

Speirs Group Limited

Annual Report

for the year ended 30 June 2018

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Speirs Group Limited

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REPORTING BY DIRECTORS

The directors are pleased to report a significantly improved result for the year ended 30 June 2018. Highlights of the year were:

- A very positive turnaround in the performance of Speirs Foods including the release of a new range of products under the THE WHOLE MIX brand;
- Continued growth in the Equipment Lease & Finance business which has resulted in an uplift in the carrying value of our shareholding;
- A successful re-financing of the 2017 Redeemable Preference shares;
- A mutually acceptable sale of our 40% shareholding in Rosa Foods to the majority shareholder;
- A reduction in the debt owed by the Group, resulting in an improvement in the ratio of equity to total assets from 24.8% to 42.2%

Financial Performance

The Group reported a profit after tax of \$457,000 compared to the previous year loss of \$205,000. After adjustments to the fair value of "Available for Sale Assets" (arising from our investment in Equipment Lease & Finance) the Total Comprehensive Income of the Group was \$1,156,000 compared to a loss of \$133,000 in the previous year. The turnaround was driven primarily by the improved profit before interest from Speirs Foods of \$829,000 compared to a loss of \$309,000 in the previous year and an increase in the carrying value of Equipment Lease & Finance of \$699,000. The contributions to the overall profit and comprehensive income are summarised below:

	2018 \$000	2017 \$000	Improvement/ (Deterioration) %
Speirs Foods trading profit/(loss) before interest	829	(309)	368.2
Associates' and Available for Sale Financial Assets profit/(loss) and share of dividends			
- Rosa Foods Limited	135	115	17.4
- Advaro	-	(36)	N/A
- Equipment, Leasing and Finance Holdings Limited	-	613	N/A
- Speirs Nutritionals Partners LP	(1)	(3)	66.7
Corporate governance costs	(226)	(273)	17.2
Net financing costs	(374)	(312)	(19.9)
Recognition of Future Income Tax Benefit	94	-	N/A
Overall profit attributable to shareholders	457	(205)	322.9
Fair Value Adjustment on Available for Sale Financial Assets	699	72	970.8
Total Comprehensive Income/(Loss)	1,156	(133)	969.1

The information appearing in the above table contains non-GAAP (Generally Accepted Accounting Practice) financial information for the Group. 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 consolidated audited financial statements. The directors believe that this non-GAAP financial information is useful for readers of the consolidated 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

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.

Last year we outlined a number of initiatives underway to improve the profitability of Speirs Foods. These initiatives and others have been implemented and returned the business to good profits. The initiatives included:

- A review and restructuring of the administration and sales support functions.
- Continuing review of our product recipes and material sources to reduce costs.
- A revised New Product Development (NPD) process which has resulted in a steady pipeline of new higher value salads brought to market which are proving popular with our customers.

- A review of our freight operation which resulted in the decision in August 2017 to contract out all our freight distribution and cease carrying freight for other parties. This has simplified the business and provides stable freight costs.
- A changed approach to pricing to limit discounts and provide a fair return on the cost of producing products.

A highlight of the year was the introduction of THE WHOLE MIX brand with its tag line “Good Made Easy”. Under this brand Speirs Foods is marketing an innovative mix of fresh, flavoursome salads and sides that are nutritious and tasty - for eating on the go or to share with family at home. We were proud to win the FMCG Business Outstanding New Product Award in the 2018 Outstanding NZ Food Producer Awards for THE WHOLE MIX spiralised Vegetable Noodles product. In addition, the other spiralised vegetable products won two gold and a silver award.

Ross Kane has undertaken the role of General Manager since November 2016 and continues in that role. Ross has extensive experience in the fresh foods business, and has shown his ability to build and grow a great management team. Together they are leading a transformation of the business.

On 30 July 2018 Speirs Group Limited announced that it had entered into a conditional Heads of Agreement to sell 33% of the operating business of Speirs Foods Limited to interests associated with Ross Kane.

As part of this process, the majority of the existing Speirs Foods Limited business excluding land and buildings, will be transferred into a newly established Limited Partnership called Speirs Foods (2018) LP which will be the operating entity. 100% of the land and buildings will be retained within the Speirs group of companies and be leased to the new Speirs Foods (2018) LP.

- Speirs will receive an upfront cash payment with the balance paid progressively over a three year period. The deferred balance will be collaterally secured and will be subject to interest payments at market rates.
- As part of the agreement, Ross Kane has agreed to continue to provide general management services to Speirs Foods.

The Heads of Agreement contains a number of conditions which are expected to be fulfilled over the coming weeks. A further announcement will be made advising shareholders when the conditions have been met or, should the conditions not be met, providing a further update of the status of the proposed transaction..

The proposed arrangement is a win-win for both parties and will provide the leadership and incentives to continue the strong performance and development of Speirs Foods that has occurred under Ross’s leadership

Rosa Foods

In April 2018, Speirs Group Limited agreed to sell its 40% minority shareholding in Rosa Foods Limited. The opportunity was taken when the majority shareholder of Rosa Foods Limited made an offer to take full control of the Company. As there was limited ongoing future synergy benefits expected between Rosa Foods and Speirs Foods, this opportunity was taken to exit our interest in this business.

The shareholding was sold at a modest premium to its 30 June 2017 carrying value of \$714,000. Speirs Group received an upfront cash payment with the balance paid progressively over a three year period. The deferred balance is subject to interest payments at market rates.

Equipment Leasing and Finance Holdings Limited (EL&F)

The Group Limited holds 2.0% of the ordinary shares of EL&F, including a proportionate allocation of a parcel of ordinary shares issued to Speirs Group at a cost of \$172,000 (\$1.50 per share) by EL&F during the year under review. In addition, the Group holds a parcel of EL&F preference shares that could, under certain circumstances, convert to a further 0.3% of the EL&F ordinary shares. As that conversion is dependent upon circumstances outside the control of the Group, the directors have, in the meantime, assumed that the preference shares have no value.

AB Equipment Limited (ABE), wholly owned by EL&F, supplies a wide range of heavy mobile equipment to the forestry, infrastructure, construction and manufacturing industries throughout New Zealand. Other subsidiaries of EL&F provide maintenance services to the trucking industry in New Zealand (NZ Trucks Limited), vehicle and fork-lift leasing (Yoogo Limited and ABE) and the funding of heavy and light commercial vehicles, cars and other mobile equipment (Speirs Finance Limited).

In mid-2016 these companies came together as a group and as subsidiaries of the newly formed holding company EL&F. This reconstruction has enabled the whole group to become a strong participant in all its chosen industries.

Fellow EL&F shareholders are three independent large private equity firms. Your directors have confidence that, although the Group’s percentage shareholding in EL&F is small, its value to Speirs Group Limited is significant and will continue to be enhanced and realised over time.

Speirs Nutritionals Partners LP (SNP)

SNP have sold the Intellectual Property, Processing Technology and Knowhow associated with its Omega-3 fish oil product and discontinued its manufacturing operations in New Zealand. Future Revenue will only arise if sales of the Omega-3 product range by the new owner commences.

Corporate

Corporate costs have been reduced and are kept as low as possible. There have been some legal costs incurred in completing the sale transactions.

The directors reduced their fees from 1 July 2017 to recognise that the business has been simplified and financial performance has not been strong. Total fees paid across the group fell from \$174,000 for the 2017 year to \$99,000 for the 2018 financial year.

Financing

The Group refinanced its \$2.93 million of 2017 redeemable preference shares due for repayment on 30 September 2017 by way of:

- Cash of just over \$400,000 received from Equipment, Leasing and Finance Holdings from the partial repayment of subordinated debt held by Speirs Group 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 like the terms to the 2017 redeemable preference shares.

In April 2018, we received the first payment from the sale of the Rosa Foods shareholding and in May 2018 we received \$595,000 from Equipment, Leasing and Finance Holdings with the repayment of the remaining subordinated debt held by the Group. These funds have been advanced to Speirs Foods to enable the mortgage on the land and buildings to be reduced from \$730,000 to \$10,000.

The overall impact of the transactions and trading activity over the year has resulted in the reduction in the debt owed by the Group, with the ratio of equity to total assets improving from 24.8% to 42.2%.

Dividend

While the position of the Group has improved, the Board considers it prudent to preserve cash for further debt reduction, and has thus resolved not to pay a dividend for the period. If the cash position improves in the future and the debt to equity ratio reaches a sustainable level, future dividend payments will be considered.

Outlook

Our focus on the improvement in Speirs Foods profitability and maximising returns from our other investments has been effective over the last year. 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 can be applied to returning cash to shareholders.

