

SPEIRS GROUP LIMITED 2024 AGM Chairman's Address

I can now report on our results to 30 June 2024 and an update on Company and the Group's affairs since that date.

The business environment generally and for Speirs Foods remains very challenging with rising costs for materials and labour and difficulty in securing appropriate workforce still prevailing.

Equipment, Leasing and Finance Holdings Limited was successfully sold off during the year ended 30 June 2024.

Overall Results

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

	2024 \$'000	2023 \$'000
Speirs Foods (2018) LP trading profit before interest and wage adjustment error	97	294
Speirs Foods (2018) LP wage adjustment error	(395)	-
Fair Value Gain Through Profit and Loss Financial Assets Equipment, Leasing and Finance Holdings Limited	-	178
Corporate governance costs	(257)	(269)
Net financing costs	(221)	(239)
Depreciation Expense of Speirs Group Limited in relation to acting as landlord for Speirs Foods (2018) LP	(76)	(70)
Total Profit/(Loss) Before Tax	(852)	(106)
Tax Expense	(50)	(126)
Total Profit/(Loss) After Tax	(902)	(232)
(Profit)/Loss attributable to non-controlling Interest	198	2
Overall Profit/(Loss) Attributable to Ordinary Shareholders of Speirs Group Limited	(704)	(230)

The Group reported a loss attributable to the Speirs Group ordinary shareholders of \$704,000, a deterioration from the \$230,000 loss achieved in the previous year.

Turning to each of our core investments:

Speirs Foods (2018) LP (Speirs Foods)

Speirs Foods (2018) LP (“Speirs Foods”) continues to manufacture and supply products throughout New Zealand, principally to the two major supermarket chains.

Revenue fell to \$16.109 m million compared to \$18.452 million in the previous period.

Speirs Foods has had another difficult year of trading. The key drivers of this performance are discussed in more detail below.

The business continues to be impacted by a number of factors including:

- Declining revenue due to reduced consumer demand resulting from the sluggish New Zealand economy;
- A continuing shift in customer demand from bulk products (those sold from “under the glass” in supermarket delicatessens) to pre-packaged products which are more labour intensive in their production and often require the use of higher cost raw materials;
- Higher material costs as suppliers increase their prices to us due to inflation. Also, a lack of availability of some key production components has resulted in a need to source higher cost alternative supplies due to increased shipping and freight costs and supply chain constraints;
- Speirs Group Limited made an announcement on Unlisted on 11 June 2024 in relation to a one-off issue noting that Speirs Foods had recently identified an error in the wages paid to some waged employees dating back to 2018. This issue resulted in a number of employees being paid less than they were contractually entitled to. The principal cause of the issue was due to a misinterpretation of the terms of the employees’

individual employment agreements. The bulk of the underpayment relates to the last 24-month period and the total underpayment was \$395,000.

- Continuing pressure on labour availability and costs due to general market shortages and the flow on effects of the increase in the minimum wage driving labour costs up across the general labour force.

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

- Investment in Information Technology and system improvements to provide management with key business data to allow nimble decision making;
- Continual work on improving product flow efficiency through the plant and increase productivity through new or replacement plant to improve labour efficiency;
- A review of product margins to ensure products provide an acceptable return on the costs to produce;
- Continuous development of fresh new products.
- Streamlining the fixed costs in the business to better match the reduced revenue received by the business.

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

Supplier price increases remain a concern as they continue to erode Speirs Foods' trading margins because, in the current economic environment it is not always possible to pass these price increase onto Speirs Foods' customers.

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

As noted above Speirs' investment in Equipment, Leasing and Finance Holdings Limited was successfully sold off during the year ended 30 June 2024.

The Sale and Purchase Agreement for the Equipment, Leasing & Finance Holdings Limited Ordinary Shares specified that payment for the EL&F ordinary shares was to be made in three tranches:

- \$2,400,411 was received on 31 May 2024;
- The second payment was made after a final set of “Completion Accounts” for Equipment, Leasing & Finance Holdings Limited had been prepared as at 31 May 2024 and all necessary adjustments made to the payment mechanism in the Sale and Purchase Agreement are agreed by the purchaser and vendors. The negotiations to finalise the second payment were concluded in October 2024 with a further \$530,337 being received on 30 October 2024. At 30 June 2024 the directors had assessed that the estimated value for this second payment would be \$488,875, accordingly a gain on this receivable in the amount of \$41,462 has been recognised in the six-month period ended 31 December 2024; and
- \$227,867 on 31 May 2025 as part of a deferred payment mechanism. No interest is payable on the deferred settlement amount and there are no conditions that the vendors have to meet in order to receive this deferred settlement.

Board and Management

The Board of Speirs Group presently comprises two non-executive directors—Nelson Speirs and David Speirs and myself as Executive Chairman.

The Board of the General Partner for Speirs Foods (2018) LP is Robert Speirs (Chair), Ross Kane and Craig Tucker.

Both boards have continued to work effectively over the last year and I thank my colleagues for their work on behalf of the Company. I would also like to thank the team at Speirs Foods for their continued hard work in a what is always a challenging market environment.

2025 Redeemable Preference Shares

There is a continued focus on reducing debt levels and borrowing costs in the business. Using some of the proceeds received from the EL&F sale, on 21 June 2024 Speirs Group redeemed 75% of the 2025 Redeemable Preference Shares on issue at that date – this amounted to 1,650,000 2025 Redeemable Preference Shares at \$1.00 per share. As per their terms of issue the 2025 Redeemable Preference Shares redeemed on 21 June 2024 were repaid proportionately across all holders on a pro rata basis.

Outlook

As noted earlier the business environment at present continues to be very tough. Reduced consumer demand, cost pressures and labour availability remain in the wider market. These will continue to impact results in the short term and require some changes of approach going forward.

Maximising returns from Speirs Foods continues to be our primary goal. We remain firmly on this path with a focus on reducing debt and improving profitability.