

Speirs Group Limited

Annual Report

for the year ended 30 June 2012

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Speirs Group Limited

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REPORTING BY DIRECTORS**REBUILDING IN A TOUGH ENVIRONMENT**

The company has been focused on rebuilding shareholder value through improved performance of existing businesses and seeking new opportunities. At the same time we have sought to resolve the continued effects of the adverse occurrences that significantly affected the company in recent years. The difficult business conditions have hampered these aspirations and the results are disappointing. The other issue that has required Board attention is the significant borrowings that are maturing in late 2013. We can report progress on all these matters as follows:

Speirs Foods

Speirs Foods has maintained its strong position as a leader in the processing, distributing and marketing of fresh salads and other foods in the New Zealand marketplace. However, the fresh food market has contracted in recent times. Total Revenue for Speirs Foods of \$13.4 million this year was only marginally down on the \$13.6 million achieved in 2011 and represents a good outcome in the circumstances

Material and labour costs were in line with expectations and previous years but there was a substantial increase in insurance costs. The introduction of new product lines adversely affected productivity for a period offsetting the improvements in production methods and labour efficiency. While some other expense savings were made, the reduced revenue largely flowed through to the bottom line resulting in a \$93,000 reduced surplus from this operation.

Sales growth continues to be challenging in the present market but effort is continuing to increase and diversify the sales base and improve the profitability of the business through improved efficiencies.

The premises previously occupied by Speirs Nutritionals in Marton, which are owned by Speirs Foods, were leased to a new tenant in early 2012

Chris Newton has now been General Manager of Speirs Foods for two years and is providing strong leadership and direction across all aspects of the business. A separate board comprising Derek Walker (Chair), John McCliskie and Robert Speirs has provided good governance oversight and strategic leadership.

Speirs Nutritionals Partners LP

The rights to our omega-3 Intellectual Property and our Processing Knowhow, coupled with permission to use that Processing Knowhow to manufacture the product in the UK, were sold in 2011. Speirs Nutritionals will receive a series of quarterly Subsequent Payments that will be calculated by using an agreed formula that recognises the accruing benefit arising from the rights to use the Intellectual Property and the Processing Knowhow. While this figure is, by definition, unknown, it could amount to very large sums over the years ahead. The lead time for sales of products such as this to leading food manufacturers around the globe can be quite long and no payments have yet been received nor anticipated in the immediate future.

Speirs Nutritionals owned various items of manufacturing plant which have largely been sold or leased out during the year. Remaining plant has been written down to resale prices. This has resulted in the investment in Speirs Nutritionals being written down by \$266,000.

Speirs Securities Limited Partnership (SSLP)

In September 2008 Speirs Finance was sold to Allied Nationwide Finance Limited, which was subsequently placed in receivership. In June 2012 Speirs Group, through SSLP and in association with a funding partner, re-purchased the rights to the remaining book of securitised receivables held in the portfolio. The book will be run down to nil over the period to October 2014, as the existing loans are repaid. The favourable terms of purchase and funding has resulted in a net gain to Speirs Group of \$304,000.

Further opportunities to redevelop a profitable fleet financing operation are being considered.

Corporate

Corporate overhead (non-financial) costs have been maintained at the much reduced level achieved in the prior year.

Capital

The capital position of the company has been adversely effected by the events of the last few years. The board is conscious of the significant borrowings that mature in late 2013. While these borrowings are being serviced out of existing cash flow the capital structure of the company does need strengthening. The first stage of addressing this was completed in June 2012. \$679,000 of perpetual preference shares were issued to existing substantial shareholders and the equivalent number of convertible redeemable preference shares cancelled. The perpetual preference shares qualify as equity thus increasing the permanent capital of the company, reducing both the capital gearing and the borrowings that mature in late 2013. Further initiatives to improve the capital position of the company will be developed in the coming year.

Board of Directors

At 30 June 2012 the Board of Directors of the Company comprised three non-executive directors:

Keith Taylor B.Sc B.C.A F.I.A., Chairman

Nelson Speirs, FCA.

Derek Walker, B.E.(Hons), B.B.S.

Nelson Speirs retires by rotation at the time of the 2012 Annual General Meeting of shareholders and, being eligible, seeks re-election.