We note that recent trading of Speirs Group shares, albeit at very low volumes, has been at between 5 and 8 cents per share. This compares to the net asset backing of those shares which was approximately 29 cents per share at year end.

Directors

At 30 June 2018, the Board of Directors of the Company comprised four non-executive directors:

Derek Walker, B.E. (Hons), BBS., Chairman
Fred Hutchings BBS, FCA, Deputy Chairman
Nelson Speirs, FCA.
David Speirs

The Board of Speirs Foods consists of Derek Walker and Fred Hutchings from the Speirs Group board, together with Robert Speirs.

I thank the directors for their support in what has been a very challenging year.

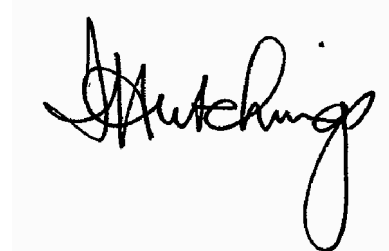
Our People

Speirs Group has continued to benefit, as it has for many years, from strong supportive relationships with all its stakeholders. We wish to again thank our investors, customers, suppliers and staff for the strong support they have provided during this past twelve-month period.

I would especially like to thank the staff of Speirs Foods who have risen to the challenge of improving the efficiency of the business and all contributed to developing the new range of products and getting them to market.



Derek Walker
Chairman



Fred Hutchings
Director

17 October 2018

Speirs Group Limited

Purpose, Goals and Strategy

Purpose

Speirs Group Limited is an active investment company focused on the food and finance sectors and aims to maximise returns to its investors and enhance the well-being of all its stakeholders.

Goals

- Investment returns over the medium term will exceed the average NZX50 return as measured by capital growth and dividends to shareholders.
- A range of investments will be held to ensure the Group is able to diversify risk.
- The Group Board will have appropriate governance input to investments commensurate with the size and percentage of the investment holding.
- Full or partial divestment of investments may be undertaken when the value that can be realised is greater than assessed value of retaining the investment or to lower the risk profile of the portfolio.
- The ratio of debt to debt plus equity increase to at least 50% in the next 3-5 years and then be maintained at no less than 50%.
- Corporate office costs will be kept to a minimum.

Summary of the Group's Present Investments

Investment	Holding	Type	Description
Speirs Foods Limited	100%	Food – Active	Fresh food production and distribution
EL&F Holdings Limited	2%	Finance – Active	EL&F is a supplier/servicer/funder/lessor of mobile equipment throughout New Zealand.
Speirs Nutritionals Partners LP	60%	Food – Non Trading	Commercial development and marketing of Intellectual Property and Know How

Investment Criteria

Criteria to be considered for any investment are:

1. The investment is aligned with the core competencies of the Group - food manufacture, marketing and distribution; or finance.
2. The investment has synergy with an existing investment that provides potential to increase sales, reduce costs and improve the profitability of the new and existing businesses.
3. Acceptable shareholder agreements are in place to ensure that the Group has appropriate governance input to investments commensurate with the size and percentage of the investment holding
4. The investment will within the short to medium term provide sufficient free cash for the Group to cover annual investment costs.
5. The amount of capital required is affordable for the Group and would not materially increase the financial risk to the business.

Summary of Strategy for Each Investment

Investment	Investment Strategy
Speirs Foods Limited	<p>The present intention is to hold this investment to provide profitability and cash flow to the wider group.</p> <p>Speirs Foods strategy is to:</p> <ul style="list-style-type: none"> • Maintain the strong national position the Company has in the fresh salads market; • Grow sales by developing and marketing new products that are aligned with the business's core competencies; • Improve the efficiency of production and distribution with targeted capital investment and continual improvement of processes and practices; • Maintain the highest levels of food safety and employee health and safety. <p>A partial or full divestment of this investment would be considered if a proposal provided a better outcome for shareholders.</p>
EL&F Holdings Limited	<p>The present intention is to hold this investment while the company builds its business and shareholder value.</p> <p>As a minority shareholder Speirs Group Limited is only able to exert modest influence in relation to this entity.</p> <p>There may be opportunities to invest further capital into this business and this will be considered and a decision made on the potential returns and the availability of funds within the Group.</p>
Speirs Nutritionals Partners LP	<p>In the absence of any investment opportunities this investment will continue to await the receipt of any income from sales of Omega 3 products by the purchaser of the business rights. Additional investment would only be considered if an opportunity is presented which will provide a high probability of an appropriate return and which was supported by the other partners.</p>

FINANCIAL STATEMENTS

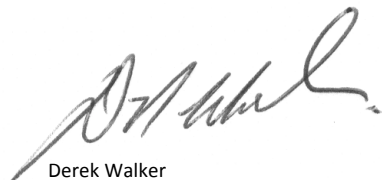
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	June 2018 \$'000	June 2017 \$'000
Assets			
Current Assets			
Cash and Cash Equivalents	12	127	618
Loans, Advances and Investments	16	225	1,150
Trade and Other Receivables	13	1,454	1,697
Prepayments		30	23
Inventories	14	653	491
Total Current Assets		2,489	3,979
Non Current Assets			
Investment in Associates	15	8	729
Loans, Advances and Investments	16	2,778	2,052
Deferred Income Tax Asset	17	409	315
Property, Plant & Equipment	18	2,310	2,319
Intangible Assets		111	26
Total Non Current Assets		5,616	5,441
Total Assets		8,105	9,420
Liabilities			
Current Liabilities			
Trade and Other Payables	19	1,268	1,695
Borrowings	20	900	2,153
Total Current Liabilities		2,168	3,848
Non Current Liabilities			
Borrowings	20	2,510	3,240
Total Liabilities		4,678	7,088
Equity			
Contributed Capital	21	12,925	12,925
Revaluation Reserve for Available for Sale Financial Assets		771	72
Accumulated Deficits		(10,269)	(10,665)
Capital & Reserves		3,427	2,332
Total Equity and Liabilities		8,105	9,420

The Board of Directors of Speirs Group Limited authorised these consolidated financial statements for issue on 17 October 2018.

Signed on behalf of the Board of Directors



Derek Walker
Chairman



Fred Hutchings
Director

17 October 2018

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Revenue		15,399	17,122
Purchases of Raw Materials		(6,326)	(6,620)
Employee Benefits Expense	6	(4,338)	(4,515)
Freight, Packaging & Other		(2,974)	(5,172)
Net Trading Income		1,761	815
Other Income	7	287	191
Total Net Income earned from Operating Activities		2,048	1,006
Share of Gain/(Loss) of Associates	15	134	56
Gain on Available for Sale Financial Asset		112	846
Impairment of Available for Sale Financial Asset		(112)	(233)
Other Expenses	8	(1,138)	(1,219)
Earnings Before Interest, Depreciation and Amortisation		1,044	456
Interest Income		79	101
Interest Expense		(453)	(413)
Net Interest Expense	9	(374)	(312)
Depreciation and Amortisation		(307)	(349)
Profit/(Loss) Before Income Tax		363	(205)
Income Tax (Expense)/ Benefit	10	94	-
Profit/(Loss) per Share Attributed to Equity Holders of the Company		457	(205)
Other Comprehensive Income			
Fair Value Adjustment on Available for Sale Financial Assets		699	72
Total Comprehensive Income/(Loss)		1,156	(133)

	Note	Group	
		2018 Cents	2017 Cents
Total Profit/(Loss) per Share Attributed to Equity Holders of the Company :			
Basic Profit/(Loss) per Share	11	3.49	(2.35)
Diluted Profit/(Loss) per Share	11	3.49	(2.35)

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	<i>Note</i>	<i>Contributed Capital \$'000</i>	<i>Accumulated Deficits \$'000</i>	<i>Revaluation Reserve for Available for Sale Financial Assets \$'000</i>	<i>Total Equity \$'000</i>
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/(Loss)		-	(205)	72	(133)
Transactions with Owners					
Dividends Paid On Perpetual Preference Shares	21	-	(61)	-	(61)
Total Transactions with Owners		-	(61)	-	(61)
Balance at 30 June 2017		12,925	(10,665)	72	2,332
Comprehensive Income					
Profit for the Year		-	457	-	457
Fair Value Adjustment on Available for Sale Financial Assets		-	-	699	699
Total Comprehensive Income		-	457	699	1,156
Transactions with Owners					
Dividends Paid On Perpetual Preference Shares	21	-	(61)	-	(61)
Total Transactions with Owners		-	(61)	-	(61)
Balance at 30 June 2018		12,925	(10,269)	771	3,427

