982
Other Income	76	24	-	100
Intersegment Revenue/(Eliminations)	-	158	(158)	-
Total Segment Revenue/(Eliminations)	8,058	220	(158)	8,120
Overall Segment Result	329	8	(158)	179
Income Tax Expense				-
Profit for the 6 Month Period				179
Segment Assets	6,575	6,830	(4,302)	9,103
Segment Liabilities	4,096	2,527	-	6,623
Depreciation and Amortisation	155	-	-	155
Capital Expenditure	83	-	-	83

The Group receives Trading Income from two customers who account for 95% of total Trading Income

Group 12 months June 2017	Speirs Foods \$'000	Corporate \$'000	Reconciliation \$'000	Consolidated \$'000
External Revenue				
Interest Income	1	100	-	101
Revenue	17,122	-	-	17,122
Other Income	167	24		19
Intersegment Revenue / (Eliminations)	-	316	(316)	-
Total Segment Revenue	17,290	440	(316)	17,414
Overall Segment Result	(440)	551	(316)	(205)
Income Tax Benefit/(Expense)				-
Profit for the Year				(205)
Segment Assets	5,161	8,436	(4,177)	9,420
Segment Liabilities	3,202	4,063	(177)	7,088
Depreciation and Amortisation	349	-	-	349
Capital Expenditure	314	-	-	314

The Group receives Trading Income from two customers who account for 85% of total Trading Income

Group 6 months 31 December 2016	Speirs Foods \$'000	Corporate \$'000	Reconciliation \$'000	Consolidated \$'000
External Revenue				
Interest Income	-	51	-	51
Revenue	8,955	-	-	8,955
Other Income	124	4		128
Share of Gain and Gain on Acquisition of Associates	-	497	-	497
Intersegment Revenue/(Eliminations)	-	258	(258)	-
Total Segment Revenue/(Eliminations)	9,079	810	(258)	9,631
Overall Segment Result	(52)	532	(258)	222
Income Tax Expense				-
Profit for the 6 Month Period				222
Segment Assets	6,721	7,063	(4,000)	9,934
Segment Liabilities	4,349	2,718	-	7,067
Depreciation and Amortisation	183	-	-	183
Capital Expenditure	206	-	-	206

The Group receives Trading Income from two customers who account for 84% of total Trading Income

5. Other Income

	6 months 31 December 2017 \$'000	12 months 30 June 2017 \$'000	6 months 31 December 2016 \$'000
Rental Income	-	41	41
Dividend on Ordinary Shares – Rosa Foods Limited	24	22	-
Gain on Sale of Property, Plant and Equipment	33	33	33
Other Income	43	95	54
Total Other Income	100	191	128

6. Other Expenses

	6 months 31 December 2017 \$'000	12 months 30 June 2017 \$'000	6 months 31 December 2016 \$'000
Fees Paid to Auditors			
Statutory Audit of Financial Statements	19	42	22
Other Assurance Services	-	-	-
Directors Fees - Parent	37	114	57
Directors Fees - Subsidiaries	13	47	28
Bad Debts Written Off	-	16	-
Insurance	90	187	92
Other Expenses	481	818	489
Total Other Expenses	640	1,219	688

7. Net Interest Expense

	6 months 31 December 2017 \$'000	12 months 30 June 2017 \$'000	6 months 31 December 2016 \$'000
Interest Income			
Cash and Cash Equivalents	8	7	1
Loans and Advances	30	94	50
Total Interest Income	38	101	51
Interest Expense			
Borrowings			
2017 Redeemable Preference Shares - Dividend	66	264	132
2021 Redeemable Preference Shares - Dividend	77	12	-
2021 Redeemable Preference Shares – Early Bird Interest	-	5	-
Mortgage	29	45	18
Debtor Financing	74	79	46
On all other borrowings	5	8	6
Total Interest Expense	251	413	202
Net Interest Expense	(213)	(312)	(151)