FINANCIAL REVIEW

Financial Performance

The activities described above have impacted significantly upon the financial performance of the group during the financial year under review.

Speirs Group Limited recorded a loss after tax of \$751,000 compared to the loss of \$788,000 reported in the previous year. Our operating cash flow deficit reduced to \$52,000 down from \$390,000 reported in the previous year.

Speirs Foods Limited contributed a profit of \$136,000 (last year \$229,000). A net gain on acquisition of \$304,000 was made from the successful acquisition of a 50% share in the subordinated debt of Speirs Securities Limited along with a future revenue stream to perform the administrative functions for Speirs Securities Limited. The investment in Speirs Nutritionals was written down by \$266,000, largely reflecting reduced values for plant.

Corporate overheads amounted to \$395,000 (last year \$377,000) and net interest costs amounted to \$587,000 (last year \$633,000).

Dividend

The Directors have decided that no dividend be paid on the ordinary shares.

Investments

The company's principal external investments are with the Allied Farmers Group, arising from the sale of Speirs Finance in September 2008.

Speirs Group holds \$2 million of bonds in Allied Nationwide Finance Limited which is in receivership. Your directors remain uncertain as to the future collectability of this investment: accordingly, they continue to fully impair the investment in the bonds with an impairment provision of \$2 million. Speirs Group holds a put option over these bonds which enables the sale of the bonds to Allied Farmers on 30 September 2013. While Allied Farmers continues to recognise this as a liability in their published financial statements, the directors of Speirs Group have determined not to attribute any value to the put option until there is greater certainty that it

will be settled when put. Speirs Group also held half a million convertible redeemable preference shares in Allied Capital Limited. A notice of redemption was given to Allied Capital Limited in February 2012. Allied Capital did not make the required redemption payment and we remain an unsecured creditor of Allied Capital for the \$500,000 principal plus accrued dividends. Subsequent to year end Allied Capital was placed into liquidation as a result of legal action taken by Speirs Group. Allied Capital's only asset is a large parcel of shares in Allied Farmers Limited. The current low market value of Allied Farmers Limited shares means it is very unlikely that Allied Capital will be able to pay Speirs Group any of the amount that is owed. Accordingly the impairment provision raised previously for the full \$500,000 carrying value of the investment remains and no dividend accrual has been recognized.

OUTLOOK

Your directors' objective is to rebuild the value of the company. We continue to seek new business opportunities and to improve the financial performance of the existing businesses. In the year ahead we will be taking action to enhance our equity base and to address the maturing of borrowings in the latter part of 2013.

OUR PEOPLE

Nelson Speirs concluded his term as Chairman of the company at the AGM in November 2011. We wish to acknowledge the major contribution that Nelson has made to the company in this role and look forward to his continued involvement as a director.

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

A handwritten signature in black ink, appearing to read "K Taylor".

Keith Taylor
Chairman

A handwritten signature in black ink, appearing to read "D Walker".

Derek Walker
Director

10 September 2012

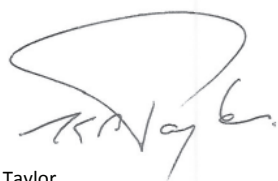
FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Notes	Group		Company	
		June	June	June	June
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Assets					
Current Assets					
Cash and Cash Equivalents	12	339	245	31	19
Trade and Other Receivables	13	1,205	1,107	37	7
Loans and Advances	16	200	200	350	200
Inventories	14	376	376	-	-
Total Current Assets		2,120	1,928	418	226
Non Current Assets					
Investment in Subsidiaries	29	-	-	4,000	4,000
Investment in Associates	15	701	977	784	1,050
Trade and Other Receivables	13	543	-	-	-
Loans and Advances	16	-	-	810	810
Property, Plant & Equipment	18	3,401	3,858	-	-
Intangible Assets	19	17	29	-	-
Total Non Current Assets		4,662	4,864	5,594	5,860
Total Assets		6,782	6,792	6,012	6,086
Liabilities					
Current Liabilities					
Trade and Other Payables	20	1,814	1,428	201	42
Total Current Liabilities		1,814	1,428	201	42
Non Current Liabilities					
Borrowings	21	4,086	4,365	2,391	2,875
Guarantee Provided to Speirs Investments Limited	27	-	-	2,000	2,000
Total Liabilities		5,900	5,793	4,592	4,917
Equity					
Contributed Capital	22	13,391	12,757	13,391	12,757
Accumulated Deficits		(12,509)	(11,758)	(11,971)	(11,588)
Capital & Reserves		882	999	1,420	1,169
Total Equity and Liabilities		6,782	6,792	6,012	6,086