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities			
Interest Received		79	101
Dividends Received		174	22
Cash Receipts from Customers		15,573	17,160
Other Income		219	136
Dividends Paid on Redeemable Preference Shares		(255)	(276)
Interest Expense		(200)	(135)
Cash Paid to Suppliers and Employees		(15,260)	(18,087)
Net Cash from Operating Activities	22	330	(1,079)
Cash Flows from Investing Activities			
Proceeds from Maturing Short Term Deposits		1,150	-
Proceeds from Sale of Property, Plant & Equipment		37	737
Limited Partnership Distributions Received		6	-
Proceeds from Redemption of Preference Shares in an Associate	15	-	40
Proceeds from Redemption of EL&F Subordinated Debt	23	595	405
Investment in Short Term Deposits		-	(1,150)
Acquisition of Available for Sale Financial Assets		(172)	-
Acquisition of Intangibles		(100)	(30)
Acquisition of Property, Plant & Equipment		(293)	(315)
Net Cash Flows from Investing Activities		1,223	(313)
Cash Flows from Financing Activities			
Proceeds from Borrowings		140	1,019
Issue of 2021 Redeemable Preference Shares		-	911
Repayments of Borrowings		(782)	(53)
Repayment of 2017 Redeemable Preference Shares		(1,341)	-
Dividends Paid on Perpetual Preference Shares		(61)	(61)
Net Cash Flows from Financing Activities		(2,004)	1,816
Net Increase / (Decrease) in Cash and Cash Equivalents		(491)	424
Cash and Cash Equivalents at Beginning of Year		618	194
Cash and Cash Equivalents at Year End	12	127	618

The accompanying notes are an integral part of these consolidated financial statements

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 2.30% investment in EL&F 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.

From 1 August 2016, Speirs Group Limited has equity securities trading on Unlisted.

These consolidated financial statements have been approved for issue by the Board of Directors on 17 October 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practices in New Zealand and on the basis that the Group continues to operate as a going concern. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The consolidated financial statements are presented in New Zealand dollars, the Group's functional currency, and are rounded to the nearest thousand. They are prepared using the historical cost basis except where accounting policies detail otherwise.

Compliance with International Financial Reporting Standards

The consolidated financial statements of Speirs Group Limited comply with International Financial Reporting Standards ("IFRS").

Entities Reporting

The consolidated financial statements of the 'Group' are for the economic entity comprising Speirs Group Limited, its wholly owned subsidiaries Speirs Foods Limited and Speirs Investments LP and its associate entity Speirs Nutritionals Partners LP. All entities within the group are registered in New Zealand.

The Group is designated as a profit-oriented entity for financial reporting purposes.

Statutory Base

Speirs Group Limited is a company registered under the Companies Act 1993 and is a listed issuer under the terms of the Financial Reporting Act 2013. Being an issuer of shares under the Financial Markets Conduct (FMC) Act 2013, Speirs Group Limited is an FMC entity for reporting purposes and reports under Tier 1 requirements approved by the New Zealand Accounting Standards Board.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS and IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

2.2 Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of Speirs Group Limited, its wholly owned subsidiaries Speirs Foods Limited and Speirs Investments LP as at 30 June 2018. Speirs Group Limited and its wholly owned subsidiaries and associates are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are those entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights coupled with the ability to appoint the majority of the directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the Group by using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Financial Assets

The Group classifies non-derivative financial assets into the following categories: 'loans and receivables' and 'available-for-sale financial assets'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition (as determined by their settlement date) and re-evaluates this designation at every reporting date. Non-derivative financial assets comprise trade and other receivables, cash and cash equivalents and loans, advances and investments.

i. Non-derivative financial assets – Recognition and derecognition

The Group initially recognises loans and receivables issued on the date when they are originated. All other financial assets are initially recognised on trade dates when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights it receives the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

ii. Non-derivative financial assets measurement

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and any changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss

2.5 Impairment

Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available to use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit, or group of units, on a pro-rata basis. The cash generating units are Speirs Nutritionals Partners LP and Rosa Foods Limited (associates of Speirs Group Limited), and Speirs Foods Limited (wholly owned subsidiaries of Speirs Group Limited).

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Property, Plant and Equipment

Owned Assets

Land is recorded at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the land.

Buildings, plant and equipment, computer equipment and vehicles are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the construction or acquisition of the items.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, and only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate assets' costs less their residual values to their estimated lives, as follows:

• Buildings	2.50 – 3.00%
• Computer Equipment	12.50 – 20.00%
• Vehicles	20.00%
• Other plant and equipment	10.00 – 25.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

2.7 Intangible Assets

Acquired computer software and other identifiable intangible assets are capitalised on the basis of the costs incurred to acquire them and bring them to use.

Computer software costs and other intangible assets are considered to have a finite life and are amortised over the best estimate of their useful lives (4 years).

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes any borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Trade Receivables

Trade receivables are initially recognised at fair value and subsequent to initial recognition are measured at amortised cost, less a valuation allowance for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

2.10 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within liabilities on the consolidated statement of financial position.

2.11 Share Capital

Ordinary shares and perpetual preference 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.

2.12 Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Interest expense is recognised 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 end of the reporting period. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down

occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period to which it relates.

2.14 Employee Benefits

Bonus Obligations

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the expected level of payment.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are presented as other payables.

2.15 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Income Tax

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the other comprehensive component in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax is realised or settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, and is recognised as follows:

Sales of Goods

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs, the possible return of goods, or continuing management involvement with the goods.

Provision of Services

Revenue from the provision of services is recognised in the consolidated statement of comprehensive income when the service has been performed.

Interest Income

Interest income and expense are recognised in the consolidated statement of comprehensive income for all interest-bearing financial instruments, including loans and advances, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

2.18 Other Income

Dividend Income

Dividend income is recognised when the right to receive payment is established.

2.19 Dividend Distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, if unpaid at year end, or in the consolidated statement of movements in equity if paid within the period.

2.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.21 Goods and Services Tax (GST)

The consolidated statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of trade receivables and trade payables, which include GST invoiced.

2.22 Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss component of the consolidated statements of comprehensive income, except when deferred in equity as qualifying cash flow hedges, in which case, they are recognised in other comprehensive income.

2.23 Financial Reporting Standards

a) **New and Amended Standards adopted by the Group:**

There are no new standards or amendments to standards effective for periods beginning 1 July 2017 that are relevant to the Group except for new disclosures which is:

- **Disclosure Initiative Amendments to NZIAS 7**
.The amendments to NZIAS 7 "Statements of Cash Flows", effective for periods beginning on or after 1 January 2017, requires the Group to provide disclosures about the changes in liabilities from financing activities. The Group categorises those changes into changes arising from cash flows and non-cash flow changes with further sub-categories as required by NZIAS 7 (see Note 29)

b) **Standards not early adopted by the Group:**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

- **NZ IFRS 15 Revenue from Contracts with Customer**
NZ IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, timing and amount of revenue arising from an entity's contracts with customers. It replaces the existing revenue recognition standards, including NZ IAS 11 *Construction Contracts*, NZ IAS 18 *Revenue*, and associated NZ IFRIC's. It is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.
- **NZ IFRS 9 Financial Instruments**
NZ IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the International Accounting Standards Board's project. The standard will replace NZ IAS 39 *Financial Instruments: Recognition and Measurement* and the previous versions of NZ IFRS 9 that were introduced during its phased introduction of the various elements of the standard. It is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.
- **NZ IFRS 16 Leases**
NZ IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply NZ IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of NZ IFRS 16.

The Group is still assessing the potential impact on its consolidated financial statements as a result of adopting these accounting standards.

However, based on our preliminary assessment of the impact of the new standards management does not expect a material impact at this stage. The Group finalised assessment will be completed within the next 12 months prior to the adoption of the new standards.

3 ESTIMATES AND JUDGMENTS

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.

Judgement has been exercised in:

Partial Recognition of a Future Income Tax Benefit

The Group has partially recognised the portion of accumulated tax losses to the extent it is probable that a taxable profit will be available against which to utilise the tax losses. The remaining benefit of tax losses and temporary differences continue to be treated as an unrecognised asset.

Measurement of Fair Value for EL&F

The Group's accounting policies and disclosures for the Investment in Equipment, Leasing & Finance Holdings Limited (EL&F) require the measurement of fair values. For further information about the assumptions made in measuring the fair value of EL&F refer to note 16.

There are no other significant accounting estimates and assumptions deemed critical to the Group'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:

Speirs Foods	The supply of salad and fresh cut vegetables to retailers and caterers.
Other	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.