8. Earnings/ (Loss) per Share

	6 months 31 December 2017 \$'000	12 months 30 June 2017 \$'000	6 months 31 December 2016 \$'000
Basic and Diluted Profit/(Loss) per Share			
Profit/(Loss) Attributable to Ordinary Shareholders			
Profit/(Loss) for the Period	179	(205)	222
Dividends Paid on Perpetual Preference Shares	(31)	(61)	(31)
Profit/(Loss) for the Period Attributable to Ordinary Shareholders	148	(266)	191
Weighted Average Number of Ordinary Shares			
Issued Ordinary Shares at beginning of period	11,335	11,335	11,335
Issued Ordinary Shares at end of period	11,335	11,335	11,335
Weighted Average Number of Ordinary Shares at Period End	11,335	11,335	11,335

Total Earnings/(Loss) per Share Attributed to Equity Holders of the Company:

Basic Profit/(Loss) per Share (c/share)	1.30	(2.35)	1.69
Diluted Profit/(Loss) per Share (c/share)	1.30	(2.35)	1.69

9. Cash and Cash Equivalents

	31 December 2017	30 June 2017	31 December 2016
	\$'000	\$'000	\$'000
Cash at Bank	634	451	725
Short Term Deposits – Call	9	167	131
Total Cash & Cash Equivalents	643	618	856

All cash and cash equivalents are held in registered banks. The Group has no overdraft facilities.

10. Trade and Other Receivables

31 December 2017

	Gross Amount	Impairment Allowance	Carrying Amount
	\$'000	\$'000	\$'000
Trade and Other Receivables			
Trade Receivables	2,297	-	2,297
Total Trade and Other Receivables	2,297	-	2,297

Trade and Other Receivables are considered to be collectable in full. Accordingly, no allowance for impairment has been made.

The Trade Receivables are charged under the debtor financing arrangement referred to in Note 15.

30 June 2017

	Gross Amount	Impairment Allowance	Carrying Amount
	\$'000	\$'000	\$'000
Trade and Other Receivables			
Trade Receivables	1,697	-	1,697
Total Trade and Other Receivables	1,697	-	1,697

Trade and Other Receivables are considered to be collectable in full.

Accordingly, no allowance for impairment has been made.

The Trade Receivables are charged under the debtor financing arrangement referred to in Note 15.

31 December 2016

	Gross Amount	Impairment Allowance	Carrying Amount
	\$'000	\$'000	\$'000
Trade and Other Receivables			
Trade Receivables	2,570	-	2,570
Total Trade and Other Receivables	2,570	-	2,570

Trade and Other Receivables are considered to be collectable in full. Accordingly, no allowance for impairment has been made.

The Trade Receivables are charged under the debtor financing arrangement referred to in Note 15.

11. Inventories

	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Inventories			
Raw Materials and Consumables	584	403	538
Finished Goods	128	88	129
Total	<u>712</u>	<u>491</u>	<u>667</u>

No inventory is subject to retention of title clauses.

12. Investment in Associates

Overall Summary

Investments Equity Accounted	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Share of Rosa Foods Limited	751	714	696
Share of Speirs Nutritionals Partners LP	8	15	17
	<u>759</u>	<u>729</u>	<u>713</u>

Share of Profit/(Loss)	6 months 31 December 2017 \$'000	12 months 30 June 2017 \$'000	6 months 31 December 2016 \$'000
Share of Profit of Rosa Foods Limited	37	95	61
Share of Profit/(Loss) and Gain on Acquisition of Equipment, Leasing & Finance Holdings Limited/Advaro Financial Services Limited	-	(36)	(36)
Share of Profit/(Loss) of Speirs Nutritionals Partners LP	(1)	(3)	(1)
	<u>36</u>	<u>56</u>	<u>24</u>

(a) Rosa Foods Limited

On 1 April 2008 Speirs Group Limited purchased 40% of the ordinary shares of Rosa Foods Limited ("Rosa"). Rosa is a Wellington based food manufacturer providing prepared meal products to the supermarket chains. Rosa has a reporting date of 31 March. Financial information for Rosa has been extracted from management accounts for the period ended 31 December 2017.