The Board of Directors of Speirs Group Limited authorised these financial statements for issue on 10 September 2012.
Signed on behalf of the Board of Directors



Keith Taylor
Chairman



Derek Walker
Director

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

	Notes	Group		Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue		13,393	13,611	-	-
Movement in Inventory Levels		-	(27)	-	-
Purchases of Raw Materials		(4,418)	(4,553)	-	-
Employee Benefits Expense	6	(3,413)	(3,483)	(61)	(64)
Freight, Packaging & Other		(4,296)	(4,202)	-	-
Net Trading Income		1,266	1,346	(61)	(64)
Other Income	7	746	140	876	406
Total Net Income earned from Operating Activities		2,012	1,486	815	342
Share of Gain/(Loss) on Associates	15	(276)	24	-	-
Impairment (Loss) on Associate	15	-	(72)	(266)	(3,548)
Other Expenses	8	(1,396)	(986)	(395)	(377)
Earnings Before Interest, Depreciation and Amortisation		340	452	154	(3,583)
Interest Income		29	81	103	103
Interest Expense		(616)	(714)	(640)	(707)
Net Interest Expense	9	(587)	(633)	(537)	(604)
Depreciation, Impairment and Amortisation	18 & 19	(504)	(607)	-	-
Loss Before Income Tax		(751)	(788)	(383)	(4,187)
Income Tax (Expense)/ Benefit	10	-	-	-	-
Loss After Income Tax		(751)	(788)	(383)	(4,187)

	Note	Group		Company	
		2012 Cents	2011 Cents	2012 Cents	2011 Cents
Total Loss per Share Attributed to Equity Holders of the Company :					
Basic Loss per Share	11	(6.77)	(7.27)	(3.46)	(38.64)
Diluted Loss per Share	11	(6.77)	(7.27)	(3.46)	(38.64)

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

Group

	<i>Contributed Capital \$'000</i>	<i>Accumulated Deficits \$'000</i>	<i>Total Equity \$'000</i>
Balance at 1 July 2011	12,757	(11,758)	999
Comprehensive Income			
Loss for the Year	-	(751)	(751)
Total Comprehensive Income	-	(751)	(751)
Transactions with Owners			
Issue of Perpetual Preference Shares	584	-	584
Issue of Ordinary Shares	50	-	50
Total Transactions with Owners	634	-	634
Balance at 30 June 2012	13,391	(12,509)	882

Group

	<i>Contributed Capital \$'000</i>	<i>Accumulated Deficits \$'000</i>	<i>Total Equity \$'000</i>
Balance at 1 July 2010	12,757	(10,970)	1,787
Comprehensive Income			
Loss for the Year	-	(788)	(788)
Total Comprehensive Income	-	(788)	(788)
Balance at 30 June 2011	12,757	(11,758)	999

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

Company

	<i>Contributed Capital \$'000</i>	<i>Accumulated Deficits \$'000</i>	<i>Total Equity \$'000</i>
Balance at 1 July 2011	12,757	(11,588)	1,169
Comprehensive Income			
Loss for the Year	-	(383)	(383)
Total Comprehensive Income	-	(383)	(383)
Transactions with Owners			
Issue of Perpetual Preference Shares	584	-	584
Issue of Ordinary Shares	50	-	50
Total Transactions with Owners	634	-	634
Balance at 30 June 2012	13,391	(11,971)	1,420

Company

	<i>Contributed Capital \$'000</i>	<i>Accumulated Deficits \$'000</i>	<i>Total Equity \$'000</i>
Balance at 1 July 2010	12,757	(7,401)	5,356
Comprehensive Income			
Loss for the Year	-	(4,187)	(4,187)
Total Comprehensive Income	-	(4,187)	(4,187)
Balance at 30 June 2011	12,757	(11,588)	1,169