12 months June 2018	Speirs Foods	Other	Reconciliation	Consolidated
	\$'000	\$'000	\$'000	\$'000
External Revenue				
Interest Income	-	79	-	79
Revenue	15,399	-	-	15,399
Other Income	193	94	-	287
Intersegment Revenue / (Eliminations)	-	316	(316)	-
Total Segment Revenue	15,592	489	(316)	15,765
Overall Segment Result	631	48	(316)	363
Income Tax Benefit/(Expense)				94
Profit/(Loss) for the Year				457
Segment Assets	4,777	7,442	(4,114)	8,105
Segment Liabilities	2,264	2,528	(114)	4,678
Depreciation and Amortisation	307	-	-	307
Capital Expenditure	293	-	-	293

Two customers account for 95% of the total Revenue

12 months June 2017	Speirs Foods \$'000	Other \$'000	Reconciliation \$'000	Consolidated \$'000
External Revenue				
Interest Income	1	100	-	101
Revenue	17,122	-	-	17,122
Other Income	167	24	-	191
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/(Loss) for the Year				(205)
Segment Assets	5,476	8,121	(4,177)	9,420
Segment Liabilities	3,201	4,064	(177)	7,088
Depreciation and Amortisation	349	-	-	349
Capital Expenditure	314	-	-	314

Two customers account for 85% of the total Trading Revenue

5 FINANCIAL ASSETS AND LIABILITIES

Accounting Classifications and Fair Values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

Group 30 June 2018	Available for Sale \$'000	Loans and Receivables \$'000	Financial Liabilities at Amortised Cost \$'000	Total Carrying Value \$'000
Trade and Other Receivables	-	1,454	-	1,454
Loans, Advances and Investments	2,328	675	-	3,003
Cash and Cash Equivalents	-	127	-	127
	2,328	2,256	-	4,584
Trade and Other Payables	-	-	1,193	1,193
Borrowings	-	-	3,410	3,410
	-	-	4,603	4,603
Group 30 June 2017				
	Available for Sale \$'000	Loans and Receivables \$'000	Financial Liabilities at Amortised Cost \$'000	Total Carrying Value \$'000
Trade and Other Receivables	-	1,697	-	1,697
Loans, Advances and Investments	1,457	1,745	-	3,202
Cash and Cash Equivalents	-	618	-	618
	1,457	4,060	-	5,517
Trade and Other Payables	-	-	1,623	1,623
Borrowings	-	-	5,393	5,393
	-	-	7,016	7,016

Determination of Fair Values

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

- Cash and Cash Equivalents – at face value, as this approximates fair value (Level 1)
- Trade and Other Receivables – at face value, after allowance for any assessed impairment, as this approximates fair value
- Investments in Debt and Equity Securities – at market or, if no active market, at value assessed by management using a valuation technique and approved by directors.(Level 3)
- Non-Derivative Financial Liabilities – at net present value.(Level 3)

6 EMPLOYEE BENEFITS EXPENSE

	2018	2017
	\$'000	\$'000
Employee Benefits Expense		
Wages and Salaries	4,202	4,327
Other Personnel Expenses	136	188
Total Employee Benefits Expense	4,338	4,515

7 OTHER INCOME

	2018	2017
	\$'000	\$'000
Other Income		
Rental Income	-	41
Dividend on Ordinary Shares – Rosa Foods Limited	415	22
Impact of Reclassification or Rosa from Associate Company Status	(314)	-
Gain on Disposal of Property, Plant and Equipment	27	33
Other Income	159	95
Total Other Income	287	191

8 OTHER EXPENSES

	2018	2017
	\$'000	\$'000
Other Expenses		
Fees Paid to Auditors		
Statutory Audit of Financial Statements	43	42
Other Services	-	-
Directors Fees – Parent	73	114
Directors Fees – Subsidiaries	26	47
Bad Debts Written Off	69	16
Insurance	140	187
Loss on Disposal of Property, Plant and Equipment	-	-
Other Expenses	787	813
Total Other Expenses	1,138	1,219

9 NET INTEREST INCOME/ (EXPENSE)

	2018 \$'000	2017 \$'000
Interest Income		
Cash and Cash Equivalents	8	7
Loans and Advances	71	94
Total Interest Income	79	101
Interest Expense		
Borrowings		
2017 Redeemable Preference Shares Dividends	66	264
2021 Redeemable Preference Shares Dividends	189	12
2021 Redeemable Preference Shares Early Bird Interest	-	5
Debtor Financing	133	79
Mortgage	56	45
On all other borrowings	9	8
Total Interest Expense	(453)	(413)
Net Interest Income/(Expense)	(374)	(312)

10 INCOME TAX EXPENSE

	2018 \$'000	2017 \$'000
Tax Expense/(Benefit)		
Current Tax Expense/(Benefit)		
Current Period	-	-
Total Current Tax Expense/(Benefit)	-	-
Deferred Tax Expense/(Benefit)		
Derecognition of Previously Recognised Tax Losses	-	184
Recognition of Previously Unrecognised Deductible Temporary Differences	-	(184)
Recognition of Previously Unrecognised Tax Losses	(94)	-
Total Deferred Tax Expense/(Benefit)	(94)	-
Total Income Tax Expense/(Benefit)	(94)	-
Reconciliation of Effective Tax Rate		
Profit/(Loss) Before Income Tax	363	(205)
Income Tax at 28%	102	(57)
Deferred Tax in Respect of Current Year	(293)	167
Derecognition of Previously Recognised Tax Losses	-	184
Recognition of Previously Unrecognised Deductible Temporary Differences	-	(184)
Loss/(Gain) on Associates	78	(16)
Gain Available for Sale Financial Asset	(31)	(237)
Impairment of Available for Sale Financial Asset	31	65
Non-deductible Expenses	122	79
Tax Exempt Income	-	(1)
Prior Year Adjustment	(9)	-
Recognition of Previously Unrecognised Tax Losses	(94)	-
	(94)	-

	2018	2017
	\$'000	\$'000
Imputation Credits		
Imputation Credits at Beginning of Year	3,128	3,251
Imputation Credits Attached to Dividends Received	161	8
Imputation Credits Attached to Redeemable Preference Share and Perpetual Preference Share Dividends Paid	(123)	(131)
Imputation Credits at End of Year	3,166	3,128

The imputation credits are available to shareholders of Speirs Group Limited through their shareholdings in Speirs Group Limited.

11 EARNINGS/(LOSS) PER SHARE

Basic and Diluted Profit/(Loss) per Share

		2018	2017
		\$'000	\$'000
Profit Attributable to Shareholders			
Profit/(Loss) for the Year		457	(205)
Dividends Paid on Perpetual Preference Shares		(61)	(61)
Profit/(Loss) for the Year Attributable to Shareholders		396	(266)
	Note	2018	2017
		'000	'000
Weighted Average Number of Ordinary Shares – Basic and Diluted			
Issued Ordinary Shares at Beginning of the Year	22	11,335	11,335
Issued Ordinary Shares at End of the Year		11,335	11,335
Weighted Average Number of Ordinary Shares at Period End – Basic and Diluted		11,335	11,335
		2018	2017
		Cents	Cents
Basic Profit/(Loss) per Share		3.49	(2.35)
Diluted Profit/(Loss) per Share		3.49	(2.35)

12 CASH AND CASH EQUIVALENTS

	30 June	30 June
	2018	2017
	\$'000	\$'000
Cash and Cash Equivalents		
Cash at Bank	72	451
Short Term Deposits – Call	55	167
Total Cash & Cash Equivalents	127	618

All cash and cash equivalents are held in registered banks.

At 30 June 2018 and 30 June 2017 the Speirs Group Limited and Speirs Foods Limited had no overdraft facility.

13 TRADE AND OTHER RECEIVABLES

Group	30 June 2018			30 June 2017	
	Gross Amount \$'000	Allowance for Impairment \$'000	Carrying Amount \$'000	Gross Amount \$'000	Carrying Amount \$'000
Trade and Other Receivables					
Trade Receivables	1,523	(69)	1,454	1,697	1,697
Total Trade and Other Receivables	1,523	(69)	1,454	1,697	1,697

14 INVENTORIES

	30 June 2018 \$'000	30 June 2017 \$'000
Inventories		
Raw Materials and Consumables	564	403
Finished Goods	89	88
Total	653	491

No inventory is subject to retention of title clauses.

15 ASSOCIATE ENTITIES

Overall Summary

Investments Equity Accounted

	30 June 2018 \$'000	30 June 2017 \$'000
Share of Rosa Foods Limited	-	714
Share of Speirs Nutritionals Partners LP	8	15
	8	729

Share of Profit/(Loss) of Associates

	30 June 2018 \$'000	30 June 2017 \$'000
Share of Profit of Rosa Foods Limited (net of dividends received)	135	95
Share of Profit/(Loss) of Speirs Nutritionals Partners LP	(1)	(3)
Share of Profit/(Loss) of Advaro Financial Services Limited	-	(36)
	134	56

(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 unaudited management accounts. Speirs Group Limited received a \$415,000 dividend on ordinary shares from Rosa during the year ended 30 June 2018. On 6 April 2018 Speirs Group Limited sold its shares in Rosa and, as a result, Rosa ceased to be an associate entity from 6 April 2018.