	6 months 31 December 2017 \$'000	12 months 30 June 2017 \$'000	6 months 31 December 2016 \$'000
Opening Balance	714	659	659
Less Partial Redemption of Preference Shares	-	(40)	(24)
Less Dividends on Ordinary Shares	(24)	(20)	-
Share of profit after tax of associate	61	115	61
Closing Balance	<u>751</u>	<u>714</u>	<u>696</u>

At period end the statement of financial position of Rosa was as follows:

	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Current Assets	1,667	1,577	1,510
Goodwill	495	495	495
Property Plant and Equipment	814	861	907
Total Assets	<u>2,976</u>	<u>2,933</u>	<u>2,912</u>
Current Liabilities	904	948	971
Non-Current Liabilities	194	201	239
Total Liabilities	<u>1,098</u>	<u>1,149</u>	<u>1,210</u>
Net Assets	<u>1,878</u>	<u>1,784</u>	<u>1,702</u>

(b) Equipment, Leasing & Finance Holdings Limited/Advaro Financial Services Limited

As a result of a series of transactions during the year ended 30 June 2014 Speirs Investments Limited Partnership (a wholly owned subsidiary of Speirs Group Limited) acquired an 11.76% interest in Advaro Financial Services Limited (“Advaro”). During the year ended 30 June 2016 Advaro issued additional equity. As Speirs Investments LP did not participate in the equity raising, its shareholding reduced from 11.76% to 9.17%. On 30 September 2016, resultant upon a further series of transactions, Speirs Investments Limited Partnership’s investment in Advaro converted to a 2.77% shareholding (2.39% ordinary shares and 0.38% preference shares) in a new entity named Equipment, Leasing & Finance Holdings Limited (“EL&F”).

As Speirs Investments LP does not have the right to appoint a director to the Board of any entities in the EL&F group, in accordance with NZ IFRS this investment will, from 30 September 2016, be recorded as an “Available for Sale Financial Asset” (See Note 16 for further details). Financial information for Advaro has been extracted from Advaro’s unaudited management accounts. Financial information for EL&F has been extracted from EL&F’s unaudited management accounts.

Prior to 30 September 2016 Speirs Group had the right to appoint a director to the Board of Advaro and, in accordance with NZ IFRS had significant influence in Advaro and treated Advaro as an associate entity.

	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Share of surplus/(deficit) of associate	-	(36)	(36)
Effect of Change in Shareholding	-	-	-
Less share of dividends received	-	-	-
Net addition/(deletion) to the investment carrying value	-	(36)	(36)
Share of associate’s equity at the beginning of the period	-	808	808
Gain on Issue of Shares in Equipment, Leasing & Finance Holdings Limited	-	846	846
Transfer from Associate Status to Available for Sale Financial Asset Status (see Note 13)	-	(1,618)	(1,618)
Closing Balance	-	-	-

(c) Speirs Nutritionals Partners LP

On 1 February 2010 Speirs Group Limited acquired a 59.61% interest in Speirs Nutritionals Partners LP (“SNPLP”) in return for selling the Company’s shares in Speirs Nutritionals Limited following a restructuring of the entities within the Group. Subsequently Speirs Group Limited increased its interest to 60.657%. SNPLP is a Limited Partnership which was formed when Speirs Nutritionals trading entity was changed from that of a company to that of a Limited Partnership. Financial information for SNPLP has been extracted from management accounts. Speirs Nutritionals is not accounted for as a subsidiary as Speirs Group (under the terms of the underlying Partnership Agreement) does not have control of Speirs Nutritionals. It does, however, have significant influence.

	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Share of surplus/(deficit) of associate	(1)	(3)	(1)
Less share of distributions received	(6)	-	-
Net addition/(deletion) to the investment carrying value	(7)	(3)	(1)
Share of associate’s equity at the beginning of the period	15	18	18
Closing Balance	8	15	17

At period end the statement of financial position of SNPLP was as follows:

	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Current Assets	13	25	28
Net Assets	13	25	28
Speirs Group Share (60.657%)	8	15	17