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

		<i>Group</i>		<i>Company</i>	
	<i>Notes</i>	2012	2011	2012	2011
		\$'000	<i>\$'000</i>	\$'000	<i>\$'000</i>
Cash Flows from Operating Activities					
Interest Received		29	81	103	103
Dividends Received		10	10	800	340
Cash Receipts from Customers		13,367	13,543	-	-
Other Income		193	138	76	66
Dividends Paid on Convertible Redeemable Preference Shares		(289)	(293)	(293)	(293)
Interest Expense		(170)	(207)	(200)	(200)
Cash Paid to Suppliers and Employees		(13,192)	(13,662)	(327)	(571)
Net Cash from Operating Activities	23	(52)	(390)	159	(555)
Cash Flows from Investing Activities					
Proceeds from Sale of Property, Plant & Equipment		43	24	-	-
Repayment of Advances from Speirs Nutritionals		-	569	-	569
Advances from Speirs Foods Limited		-	-	-	487
Cash transferred to Speirs Foods Limited on 1 July 2010		-	-	-	(316)
Investment in Associates		-	(298)	-	(298)
Advance to Speirs Securitisation LP		-	-	(150)	-
Acquisition of Intangible Assets		-	(38)	-	-
Acquisition of Property, Plant & Equipment		(105)	(58)	-	-
Net Cash Flows from Investing Activities		(62)	199	(150)	442
Cash Flows from Financing Activities					
Issue of Ordinary Shares		50	-	50	-
Proceeds from Borrowings		205	300	-	-
Costs of Issuing Equity (PPS)		(47)	-	(47)	-
Repayments of Borrowings		-	(510)	-	(510)
Net Cash Flows from Financing Activities		208	(210)	3	(510)
Net Increase / (Decrease) in Cash and Cash Equivalents		94	(401)	12	(623)
Cash and Cash Equivalents at Beginning of Year		245	646	19	642
Cash and Cash Equivalents at Year End	12	339	245	31	19

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

1 GENERAL INFORMATION

Speirs Group Limited operates as a holding company. Speirs Investments Limited is a wholly owned subsidiary of Speirs Group Limited and operates as an investment holding company which has issued secured stock to the public. 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 Securitisation LP was formed on 31 May 2012 and is also a wholly owned subsidiary of Speirs Group Limited and is involved in providing administrative services to a securitisation programme.

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

Speirs Group Limited has equity securities listed on the alternative list (NZAX) of New Zealand Exchange Limited.

These consolidated financial statements have been approved for issue by the Board of Directors on 10 September 2012.

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 financial statements have been prepared in accordance with Generally Accepted Accounting Practices in New Zealand. 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 financial statements are presented in New Zealand dollars, the company's functional currency, and are rounded to the nearest thousand. They are prepared using the historical cost basis.

Compliance with International Financial Reporting Standards

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

Entities Reporting

The financial statements of the 'Company' are for Speirs Group Limited as a separate legal entity.

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

The Parent Company and the Group are designated as profit-oriented entities for financial reporting purposes.

Statutory Base

Speirs Group Limited is a company registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993.

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

Critical Accounting Estimates

The preparation of financial statements in conformity with NZ IFRS and 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 ('company' or 'parent entity'), its wholly owned subsidiaries Speirs Foods Limited, Speirs Securitisation LP and Speirs Investments Limited as at 30 June 2012. Speirs Group Limited and its wholly owned subsidiaries 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 its financial assets in the following category: 'loans and advances'. 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.

Regular purchases and sales of financial assets are recognised on the trade – date - the date on which the Group commits to purchase or sell the asset.

Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and advances are accounted for at amortised cost using the effective interest method. Loans and receivables are initially recognised at fair value inclusive of transaction costs. Loans and receivables are derecognised when the rights to receive cash flows from them have expired or where the Group has transferred substantially all risks and rewards of ownership.

2.5 Compound Financial Instruments

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The equity component of a compound financial instrument is recognised as part of Contributed Capital.

2.6 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), Speirs Investments 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.

2.7 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.

2.8 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 definite life and are amortised over the best estimate of their useful lives (4 years).

2.9 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.