	30 June 2018 \$'000	<i>30 June 2017 \$'000</i>
Opening Balance	714	659
Less Redemption of Preference Shares	-	(40)
Less Dividends on Ordinary Shares	(415)	(20)
Share of surplus/(deficit) after tax of associate until disposal	68	115
Gain on Disposal of Ordinary Shares	67	-
Transfer from Associate status to Available for Sale Financial Asset status	(434)	-
Closing Balance	-	714

At 30 June the unaudited statement of financial position of Rosa was as follows:

	<i>2017 \$'000</i>
Current Assets	1,577
Goodwill	495
Property Plant and Equipment and Investments	861
Total Assets	2,933
Current Liabilities	948
Non Current Liabilities	201
Total Liabilities	1,149
Net Assets	1,784

(b) Speirs Nutritionals Partners LP

Financial information for SNPLP has been extracted from unaudited management accounts for the year ended 30 June 2018. SNPLP is not accounted for as a subsidiary as Speirs Group (under the terms of the underlying Limited Partnership Agreement) does not have control of SNPLP. It does, however, have significant influence.

	2018 \$'000	<i>2017 \$'000</i>
Share of surplus/(deficit) after tax of associate	(1)	(3)
Less share of distributions received	(6)	-
Net addition/(deletion) to the investment carrying value	(7)	(3)
Prior Year Balance Brought Forward	15	18
	8	15

At 30 June the unaudited statement of financial position of SNPLP was as follows:

	2018 \$'000	<i>2017 \$'000</i>
Current Assets	13	25
Total Assets	13	25
Net Assets	13	25
Speirs Group Share (60.657%)	8	15

(c) Equipment, Leasing and Finance Holdings Limited/Advaro Financial Services Limited

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).

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

	30 June 2018 \$'000	30 June 2017 \$'000
Share of surplus/(deficit) after tax of associate	-	(36)
Net addition/(deletion) to the investment carrying value	-	(36)
Share of Associate's equity at the beginning of the year	-	808
Gain on issue of shares in Equipment, Leasing & Finance Holdings Limited	-	846
Transfer from Associate status to Available for Sale Financial Asset status (see Note 16)	-	(1,618)
	-	-

16 LOANS, ADVANCES AND INVESTMENTS

	30 June 2018 \$'000	30 June 2017 \$'000
Short Term Deposits - BNZ	-	1,150
Debt Owning – Rosa Foods Limited	434	-
Dividend Owning – Rosa Foods Limited	241	-
Investment in Equipment, Leasing & Finance Holdings Limited Ordinary Shares	2,328	1,457
Investment in Equipment, Leasing & Finance Holdings Limited Preference Shares	344	233
Subordinated Debt in Leasing & Finance LP	-	595
	3,347	3,435
Impairment Allowance	(344)	(233)
	3,003	3,202
Current	225	1,150
Non-Current	2,778	2,052
	3,003	3,202

Debt Owning and Dividend Owning – Rosa Foods Limited

As a result of a transaction during the year ended 30 June 2018 Speirs Group Limited received \$434,000 of interest bearing debt and \$241,000 of unpaid ordinary dividends (totalling \$675,000). This debt and unpaid dividends carry an interest rate of 10.00% per annum with the interest payable in arrears on the last business day of each quarter. The debt and unpaid dividends have scheduled principal repayments of \$225,000 per annum (payable in March 2019, 2020 and 2021) although the borrower can partially or fully repay the amounts due early with no penalty being incurred. Both the debt and unpaid dividends are secured by a first ranking charge over all of the ordinary shares on issue in Rosa Foods Limited as well as personal guarantees from the ultimate owners of Rosa Foods Limited.

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 15) from 30 September 2016. After that date it is held as an "Available for Sale Financial Asset". Subsequent minor share issues by EL&F have seen the investment reduce to 2.00% ordinary shareholder of EL&F. The directors' assessment of the value for this investment is based upon a recent market transaction and an issue of additional equity during the year ended 30 June 2018 as well as an assessment of actual and budgeted earnings multiples for EL&F. The directors consider this valuation approach to represent the fair value of Speirs' 2.00% shareholding in EL&F. Speirs Investments LP holds 1,551,872 (30 June 2017: 1,437,308) ordinary shares in EL&F.

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 2018.

Reconciliation

	<i>Ordinary Shares</i>	<i>Preference Shares</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance at 1 July 2016	-	-	-
Transfer from Associate Status to Available for Sale Financial Asset Status	1,395	223	1,618
Fair Value Gains – Year Ended 30 June 2017	62	10	72
Impairment of Available for Sale Financial Asset– Year Ended 30 June 2017	-	(233)	(233)
Investment in Equipment, Leasing & Finance Holdings Limited at 30 June 2017	1,457	-	1,457
Fair Value Gains– Year Ended 30 June 2018	699	112	811
Acquisition of Additional Ordinary Shares	172	-	172
Impairment of Available for Sale Financial Asset– Year Ended 30 June 2018	-	(112)	(112)
Investment in Equipment, Leasing & Finance Holdings Limited at 30 June 2018	2,328	-	2,328

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 (in arrears) on a monthly basis. The interest rate has a reset mechanism which is tied to market interest rates. During the year ended 30 June 2018 the remaining balance of \$595,000 of subordinated debt was repaid. During the year ended 30 June 2017 \$405,000 of subordinated debt was repaid.

17 DEFERRED TAX ASSET

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the asset can be utilised.

Recognised Deferred Tax Assets

As at 30 June 2018 the Group has recognised a deferred tax asset of \$408,776 (2017: \$315,034) which is principally comprised of previously unrecognised tax losses.

	Deferred Tax Asset 1 July 2017 \$'000	Recognised in P or L 2017 \$'000	Deferred Tax Asset 30 June 2017 \$'000	Recognised in P or L 2018 \$'000	Deferred Tax Asset 30 June 2018 \$'000
Property, Plant and Equipment	-	108	108	2	110
Intangibles	-	3	3	(2)	1
Employee Entitlements	-	60	60	(2)	58
Provisions	-	13	13	14	27
Tax Losses	315	(184)	131	82	213
Total Deferred Tax	315	-	315	94	409

Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised for the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom:

	<i>Group</i>	
	<i>30 June 2018 \$'000</i>	<i>30 June 2017 \$'000</i>
Temporary Differences Relating To:		
- Property Plant and Equipment	-	-
- Intangible Assets	-	-
- Employee Entitlements	-	-
- Provisions and Other	-	-
Tax Losses	7,207	7,593
Total	7,207	7,593

18 PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Buildings \$'000	Computer Equipment \$'000	Vehicles \$'000	Other Plant & Equipment \$'000	Capital Work in Progress \$'000	Total \$'000
Cost							
Balance at 30 June 2016	80	2,971	610	237	4,628	30	8,556
Additions	-	71	84	-	159	-	314
Disposals	(20)	(990)	-	-	-	-	(1,010)
Transfer into WIP	-	-	-	-	-	315	315
Transfer from WIP	-	-	-	-	-	(314)	(314)
Balance at 30 June 2017	60	2,052	694	237	4,787	31	7,861
Additions	-	28	-	-	103	-	131
Disposals	-	-	(9)	(31)	(64)	-	(104)
Transfer into WIP	-	-	-	-	-	293	293
Transfer from WIP	-	-	-	-	-	(131)	(131)
Balance at 30 June 2018	60	2,080	685	206	4,826	193	8,050
Depreciation							
Balance at 30 June 2016	-	1,086	494	218	3,722	-	5,520
Depreciation for the Year	-	110	71	7	138	-	326
Disposals	-	(304)	-	-	-	-	(304)
Balance at 30 June 2017	-	892	565	225	3,860	-	5,542
Depreciation for the Year	-	98	59	2	133	-	292
Disposals	-	-	(5)	(28)	(61)	-	(94)
Balance at 30 June 2018	-	990	619	199	3,932	-	5,740
Carrying Amounts							
At 30 June 2017	60	1,160	129	12	927	31	2,319
At 30 June 2018	60	1,090	66	7	894	193	2,310

All assets are used for food processing purposes.