13. Loans, Advances and Investments

	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Short Term Deposits - BNZ	-	1,150	-
Investment in Equipment, Leasing & Finance Holdings Limited Ordinary Shares	1,457	1,457	1,245
Investment in Equipment, Leasing & Finance Holdings Limited Preference Shares	233	233	223
Subordinated Debt in Leasing and Finance 2 LP	595	595	1,000
	<u>2,285</u>	<u>3,435</u>	<u>2,468</u>
Provision for Impairment	(233)	(233)	(223)
Carrying Value	<u>2,052</u>	<u>3,202</u>	<u>2,245</u>
Current	-	1,150	-
Non Current	2,052	2,052	2,245
Total	<u>2,052</u>	<u>3,202</u>	<u>2,245</u>

Investment in Equipment, Leasing & Finance Holdings Limited Ordinary Shares

On 30 September 2016 a series of transactions saw Speirs Investments Limited Partnership's investment in Advaro convert to being a 2.38% ordinary shareholding in a new entity named Equipment, Leasing & Finance Holdings Limited ("EL&F"). As part of the 30 September 2016 transaction Speirs Investments LP lost the right to appoint a director to the Board of EL&F. For this reason, and given the minority shareholding held by Speirs Investments LP, the investment in EL&F ceased to be an associate entity (see Note 12) from 30 September 2016. After that date it is held as an "Available for Sale Financial Asset". The directors' assessment of the value for this investment is based upon Speirs Investments LP's share of EL&F's net equity per EL&F's unaudited management accounts for the period ended 30 June 2017. The directors consider this to be an appropriate proxy for the fair value of Speirs' 2.38% shareholding in EL&F, given the net assets were determined via a recent market transaction. Speirs Investments LP holds 1,437,308 ordinary shares in EL&F. Since 30 June 2017 additional shares have been issued in EL&F reducing Speirs Investments LP's investment to 1.98%.

Investment in Equipment, Leasing & Finance Holdings Limited Preference Shares

On 30 September 2016, in addition to being issued ordinary shares in EL&F, Speirs Investments LP was issued 229,358 preference shares in EL&F. These preference shares can be clawed back by EL&F to cover any additional bad and doubtful debts incurred by EL&F in relation to the receivables ledger that EL&F acquired from Advaro Financial Services Limited as at 30 September 2016 beyond the bad and doubtful debts provisioning held by Advaro as at 30 September 2016. These preference shares are at risk until 30 September 2021. As these shares are at risk for such a period of time such that the recoverability of the carrying amount cannot be practicably assessed, the directors have decided to fully impair these preference shares as at 30 June 2017.

Reconciliation – Year Ended 30 June 2017

	Ordinary Shares \$'000	Preference Shares \$'000	Total \$'000
Transfer from Associate Status to Available for Sale Financial Asset Status	1,395	223	1,618
Fair Value Gains	62	10	72
Impairment of Available for Sale Financial Asset	-	(233)	(233)
Investment in Equipment, Leasing & Finance Holdings Limited	1,457	-	1,457

Reconciliation – Six Months Ended 30 September 2016

	Ordinary Shares \$'000	Preference Shares \$'000	Total \$'000
Transfer from Associate Status to Available for Sale Financial Asset Status	1,395	223	1,618
Impairment of Available for Sale Financial Asset	(150)	(233)	(383)
Investment in Equipment, Leasing & Finance Holdings Limited	1,245	-	1,245

Subordinated Debt in Leasing and Finance LP/Advaro Funding 2 LP

As part of the establishment of the business of Advaro Financial Services Limited, Speirs Group Limited invested the \$1million establishment fee it received in relation to this transaction into subordinated debt of a wholly owned subsidiary of Advaro Financial Services Limited, Advaro Funding 2 LP. With the establishment of the investment into Equipment, Leasing & Finance Holdings Limited on 30 September 2016, the subordinated debt investment was transferred to Leasing & Finance LP. The investment is subordinated to all other liabilities of Leasing & Finance LP, so long as Leasing & Finance LP is not in default bears a minimum interest rate of 10.00% per annum, payable on a monthly basis. The interest rate has a reset mechanism which is tied to market interest rates. During the year ended 30 June 2017 \$405,000 of subordinated debt was repaid.

