

SPEIRS GROUP LIMITED 2014 AGM**Chairman's Speech**

Welcome to this AGM and thank you for your continued support. I am delighted that this year we are able to report to you on a much improved result. The 2014 year has seen significant rebuilding of the value of Speirs Group.

At each of the last two AGM's I have outlined the three major aspects to our recovery strategy. This year has seen excellent progress on all three.

Firstly, it was the rebuilding of the Speirs Food business to acceptable levels of profitability. This was achieved with revenue up 9% and profit up 85%. My colleague Derek Walker, who chairs Speirs Foods, will address you shortly on the performance and progress of Speirs Foods.

Secondly, it was the development of new business initiatives. This has been achieved through entering into a business partnership called Advaro which operates in the finance business sector. This generated significant value for Speirs Group of over \$2million.

Finally, we had the challenge of re-financing over \$3 million of debt in the last quarter of 2013. This was achieved.

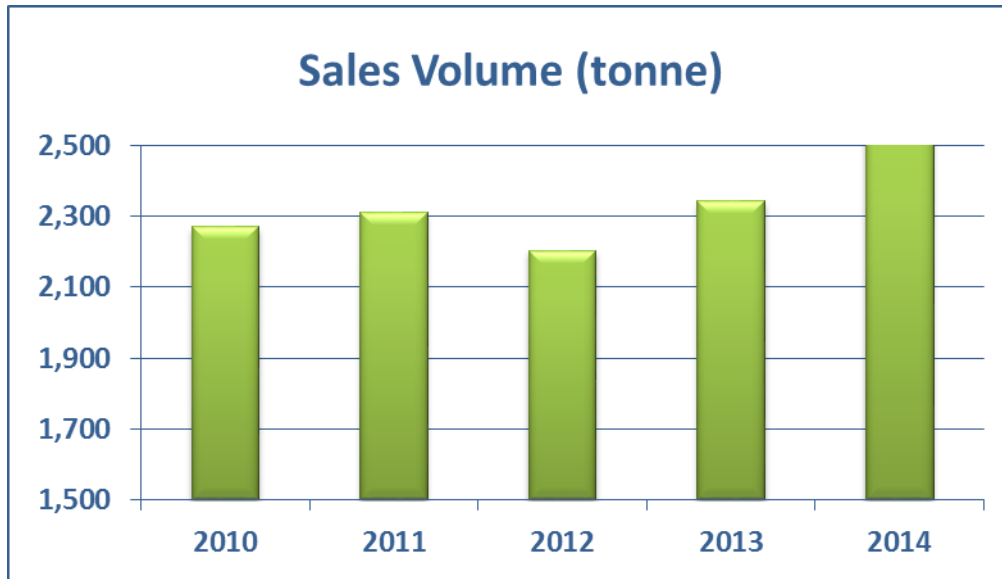
In addition we were also able to resolve matters with Allied Farmers which has resulted in the recognition of \$734,000 of value that was previously written off.

I will speak in more detail on these matters shortly but first here is Derek to talk about our core business Speirs Foods.

Speirs Foods

Derek Walker, Chair, Speirs Foods Limited

Sales Trend



- Good increase in sales over 2013 – sales and product development efforts over last 2-3 years paying off
- Continue to maintain excellent relationships with customers
- Some rationalisation of suppliers has occurred but market still competitive.

Margin Trend



- Margin per kg improved from previous year but only similar to earlier years.
- We continue to place a focus on containing material and production costs and continually look for production efficiencies.

Profit Trend



- Profit improvement over previous year – from increased sales volume and improved production efficiency

The Current Year

- Continued focus on building volume through new products and promoting existing products sales YTD showing gains on last year
- New branded tray range has gone well. Soon to add Mashed Potato & Gravy
- Looking at some capital investment to improve factory efficiency and refresh some equipment.



Summary

- Work on product and promotion is improving overall sales.
- Foods business continues to generate good cash flow and profitability improving.
- Market still tough but we continue to work with supermarkets to raise the profile of salad bar within their delis and look for opportunities to diversify products and market channels.

Rosa Foods Limited

Alongside the Speirs Food business we have a 40% interest in Rosa Foods which provides ready-made meals to supermarkets and other distributors and does contract food manufacturing out of a plant in Wellington. After a period of quite difficult trading Rosa has had a year of strong profitable growth, mainly in the area of contract manufacturing where it prepares sauces, mueslis and other products for other food companies. Rosa and Speirs Foods work together in areas such as Sales, Marketing and Transportation.

Advaro Financial Services Limited

For over three years we have been developing plans for re-entering the finance business which is an area that Speirs operated in successfully for some years prior to 2008. In 2012 we repurchased a book of receivables as well as some infrastructure and systems. This purchase has performed ahead of expectations and generated a net cash flow of \$260,000. The infrastructure and systems as well as the know-how and industry connections made us well placed to re-enter the finance business market. The level of capital required meant this must be done in partnership with other parties. After having discussions with various parties, agreement was reached in late 2013 to proceed in partnership with Maui Private Equity interests.