19 TRADE AND OTHER PAYABLES

	30 June 2018 \$'000	30 June 2017 \$'000
Trade and Other Payables		
Trade Payables	788	1,128
Other Payables and Accrued Expenses	480	567
	1,268	1,695

20 BORROWINGS

	30 June 2018 \$'000	30 June 2017 \$'000
Debtor Financing Facility	900	760
Mortgage Facility	10	730
Plant Financing	-	62
2021 Redeemable Preference Shares	2,500	911
2017 Redeemable Preference Shares	-	2,930
	3,410	5,393
Current	900	2,153
Non-Current	2,510	3,240
	3,410	5,393

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

	30 June 2018 %	30 June 2017 %
Debtor Financing Facility	9.75%	9.75%
Mortgage Facility	8.00%	7.75%
Plant Financing	0.00%	0.00%
2017 Redeemable Preference Shares	N/A	9.00%
2021 Redeemable Preference Shares	9.00%	9.00%

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.

Mortgage Facility

Speirs Foods Limited has a mortgage funding facility for up to \$730,000 (2017: \$730,000). The facility has a maturity date of 10 July 2021. 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. The Company is required to respect a Loan to security ratio for which the principal sum should not exceed 49.66% of the value of the security at any time or it could be required to repay such an amount of the principal sum or provide an acceptable additional security to ensure the security margin is not exceeded. As at 30 June, the covenant is respected (2017: the covenant was respected).

Plant Financing

During the year ended 30 June 2016 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. The debt was settled in full during the year ended 30 June 2018.

2021 Redeemable Preference Shares

During the year ended 30 June 2018 1,589,315 (30 June 2017: 910,685) 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.

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.

21 CONTRIBUTED CAPITAL

Group	<i>30 June</i>	<i>30 June</i>
	2018	2017
	\$'000	\$'000
Balance at 1 July	12,925	12,925
Balance at Year End	12,925	12,925

Group	Ordinary Shares	
	<i>30 June</i>	<i>30 June</i>
	2018	2017
	'000	'000
Number of Shares on issue at 1 July	11,335	11,335
Number of Shares on issue at Period End	11,335	11,335

The total authorised number of ordinary shares is **11,334,576** (30 June 2017: 11,334,576). All issued shares were fully paid and entitled to one vote. There are no preferences or restrictions attached to this class of share. Ordinary shares have no par value.

Perpetual Preference Shares

Group	Perpetual Preference Shares	
	<i>30 June</i>	<i>30 June</i>
	2018	2017
	'000	'000
Number of Shares on issue at 1 July	679	679
Number of Shares on issue at Period End	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 Speirs Group Limited	<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 "FISSWAP" plus 5%.</p> <p>No dividends may be authorised by the Board in respect of ordinary shares in Speirs Group Limited unless dividends are authorised in respect of the PPS and all dividends on the PPS, including authorised but unpaid dividends, have been paid. Where a dividend is not authorised in a given period in accordance with the principles set out above, rights to those dividends do not accrue.</p>
Ranking in respect of dividends	Behind the dividends payable on the RPS, equally with all other dividends payable on the PPS, and ahead of dividends payable on ordinary shares in Speirs Group Limited and any other shares in Speirs Group Limited that are expressed to rank behind the PPS.
When redeemable	May, at the sole option of Speirs Group Limited, be redeemed by Speirs Group Limited at any time after 10 years from the issue date (i.e. from 2022).

Redemption amount payable by Speirs Group Limited	\$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 Speirs Group Limited.
Ranking in liquidation	Behind the creditors of Speirs Group Limited, 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 Speirs Group Limited:

	30 June 2018 '000	30 June 2017 '000
0.0c per Qualifying Ordinary Share (30 June 2017: 0.0)	-	-
9.0c per Qualifying Perpetual Preference Share (30 June 2017: 9.00c)	61	61

22 RECONCILIATION OF PROFIT/(LOSS) AFTER TAX FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

	30 June 2018 \$'000	30 June 2017 \$'000
Reconciliation of Profit/(Loss) After Tax for the Year to Net Cash from Operating Activities		
Profit/(Loss) for the Year	457	(205)
Adjustments for Non-Cash Items:		
Depreciation of Property, Plant and Equipment	292	326
Amortisation of Intangible Assets	15	23
Bad Debts Written-off	69	16
Impact of Transfer of Rosa Foods from Associate Company Status	415	-
Share of Associates (Gains)/ Losses	(134)	(56)
Recognition of Future Income Tax Benefit	(94)	-
Gain on Available for Sale Financial Asset	(112)	(846)
Impairment of Available for Sale Financial Asset	112	233
Gain on Disposal of Property, Plant and Equipment	(27)	(33)
	993	(542)
Movement in Other Working Capital Items:		
Change in Inventories	(162)	(22)
Change in Dividend Owing – Rosa Foods Limited	(241)	-
Change in Trade and Other Receivables and Prepayments	167	27
Change in Trade and Other Payables	(427)	(542)
Net Cash From Operating Activities	330	(1,079)

23 RELATED PARTIES

Transactions with Key Management Personnel

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

Key management personnel compensation comprised:

	30 June 2018 \$'000	30 June 2017 \$'000
Directors' Fees	99	161
Consulting Fees Paid to Directors	-	21
Consulting Fees Paid to Key Management Personnel	304	341
Termination Benefits	-	-
	403	523

At 30 June 2018 the amount of unpaid consulting fees payable to key management personnel was \$25,970 (30 June 2017: \$28,548)

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.

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 Investments LP holds 2.30% of the ordinary shares on issue); Rosa Foods Limited (a company in which Speirs Group Limited held a 40% interest until the shares were sold on 6 April 2018); ; and Speirs Investments LP in which Speirs Group Limited is the sole Limited Partner.

Transactions for the year ended 30 June 2018 with related parties are summarised below:

- **Speirs Foods Limited**
 - Speirs Group Limited received a dividend of \$250,000 (30 June 2017: \$250,000) from Speirs Foods Limited.
 - Speirs Group Limited charged Speirs Foods Limited \$66,000 (30 June 2017: \$66,000) in respect of corporate services provided by Speirs Group Limited.
 - At 30 June 2018 Speirs Group Limited owed \$Nil (30 June 2017: \$177,897) to Speirs Foods Limited.
 - At 30 June 2018 Speirs Foods Limited owed \$113,778 (30 June 2017: \$Nil) to Speirs Group Limited.
- **Rosa Foods Limited (the 2018 figures represent the period until 6 April 2018 when Speirs Group Limited sold its shareholding in this company)**
 - Speirs Group Limited received a dividend on preference shares of \$Nil (30 June 2017: \$1,950) from Rosa Foods Limited. At 30 June 2018 and 2017 the balance of the preference shares was \$Nil.
 - Speirs Group Limited received a dividend on ordinary shares of \$415,000 (30 June 2016: \$20,000) from Rosa Foods Limited.
 - Speirs Foods charged Rosa Foods Limited \$191,958 (30 June 2017: \$615,529) for freight, marketing and other services provided. At 30 June 2018 Rosa Foods Limited owed Speirs Foods Limited \$Nil (30 June 2017: \$62,589) in relation to the services provided.
 - Rosa Foods Limited charged Speirs Foods Limited \$2,996 (30 June 2017: \$Nil) for the purchase of goods. At 30 June 2018 Speirs Foods Limited owed Rosa Foods Limited \$Nil (30 June 2017: \$Nil) in relation to the goods provided.
- **Equipment, Leasing and Finance Holdings Limited and its subsidiaries**
 - Speirs Group Limited has invested \$Nil (30 June 2017: \$595,000) by way of subordinated debt into a wholly owned subsidiary of Equipment, Leasing and Finance Holdings Limited.
 - Speirs Group Limited received \$54,548 (30 June 2017: \$60,386) of interest on the subordinated debt. At 30 June 2017 the amount of accrued interest owing was \$Nil (30 June 2017: \$4,889).
 - During the year ended 30 June 2018 Speirs Investments LP acquired an additional 114,564 ordinary shares in Equipment, Leasing and Finance Holdings Limited at \$1.50 per share (\$171,846).

- **Speirs Investments LP**
 - During the year ended 30 June 2018 Speirs Group Limited provided an interest free loan to Speirs Investments LP in the amount of \$171,846. At 30 June 2018 the balance owed by Speirs Investments LP to Speirs Group Limited was \$171,846.
- **Advaro Financial Services Limited and its subsidiaries**
 - Speirs Group Limited received \$Nil (30 June 2017: \$33,333) of interest on the subordinated debt. At 30 June 2018 and 2017 the amount of accrued interest owing was \$Nil.