14. Trade and Other Payables

	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Trade and Other Payables			
Other Trade Payables	1,383	1,128	2,447
Provisions	-	-	5
Non-Trade Payables and Accrued Expenses	823	567	867
	<u>2,206</u>	<u>1,695</u>	<u>3,319</u>

15. Borrowings

	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Borrowings			
Debtor Financing	1,151	760	-
Plant Financing	35	62	88
2017 Redeemable Preference Shares	-	2,930	2,930
2021 Redeemable Preference Shares	2,500	911	-
Mortgage Facility	730	730	730
	<u>4,416</u>	<u>5,393</u>	<u>3,748</u>
Current	1,186	2,153	2,983
Non-Current	3,230	3,240	765
	<u>4,416</u>	<u>5,393</u>	<u>3,748</u>

The period end effective interest rates with respect to borrowings are set out in the table below:

	31 December 2017 %	30 June 2017 %	31 December 2016 %
Borrowings			
Debtor Financing	9.75%	9.75%	9.75%
Plant Financing	0.00%	0.00%	0.00%
2017 Redeemable Preference Shares	N/A	9.00%	9.00%
2021 Redeemable Preference Shares	9.00%	9.00%	N/A
Mortgage Facility	8.00%	7.75%	7.75%

Debtor Financing

The financing is secured by a first ranking charge over the assets and undertakings of Speirs Foods Limited and an unsecured guarantee from Speirs Group Limited. The facility was entered into on 3 December 2013 and has a minimum non-cancellable period of 270 days. After 270 days has elapsed: (i) Speirs Foods Limited has the right (after giving 90 days' notice to the financier) to terminate the facility; (ii) the financier has the right (after giving 90 days' notice to Speirs Foods Limited) to terminate the facility.

Plant Financing

During the period ended 31 December 2015 Speirs Foods Limited entered into a plant financing arrangement with the supplier for a specific item of plant acquired during the same period. The financing is secured by a first ranking charge over the item of plant. The facility is for a 36 month period and is interest free. The facility requires the payment of \$4,424 per month.

2017 Redeemable Preference Shares

During the year ended 30 June 2014 2,929,632 redeemable preference shares were issued at \$1 each, with a fixed maturity date of 30 September 2017. On 30 September 2017 these 2017 redeemable preference shares were either repaid (\$1,340,317), or in the case of some holders (\$1,589,315), transferred into the issue of the 2021 Redeemable Preference Shares.

2021 Redeemable Preference Shares

During the six months ended 31 December 2017 1,589,315 (30 June 2017: 910,685; 31 December 2016: Nil) redeemable preference shares were issued at \$1 each. The redeemable preference shares have a scheduled redemption date of 30 September 2021, although Speirs Group Limited has the right to redeem at any time before the scheduled redemption date. The 2021 redeemable preference shares ranked equally with the 2017 redeemable preference shares (until these were repaid on 30 September 2017), behind all other liabilities of Speirs Group Limited but ahead of ordinary and perpetual preference shareholders. The dividend rate on the 2021 Redeemable Preference Shares is 9.00% per annum.

Mortgage Facility

Speirs Foods Limited has a mortgage funding facility for up to \$730,000 (30 June 2017 and 31 December 2016: \$730,000). The facility has a maturity date of 10 July 2021 (30 June 2017 and 31 December 2016: 10 July 2018). The facility is secured by a first mortgage over the properties owned by Speirs Foods Limited, along with a second ranking charge over the assets and undertakings of Speirs Foods Limited and an unsecured guarantee from Speirs Group Limited.

16. Contributed Capital

	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Balance at Beginning of Period	12,925	12,925	12,925
Balance at Period End	12,925	12,925	12,925

Ordinary Shares

	Ordinary Shares		
	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Number of Shares on issue at Start of Period	11,335	11,335	11,335
Number of Shares on issue at Period End	11,335	11,335	11,335

The total authorised number of ordinary shares is 11,334,576 (30 June 2017: 11,334,576; 31 December 2016 11,334,576). All issued shares were fully paid. There are no preferences or restrictions attached to this class of share.