Speirs Finance (NZ) Limited commenced trading in February 2014 providing funding for motor vehicles and commercial plant to small and medium businesses. Speirs had a 25% interest in the business. Maui provided the necessary subordinated debt and senior wholesale debt was provided by a major bank. As well as the 25% equity interest in the business, Speirs received a fee of \$1 million which has been re-invested into the finance business as interest-bearing subordinated debt.

The partnership we established with Maui sought other opportunities to grow this fledging finance business and in March we acquired an existing business

called RentPlus. The combined businesses have been renamed Advaro Financial Services Limited. Speirs now owns 11.76% of Advaro as well as the \$1 million subordinated debt.

This new business has performed in line with expectations. The net gain recognised in the annual accounts as a result of these transactions is just over \$2 million, comprising just over \$1m for the 11.76% equity interest and \$1 million of subordinated debt. Nelson Speirs has been appointed to the Advaro Finance board. I would like to acknowledge the determined and persistent effort that Nelson has put into ensuring this project proceeded and was successful. There were many times when it looked doubtful, but ultimately a very successful outcome was achieved and this is largely due to Nelson's efforts.

Speirs Nutritionals Limited Partnership

Speirs Nutritionals is now essentially a dormant business with the only remaining asset being the potential to receive payments when sales of product are made using the technical know-how that was sold in 2011. No such payments have been received yet or are expected in the immediate future.

Allied Farmers Limited

As a result of the sale of the original Speirs Finance business back in 2008 Speirs had a \$2m investment in Allied Nationwide which, as a result of a put option that Speirs exercised during the year, became a \$2 million obligation from Allied Farmers to Speirs. We reached agreement this year with Allied Farmers that they would meet this obligation by the issuing of 14.7 million shares in Allied Farmers Limited to Speirs plus a payment of \$500,000 to Speirs in April 2016. The investment in Allied Nationwide had been fully provided against and carried a nil value. As a result of the agreement we have recognised the value of the shares at 30 June 2014 of \$734,000 in the accounts. A provision for impairment of the full \$500,000 has been made against the payment due in 2016. Allied Farmers share price has continued to recover since 30 June 2014.

Refinancing

In the last quarter of 2013 the company refinanced \$1.19 million of Secured Stock issued by Speirs Funding Limited and \$2.57 million of Redeemable Preference Shares. This was mainly funded by the issue of \$2.93 million of Redeemable Preference Shares which mature on 30 September 2017. The

balance was funded by draw-downs on existing mortgage facilities and debtor financing facilities held by Speirs Foods.

Overall Results

The net result of all this hard work is seen in this comparison with last year's results:

	2014 \$(000)	2013 \$(000)	Change
Net Trading Income (Speirs Foods)	1,488	899	+65%
Other Earnings (Advaro, Allied Farmers etc)	3,221	529	+508%
Expenses & Interest	2,690	2,050	+31%
Profit	2,019	(622)	+425%
Operating Cash Flow Surplus	818	26	+3100%
Equity/Total Assets ratio	24%	3%	+780%

The improved results have enabled the board to declare and pay a dividend in respect of the 2013/14 year of 0.5 cents per share, fully imputed. This represents a 5% dividend yield based on the share price at the time. The company's ability to pay dividends remains constrained by the relatively high level of debt.

Board and Management

The board comprised three non-executive directors during the year under review – Derek Walker, Nelson Speirs and myself. The board has been actively involved in the business over the year and the number of significant issues such as the Finance Business, Allied Farmers negotiations and the re-financing have placed heavy demands on us. However we are delighted that this has resulted in a substantial recovery for the company.

I retire by rotation this year. Due to potential conflicts with other governance roles I hold I am not offering myself for re-election. The board have recently appointed Mr Fred Hutchings to the board and he offers himself for election at this AGM. The directors are delighted that we were able to find such a high calibre and experienced director to join the board. We fully support his election.

The separate Speirs Foods board has continued to give that business the detailed focus and oversight that it needs. I would like to thank John McCliskie

and Robert Speirs for their contribution. We also confirm the thanks that Derek has already expressed to Chris Newton, Brett Robertson and the team at Speirs Foods.

Our company secretary Lee Simpson has again provided outstanding service in what has been a very demanding year. Lee has been heavily involved in the capital refinancing and the development of the finance business. He has continued to carry out his secretarial and finance responsibilities with a high degree of professionalism.

Auditors

The auditors KPMG were appointed as auditors in 2011 following a tender process. They have carried out their responsibilities diligently. The directors have confirmed their appointment for the 2014/15 year.

Outlook

The continued growth and profit improvement of Speirs Foods remains a key focus. The first few months of this year have seen the improving trend of last year continuing. Sales and profit are both ahead of last year's comparatives. We anticipate that our involvement in Advaro will provide additional value in future years once the business has grown to a more economic size. The investment in Allied Farmers could also generate additional value if their share price maintains its current levels and the payment of the \$500,000 is made to Speirs next March. The Board will continue to seek other avenues to grow and diversify the business.

Conclusion

Thank you for your continued support through some very difficult times. I have enjoyed my three years involvement with the company and will continue to take an interest in the company as a shareholder. I hope that we can look back on this period and particularly the 2013/14 year as a turning point for the company that brings a period of sustained growth and profitability.