24 CAPITAL COMMITMENTS AND CONTINGENCIES

Commitments

The Group was committed to capital expenditure of \$Nil for the year ended 30 June 2018 (30 June 2017: \$3,686)

Contingent Liabilities

At 30 June 2018 the Group had no contingent liabilities (2017: Same)

25 EVENTS AFTER THE REPORTING PERIOD

On 30 July 2018 Speirs Group Limited announced that it had entered into a conditional Heads of Agreement to sell 33% of the operating business of Speirs Foods Limited to interests associated with the General Manager of Speirs Foods (Ross Kane).

- As part of this process, the majority of the existing Speirs Foods Limited business excluding land and buildings, will be transferred into a newly established Limited Partnership called Speirs Foods (2018) LP which will be the operating entity. 100% of the land and buildings will be retained within the Speirs group of companies and be leased to the new Speirs Foods (2018) LP.
- Speirs will receive an upfront cash payment with the balance paid progressively over a three year period. The deferred balance will be collaterally secured and will be subject to interest payments at market rates.
- As part of the agreement, Ross Kane has agreed to continue to provide general management services to Speirs Foods.

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

26 FINANCIAL RISK MANAGEMENT

Introduction and Overview

The Group had exposure to the following risks arising from its use of financial instruments:

- Credit risks
- Liquidity risks
- Market risks

The Group manages raw material price risks through negotiated supply contracts. However, these contracts are for the purpose of receipt in accordance with the Group's expected usage requirements only and, accordingly, are not accounted for as financial instruments.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of its Capital.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Risk management is carried out and monitored by the senior management team under policies approved by the Board of Directors. Management identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

Management of Credit Risk

The Board of Directors are responsible for the approval of credit risk policy. Senior management is responsible for the management and oversight of the credit risk policy established by the Board of Directors.

All members of the Group are required to implement Group credit policies and procedures, with credit approval delegated from senior Management. Each business unit has a Senior Executive who reports on all credit related matters to the Board of Directors. Each business unit is responsible for the quality and performance of its credit portfolio and for the monitoring and controlling of all credit risks in its portfolios.

Exposure to Credit Risk

The Group has no 'off-balance sheet' liabilities. The maximum credit risk is the amount represented on the statement of financial position. Financial Assets which subject the Group to credit risks consist of:

	<i>Group</i>	
	30 June	30 June
	2018	2017
	\$'000	\$'000
Cash and Cash Equivalents	127	618
Trade and Other Receivables	1,454	1,697
Loans, Advances and Investments	675	1,745

The following categories are not impaired, contain no past due balances, nor contain any impairment allowances: cash and cash equivalents. A summary of impaired assets, past due assets, and allowances for impairment with respect to loans and advances to customers and trade and other receivables is set out below:

Group	Loans and Advances		Trade and Other Receivables	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Carrying Amount	675	1,745	1,523	1,697
Past Due but not Impaired	-	-	140	2
Neither Past Due nor Impaired	675	1,745	1,383	1,695
Impairment Allowance	-	-	(69)	-
Total Carrying Amount	675	1,745	1,454	1,697

Trade and other receivables totalling \$140,199 (2017: \$2,016) are greater than 90 days overdue but are considered collectable and are not impaired.

Concentrations of Credit Risk

Concentration of credit risks arises where monetary assets are invested with a particular individual customer or in a particular industrial or geographic sector.

The Group has a concentration of credit risk in relation to trade receivables as 95% of total sales are made to two customers.

The Group manages concentration of credit risk by placing restrictions on the maximum amounts which may be deposited with a Registered Bank and ensuring that payments received from trade customers are made within prearranged payment parameters.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Management of Liquidity Risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group mitigates its liquidity risk through the holding of liquid cash reserves and by having supporting credit lines.

The Group has a first mortgage term finance facility of up to \$730,000 (2017: \$730,000) secured on Group owned real estate and a debtor financing facility. See Note 21.

Exposure to Liquidity Risk

The following tables set out the contractual cash flows for all financial assets and liabilities and derivatives that are settled on a gross cash flow basis:

30 June 2018	Carrying Amount	Gross Nominal Cash Flow	On Demand	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Derivative Assets</i>								
Cash and Cash Equivalents	127	127	127	-	-	-	-	-
Loans, Advances and Investments	675	793	-	17	17	253	264	242
Trade and Other Receivables	1,454	1,454	-	1,454	-	-	-	-
Total	2,256	2,374	127	1,471	17	253	264	242

30 June 2018	Carrying Amount	Gross Nominal Cash Flow	On Demand	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Derivative Liabilities</i>								
Trade and Other Payables	1,268	1,268	-	1,268	-	-	-	-
Borrowings	3,410	4,232	-	78	78	1,057	226	2,793
Total	4,678	5,500	-	1,346	78	1,057	226	2,793

30 June 2017	Carrying Amount	Gross Nominal Cash Flow	On Demand	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Derivative Assets</i>								
Cash and Cash Equivalents	618	618	618	-	-	-	-	-
Loans, Advances and Investments	1,745	2,049	-	1,171	15	30	59	774
Trade and Other Receivables	1,697	1,697	-	1,697	-	-	-	-
Total	4,060	4,364	618	2,868	15	30	59	774

30 June 2017	Carrying Amount	Gross Nominal Cash Flow	On Demand	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Derivative Liabilities</i>								
Trade and Other Payables	1,695	1,695	-	1,695	-	-	-	-
Borrowings	5,393	6,510	-	1,473	102	964	965	3,006
Total	7,088	8,205	-	3,168	102	964	965	3,006

The Group had no contractual cash flows with respect to financial liabilities going out beyond 5 years.

The above tables show the undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity.

Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return on risk.

Management of Market Risk

Equity price risk and credit spread risk (not relating to the obligor / issuer's credit standing) are not monitored by management as they are not currently significant in relation to the overall results and financial position of the Group.

Exposure to Interest Rate Risk

Interest rate margin risk arises as a result of mismatches between the repricing dates of advances and debt securities.

The interest rate gap position is calculated based on the earlier of the underlying instruments' maturity date or repricing date. A summary of the interest rate gap positions is as follows:

30 June 2018	Carrying Amount \$'000	Non-Interest Bearing \$'000	Less than 3 Months \$'000	3-6 Months \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000
Cash and Cash Equivalents	127	72	55	-	-	-	-
Loans, Advances and Investments	675	-	-	-	225	225	225
	802	72	55	-	225	225	225
Borrowings	3,410	-	-	-	900	-	2,510
	3,410	-	-	-	900	-	2,510
	(2,608)	72	55	-	(675)	225	(2,285)

30 June 2017	Carrying Amount \$'000	Non-Interest Bearing \$'000	Less than 3 Months \$'000	3-6 Months \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000
Cash and Cash Equivalents	618	451	167	-	-	-	-
Loans, Advances and Investments	1,745	-	1,150	-	595	-	-
	2,363	451	1,317	-	595	-	-
Borrowings	5,393	62	1,340	-	761	730	2,500
	5,393	62	1,340	-	761	730	2,500
	(3,030)	389	(23)	-	(166)	(730)	(2,500)

Capital Management

The Group's capital includes share capital and accumulated deficits.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. To achieve this the Directors and management monitor such matters as profitability and capital held on a monthly basis.

The Group's equity at the reporting dates comprises:

	30 June 2018 \$'000	30 June 2017 \$'000
Contributed Equity	12,925	12,925
Revaluation Reserve for Available for Sale Financial Assets	771	72
Accumulated Deficits	(10,269)	(10,665)
Total Equity Balance at Period End	3,427	2,332

There have been no material changes in the Group's management of capital during the period.

27 INVESTMENT IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with accounting policy 2.2.

All subsidiaries are incorporated in New Zealand.

Name of Entity	Principal Activity	Equity Holding	
		30 June 2018	30 June 2017
Speirs Foods Limited	Food processing company	100%	100%
Speirs Securitisation Management Limited	General Partner for Speirs Investments LP	100%	100%
Speirs Investments LP	Limited Partnership holding a 2.30% investment in EL&F Holdings Limited	100%	100%

28 NET TANGIBLE ASSETS PER SECURITY

	30 June 2018	30 June 2017
Net Tangible Assets Per Security - \$ per security	0.29	0.20

29 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long Term Borrowings \$'000	Short Term Borrowings \$'000	Total \$'000
Balance at 1 July 2017	3,240	2,153	5,393
Cash Flows			
- Repayments	(730)	(1,253)	(1,983)
- Proceeds	-	-	-
Balance at 30 June 2018	2,510	900	3,410
	Long Term Borrowings \$'000	Short Term Borrowings \$'000	Total \$'000
Balance at 1 July 2016	3,392	124	3,516
Cash Flows			
- Repayments	(53)	-	(53)
- Proceeds	1,241	689	1,930
Non-Cash			
- Reclassification	(1,340)	1,340	-
Balance at 30 June 2017	3,240	2,153	5,393

Independent Auditor's Report

Grant Thornton New Zealand Audit Partnership

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To the Shareholders of Speirs Group Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Speirs Group Limited ('the Group') on pages 8 to 35 which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Audit and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company/Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners 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 interests in, the Group.