Perpetual Preference Shares

	Perpetual Preference Shares		
	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
Number of Shares on issue at Start of Period	679	679	679
Number of Shares on issue at Period End	679	679	679

During the year ended 30 June 2012, in accordance with shareholder resolutions passed at a special shareholder meeting, 679,000 perpetual preference shares ("PPS") were issued at \$1 each. The table below sets out some of the key terms of the PPS.

Issue price	\$1.00 each.
Dividends payable by the Company	<p>Dividends are only payable if authorised by the Board. If authorised, dividends are payable at the higher of:</p> <p>(a) 9% per annum; and</p> <p>(b) the average bid and offered swap rate for a one year swap as quoted on the Reuters Screen Page "FISWAP" (which is currently around 2.4%) plus 5%.</p> <p>No dividends may be authorised by the Board in respect of ordinary shares in the Company unless dividends are authorised in respect of the PPS and all dividends on the PPS, including authorised but unpaid dividends, have been paid.</p>

Ranking in respect of dividends	Behind the dividends payable on the 2017 and 2021 Redeemable Preference Shares ("RPS"), equally with all other dividends payable on the PPS, and ahead of dividends payable on ordinary shares in the Company and any other shares in the Company that are expressed to rank behind the PPS.
When redeemable	May, at the sole option of the Company, be redeemed by the Company at any time after 10 years from the issue date (i.e. from 2022).
Redemption amount payable by the Company	\$1.00 plus any authorised but unpaid dividends.
When convertible	Convertible at the election of the holder between 5 and 10 years from the date of issue (i.e. between 2017 and 2022).
Rate of conversion	1 PPS converts into 8 ordinary shares in the Company.
Ranking in liquidation	Behind the creditors of the Company, behind the RPS holders, but ahead of ordinary shareholders and any other holders of shares that are expressed to rank behind the RPS.

Dividends

The following dividends were declared and paid by the Company:

	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2016 \$'000
0.0c per Ordinary Share (30 June 2017: \$0.000; 31 December 2016: \$0.000)	-	-	-
4.5c per Perpetual Preference Share (30 June 2017: 9.0c per share; 31 December 2016: 4.5c per share)	31	61	31

17. Reconciliation of Profit for the Period to Net Cash From Operating Activities

	6 months 31 December 2017 \$'000	12 months 30 June 2017 \$'000	6 months 31 December 2016 \$'000
Reconciliation of Profit/(Loss) for the Period to Net Cash from Operating Activities			
Profit/(Loss) for the Period	179	(205)	222
Adjustments for Non-Cash Items:			
Depreciation on Property, Plant and Equipment	151	326	170
Amortisation of Intangible Assets	4	23	13
Bad Debts Written Off	-	16	-
Loss/(Gain) on Disposal of Property, Plant and Equipment	(33)	(33)	(33)
Share of Associates (Gains)/ Losses	(36)	(56)	(24)
Gain on Recognition of Available for Sale Financial Asset	-	(846)	(846)
Impairment of Available for Sale Financial Asset	-	233	373
	265	(542)	(125)
Movement in Other Working Capital Items:			
Change in Inventories	(221)	(22)	(198)
Change in Trade and Other Receivables and Other Assets	(629)	27	(844)
Change in Trade and Other Payables	512	(542)	1,082
Net Cash From Operating Activities	(73)	(1,079)	(85)

18. Related Parties

Transactions with Key Management Personnel

Key management personnel are considered to be the Directors of the Company and executives with the greatest authority for the strategic direction and management of the company.

Key Management Personnel Compensation

	6 Months 31 December 2017 \$'000	12 Months 30 June 2017 \$'000	6 Months 31 December 2016 \$'000
Short-Term Employee Benefits	214	519	244
	214	519	244

Other Transactions with Key Management Personnel

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or for which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

There were no material transactions or outstanding balances relating to key management personnel.

