

7 January 2014

NZX Limited
Wellington

PRE-BREAK ANNOUNCEMENT

The following is issued by Speirs Group Limited (*SGL*) as a "Pre-Break Announcement" pursuant to NZAX Listing Rule 10.2.1. Clause 21 of SGL's constitution permits it to adopt the Pre-Break Announcement Procedure.

Summary of Proposed Transaction

1 SGL proposes to enter into a Deed of Settlement with Allied Farmers Limited (*AFL*) in settlement of a put option pursuant to a Put & Call Option Agreement dated 29 September 2008 (*Put Option*), that will involve:

1.1 AFL issuing to SGL, by way of a private placement, 14,678,487 new ordinary shares in AFL. The shares will rank *pari passu* in terms of rights, entitlement and voting with existing ordinary shares (the *Initial Settlement*); and

1.2 a payment by AFL to SGL of \$500,000 in cash on or before 30 April 2016 (the *Final Settlement*),

(the *Proposed Transactions*). The Proposed Transactions are subject to the approval of SGL's shareholders (by way of this Pre-Break Announcement) and any other required approvals/waivers being obtained by SGL and AFL. The conditions precedent are currently expected to be satisfied in January 2014.

Why is this Pre-Break Announcement being made?

2 NZAX Listing Rule 9.1.1(b) provides that an Issuer shall not enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange, or otherwise dispose of (otherwise than by way of charge) assets of the Issuer, or assets to be held by the Issuer, in respect of which the gross value is in excess of 50% of the Issuer's Average Market Capitalisation, in the absence of:

2.1 the prior approval of the Issuer's shareholders; or

2.2 following a Pre-Break Announcement and satisfaction of the other requirements of NZAX Listing Rule 10.2.

3 SGL's Average Market Capitalisation over the 20 Business Days before 20 December 2013 (the date the transaction was announced to the market) was \$567,000. It is expected that the value of the assets involved in the Proposed Transactions will exceed 50% of SGL's Average Market Capitalisation, as it is anticipated that approximately \$770,000 of shares in AFL and \$500,000 of cash will be acquired by SGL as a result of the Proposed Transactions. Therefore, SGL must comply with NZAX Listing Rule 9.1.1(b).

4 The Board of SGL has elected to comply with NZAX Listing Rule 9.1.1(b) by following the pre-break announcement procedure, rather than by calling a special meeting of shareholders and obtaining the approval of the shareholders to the Proposed Transactions at that meeting. Provided that no shareholders' meeting is called by shareholders holding more than 5% of the shares in SGL within 10 business days of the date of this announcement, SGL will be entitled to implement the Proposed Transactions without gaining shareholder approval in accordance with NZAX Listing Rule 9.1.1(b).

Rationale for the Proposed Transactions

5 The rationale for the Proposed Transactions is to enable SGL and AFL to reach agreement on settling the Put Option in respect of the outstanding liability owed by AFL to SGL. Under the Put Option, AFL had an

obligation to purchase certain subordinated bonds issued to SGL by Allied Nationwide Finance Limited in 2008 for \$2,000,000 on 30 September 2013. However, pursuant to the Deed of Settlement, SGL has agreed to accept approximately \$770,000 of shares in AFL and \$500,000 of cash.

Terms of the Proposed Transactions

6 The key terms of the Proposed Transactions are as follows:

- 6.1 SGL proposes to enter into a Deed of Settlement with AFL to give effect to the Proposed Transactions (*Settlement Deed*);
- 6.2 on the Initial Settlement Date (as that term is defined in the Settlement Deed), expected to be 31 January 2014, AFL proposes to issue 14,678,487 new ordinary shares to SGL by way of a private placement. These shares will rank pari passu in terms of rights, entitlement and voting with existing ordinary shares in AFL;
- 6.3 on or before the Final Settlement Date (as that term is defined in the Settlement Deed), expected to be 30 April 2016, AFL agrees to pay to SGL \$500,000 in cash (the *Final Instalment*);
- 6.4 the Final Instalment shall be unsecured and non-interest bearing up to the Final Settlement Date.

Effect of Proposed Transactions

7 Currently, no value is attributed to the Put Option in SGL's annual report (that option was written down to \$0). Therefore, it is expected that the Proposed Transactions will enable SGL to initially obtain value of approximately \$777,959 from AFL (based on the closing price of AFL's shares of \$0.053 as at the date of this Pre Break Announcement), resulting in a positive impact on SGL's balance sheet. It is also currently expected that the Proposed Transactions will enable SGL to obtain further value of approximately \$500,000 in early to mid 2016, following the Final Settlement.

Directors' Interests in the Proposed Transactions

8 There are no directors interested in the Proposed Transactions.

Shareholder right to call a shareholders' meeting

9 As required by NZAX Listing Rule 10.2.2, the Proposed Transactions are conditional (in addition to the expiry of the 10 business day period from the date of this announcement) upon no special meeting of SGL's shareholders being called pursuant to section 121 of the Companies Act 1993, within that 10 business day period.

10 Under section 121 of the Companies Act 1993, the Board of SGL must call a special meeting of shareholders where shareholders (who together, hold shares together carrying not less than 5% of the voting rights entitled to be exercised at a meeting of shareholders) submit a written request to the board of SGL for a meeting.

11 The contact details for SGL for the delivery and acceptance of such a written request under section 121 of the Companies Act 1993 are:

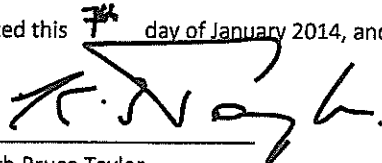
Speirs Group Limited
Unit 4, 251 Broadway Avenue
PO Box 318
Palmerston North
New Zealand
Attention: Lee Simpson, Company Secretary

Directors' Certificate

We, the undersigned directors of SGL, certify that the terms of the Proposed Transactions to be undertaken by SGL as described above are:

- (a) fair and reasonable to all security holders of SGL; and
- (b) in the best interests of all security holders of SGL.

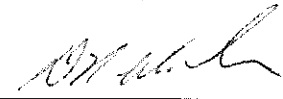
Dated this ^{7th} day of January 2014, and signed by all directors of Speirs Group Limited:



Keith Bruce Taylor



Richard Nelson Speirs



Derek Neil Walker