Information Other than the Financial Statements and Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises the Reporting by Directors, Statutory Information, and the Directory, but does not include the Consolidated Financial Statements and our Independent Auditor's Report thereon.

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

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

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

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing 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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

Restriction on use of our report

This report is made solely to the shareholders, as a body. Our audit work has been undertaken so that we might state to the shareholders, as a body those matters which 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 Group and the shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership



B R Smith
Partner
Wellington

17 October 2018

STATUTORY INFORMATION

Principal activities

Speirs Group Limited (the Company) operates as a holding company. At 30 June 2018 its principal interests are in:

Entity	Interest	Principal Activity
Speirs Foods Limited	Wholly owned subsidiary	Fresh food production and distribution
Speirs Investments LP	Speirs Group Limited is the sole Limited Partner	Holding an investment in Equipment, Leasing and Finance Holdings Limited
Speirs Nutritionals Partners LP	60.657% owned associate	Commercial development and marketing of Intellectual Property and Know How

Directors' shareholdings – ordinary shares

	Beneficial Holdings	Non-Beneficial Holdings
The number of shares held by Directors of Speirs Group Limited at 30 June 2018:		
Nelson Speirs	1,047,678	705,489
Derek Walker	-	-
Fred Hutchings	-	-
David Speirs	-	271,388
Nelson Speirs (as Co-Trustee)	-	1,383,145

A Beneficial Holding records that the Director holds the shares in his own name. A Non-Beneficial Holding records that the Director(s) hold the shares in their capacity as a Trustee.

Directors' shareholdings – perpetual preference shares

	Beneficial Holdings	Non-Beneficial Holdings
The number of shares held by Directors of Speirs Group Limited at 30 June 2018:		
Nelson Speirs	390,000	-
Nelson Speirs (as Co-Trustee)	-	289,000

A Beneficial Holding records that the Director holds the shares in his own name. A Non-Beneficial Holding records that the Director(s) hold the shares in their capacity as a Trustee.

Directors' shareholdings – redeemable preference shares

	Beneficial Holdings	Non-Beneficial Holdings
The number of shares held by Directors of Speirs Group Limited at 30 June 2018:		
Derek Walker	30,000	-

A Beneficial Holding records that the Director holds the shares in his own name. A Non-Beneficial Holding records that the Director(s) hold the shares in their capacity as a Trustee.

Disclosure of interests by directors

The following entries were made in the Interests Register during the year ended 30 June 2018:

- On 21 August 2017 Nelson Speirs declared:
 - His retirement as a director of MMM Holdings Limited
- On 30 June 2018 David Speirs declared:
 - That he was no longer a director and shareholder of SpeirSCO Limited as this company was removed from the Register of Companies on 21 June 2018.

Governance positions held by directors at 30 June 2018

Director	Entity	Relationship
Derek Walker	BCC Limited & Associated Companies	Director (Chair)
	Speirs Foods Limited	Director
	Third Bearing Limited	Director
	TBL Investments Limited	Director
	Elmira Consulting Limited	Director
	Wilson Cook Limited	Director
	Wildbase Recovery Community Trust	Trustee
	Centralines Limited	Director
Nelson Speirs	S N Management Limited	Director
	Speirs Securitisation Management Limited	Director
	Equipment, Leasing & Finance Holdings Limited and Associated Companies	Director
Fred Hutchings	Amwell Holdings Limited	Director
	Walker Nominees Limited	Director
	Speirs Foods Limited	Director
	Seeka Limited & Associated Companies	Director
	Office of the Auditor General Audit and Risk Committee	Member (Chair)
	Commerce Commission Audit Finance and Risk Management	Convenor
	FMA Audit Oversight Committee	Member
	Tui Products Limited	Director (Chair)
David Speirs	-	-

Transfers of interests in Speirs Group Limited shares by directors during the year

- Nil

Directors' remuneration

Directors' remuneration received, or due and receivable during the year ended 30 June 2018, is as follows:

Name	Parent Subsidiary/Associate			Total Remuneration	
	Consultants Fees	Company Directors Fees	Company Directors Fees		
Derek Walker	\$ Nil	\$30,000	\$10,000	\$40,000	Independent Director and Chair
Nelson Speirs	\$ Nil	\$12,000	\$Nil	\$12,000	Non Independent Director
Fred Hutchings	\$ Nil	\$21,000	\$6,000	\$27,000	Independent Director
David Speirs	\$ Nil	\$10,000	\$ Nil	\$10,000	Non Independent Director

Directors are reimbursed for travel and accommodation expenses and any other costs properly incurred by them in connection with the business of Speirs Group Limited.

Use of Company information by directors

There were no recorded notices from directors requesting to use Company information received in their capacity as directors that would not otherwise have been available to them.

Directors' Loans

For the year ended 30 June 2018 and as at 30 June 2017, there were no loans to directors

Indemnification and insurance of directors and officers

The Company has arranged policies of directors' and officers' liability insurance which together with an indemnity provided under the Company's constitution ensures that generally directors will incur no monetary loss as a result of actions taken by them as directors. Certain actions, such as penalties and fines which may be imposed in respect of breaches of the law, are excluded.

Employee Remuneration

Remuneration and other benefits exceeding \$100,000 paid to employees during the year_ended 30 June 2018 were:

- Nil

STATUTORY DISCLOSURE IN RELATION TO SHAREHOLDERS

Twenty largest shareholders at 30 June 2018

	<i>Fully Paid</i> <i>Ordinary Shares</i>	<i>Percentage of</i> <i>Issued Voting Capital</i>
Nelson Speirs	1,047,678	9.24%
Donald Speirs	900,523	7.94%
Active Equity Holdings Limited	717,068	6.33%
Nelson Speirs, Mary Speirs, Robert Speirs, Susan Le Moigne and Glendinnings Trustee Company Limited	705,489	6.22%
Donald Speirs, John Wilson	642,273	5.67%
Nelson Speirs, Mary Speirs, Robert Speirs, Susan Le Moigne and Glendinnings Trustee Company Limited	521,222	4.60%
Keith Taylor	500,000	4.41%
Donald Speirs, Nelson Speirs, John Wilson	421,790	3.72%
David Speirs, Rebecca Speirs	271,388	2.39%
Donald Speirs, Nelson Speirs, John Wilson	257,206	2.27%
K Mody	235,000	2.07%
B H Wallace	169,910	1.50%
P O Belk, B J Belk	131,061	1.17%
T A Morgan, S Morgan	124,885	1.10%
M Le Moigne	109,385	0.97%
C M Tyler	104,834	0.92%
M W Speirs	102,994	0.91%
M B Beale	102,394	0.90%
Nelson Speirs, Mary Speirs, Robert Speirs, Susan Le Moigne and Glendinnings Trustee Company Limited	100,000	0.88%
W Carson	100,000	0.88%
	7,265,100	64.09%

Shareholder Statistics at 30 June 2018

<i>Ordinary Shares</i>	<i>Holders</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
1 to 999	26	5.58	12,582	0.11
1,000 to 4,999	218	46.78	489,278	4.32
5,000 to 9,999	66	14.16	470,400	4.15
10,000 to 99,999	136	29.18	3,097,216	27.33
100,000 and over	20	4.30	7,265,100	64.09
	466	100.00	11,334,576	100.00

DIRECTORY

Directors

At 30 June 2018 the Board of Directors of Speirs Group Limited is comprised of four Non-Executive Directors. All Directors have served for the whole year.

Non-Executive Directors

Derek Walker (Chairman) , BE (Hons), BBS

Fred Hutchings (Deputy Chairman) BBS, FCA

Nelson Speirs, FCA

David Speirs

Company Secretary

Lee Simpson BBS, CA, FCIS, FGZ

Email: lees@speirs.co.nz

Registered Office

4 Lower High Street, Marton
P O Box 318, Palmerston North
Telephone: 06 350 6004
Facsimile: 06 350 6019

Securities Registrar

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Telephone: 09 488 8700
Facsimile: 09 488 8787
Investor Enquiries: 09 488 8777

Production Facility Offices

Speirs Foods Limited
Hair Street
Marton
P O Box 108, Marton
Telephone: 0800 366 324
Facsimile: 06 327 5717
Email: sales@speirs.co.nz

Advisors/Service Suppliers

Independent Auditor

Grant Thornton

Bankers

Bank of New Zealand

Solicitors

Chapman Tripp