Entities with which Speirs Group Limited is deemed to be related are: Speirs Foods Limited (a wholly owned subsidiary), Speirs Nutritionals Partners LP (a Limited partnership in which Speirs Group has a 60.657% interest), Speirs Investments LP (a Limited Partnership in which Speirs Group Limited is the sole Limited Partner), EL&F Holdings Limited and its subsidiaries (a company in which Speirs Group Limited holds 1.98% of the ordinary shares on issue) and Rosa Foods Limited (a company in which Speirs Group Limited has a 40% interest) and with a company in which Derek Walker (a director of both Speirs Group Limited and Speirs Foods Limited) is a shareholder and director (Third Bearing Limited).

Transactions with related parties during the period ended 31 December 2017 are summarised below:

- **Speirs Foods Limited**
 - Speirs Group Limited received a dividend of \$125,000 (30 June 2017: \$250,000; 31 December 2016: \$225,000) from Speirs Foods Limited.
 - Speirs Group Limited charged Speirs Foods Limited \$33,000 (30 June 2017: \$66,000; 31 December 2016: \$33,000) in respect of corporate services provided by Speirs Group Limited.
 - At 31 December 2017 Speirs Group Limited owed \$302,167 (30 June 2017: \$177,897; 31 December 2016: \$5,982) to Speirs Foods Limited.
- **Rosa Foods Limited**
 - Speirs Group Limited received a dividend on preference shares for \$Nil (30 June 2017: \$1,950; 31 December 2016: \$1,690) from Rosa Foods Limited. At 31 December 2017 the balance of the preference shares was \$Nil (30 June 2017: \$Nil; 31 December 2015 \$16,000).
 - Speirs Foods charged Rosa Foods Limited \$77,366 (30 June 2017: \$615,529; 31 December 2016: \$418,119) for freight and marketing services provided. At 31 December 2017 Rosa Foods Limited owed Speirs Foods Limited \$7,574 (30 June 2017: \$62,589; 31 December 2016: \$117,079).
 - Speirs Group Limited received a dividend on ordinary shares of \$24,000 (30 June 2017: \$20,000; 31 December 2016: Nil).
- **Equipment, Leasing & Finance Holdings Limited and its subsidiaries**
 - Speirs Group Limited has invested \$595,000 (30 June 2017: \$595,000; 31 December 2016: \$1,000,000) by way of subordinated debt into a wholly owned subsidiary of Equipment, Leasing & Finance Holdings Limited
 - Speirs Group Limited received \$29,857 (30 June 2017: \$60,386; 31 December 2016: \$25,000) of interest on the subordinated debt.
- **Advaro Financial Services Limited and its subsidiaries**
 - Speirs Group Limited received \$Nil (30 June 2017: \$33,333; 31 December 2016: \$25,000) of interest on the subordinated debt.

- **Third Bearing Limited:**
 - Speirs Foods Limited paid Third Bearing Limited \$Nil (30 June 2017: \$21,555; 31 December 2016: \$Nil) for consulting and transition management services.

From time to time directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

19. Capital Commitments and Contingencies

The Group was committed to the following at year end:

31 December 2017

	<i>Property Rentals \$'000</i>	<i>Capital Expenditure \$'000</i>	<i>Total \$'000</i>
Less than One Year	-	26	26
Between One and Five Years	-	-	-
More than Five Years	-	-	-
	-	26	26

30 June 2017

	<i>Property Rentals \$'000</i>	<i>Capital Expenditure \$'000</i>	<i>Total \$'000</i>
Less than One Year	-	4	4
Between One and Five Years	-	-	-
More than Five Years	-	-	-
	-	4	4

31 December 2016

	<i>Property Rentals \$'000</i>	<i>Capital Expenditure \$'000</i>	<i>Total \$'000</i>
Less than One Year	-	-	-
Between One and Five Years	-	-	-
More than Five Years	-	-	-
	-	-	-

Contingent Liabilities

The Group has no contingent liabilities.

20. Events After the Reporting Period

There have been no events subsequent to balance date requiring disclosure in, or adjustment to, the financial statements.

21. Net Tangible Assets per Security

	<i>31 December 2017 \$</i>	<i>30 June 2017 \$</i>	<i>31 December 2016 \$</i>
Net Tangible Assets Per Security	0.21	0.20	0.24