2.10 Trade Receivables and Loans and Advances

Trade receivables and loans and advances are initially recognised at fair value and subsequent to initial recognition are measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables and loans and advances 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, loan and or advance. 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.

2.11 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, and bank overdrafts. Bank overdrafts are shown within liabilities on the statement of financial position.

2.12 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.

2.13 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.

2.14 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 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.

2.15 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.

Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever the employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal.

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.

2.16 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.

2.17 Income Tax

Income tax on the profit or loss for the year 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.

2.18 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 statement of comprehensive income when the service has been performed.

Interest Income

Interest income and expense are recognised in the 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.

2.19 Other Income

Dividend Income

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

2.20 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.

2.21 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.

2.22 Goods and Services Tax (GST)

The 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.

2.23 Functional and Presentation Currency

Transactions and balances

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 statements of comprehensive income, except when deferred in equity as qualifying cash flow hedges in which case, they are recognised in other comprehensive income.

2.24 Investment in Subsidiaries and Associates

The Parent Company records its investment in subsidiaries and associates at cost less any accumulated impairment losses.

2.25 Guarantee Provided to Speirs Investments Limited

The guarantee provided by Speirs Group Limited to pay quarterly interest payments and principal repayment of the secured stock issued by Speirs Investments Limited is recognised in the parent company financial statements at fair value at the date the guarantee was provided and is subsequently measured at the higher of:

- the amount initially recognised less cumulative amortisation using the effective interest method; and
- the present value of the payments expected to be required to settle the obligation.

2.26 COMPARATIVES

Certain comparatives have changed to comply with current year presentation.

2.27 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 2011 that are relevant to the Group.

b) Standards not early adopted by the Group:

The following existing standards relevant to the Group have been published that are mandatory for the Group's accounting periods beginning on 1 July 2012 or later periods but that the Group has not early adopted:

NZ IFRS 9: Financial Instruments (released and approved in December 2009). This standard represents the beginning of re-writing the current financial instruments standard, NZIAS39. It reduces the classifications and measurement methods available for financial assets from four to three, being amortised cost, loans and advances or fair value through profit or loss.

NZ IFRS 10: Consolidation Financial Statements (Issued June 2011). This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

NZ IFRS 12: Disclosure of Interest in Other Entities (Issued June 2011). This is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates special purpose vehicles and other off balance sheet vehicles.

NZ IAS 28 (revised): Investments in Associates and Joint Ventures (Issued June 2011). The revised standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures

Initial applications of the standards are not expected to have any material impact on the financial statements of the Group.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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. The accounting estimates and assumptions deemed critical to the Group's results and financial position, based upon materiality and significant judgements and estimates, are discussed below:

Valuation Assumptions of Investment in Rosa Foods Limited

The Group has conducted impairment tests over this cash generating unit using cash flow projections based on financial forecasts approved by senior management covering a five year period and an assumed terminal real growth rate of 2% (2011: 2%). The Group has applied a discount rate of 18.80% (2011: 18.80%) to pre tax cash flows.

Recoverability of Allied Capital Limited Convertible Redeemable Preference Shares/Debt Owing

The recoverability of the Convertible Redeemable Preference Shares/Debt Owing is subject to any proceeds received after the senior debt in Allied Capital Limited has been repaid. Speirs Group Limited has applied to the Court to place Allied Capital Limited into liquidation. This, combined with a review of the known assets and liabilities of Allied Capital Limited and the uncertainty therefore surrounding future recoverability of the Preference Shares the directors of Speirs Group Limited have determined that it is appropriate that a full provision remains in place against this asset.

Recoverability of Allied Nationwide Finance Limited (In Receivership) Perpetual Bonds ("Unsecured Debt")

The recoverability of the unsecured debt is subject to any proceeds received from the Receiver of Allied Nationwide Finance Limited (In Receivership). As there is considerable uncertainty surrounding any future recoveries the directors have deemed it appropriate that a full provision remains in place against the unsecured debt.

Speirs Nutritionals Partners LP

Speirs Group Limited's carrying value of its investment in Speirs Nutritionals Partners LP is based upon the underlying value of the Limited partnership's net assets. The Limited Partnership is currently in the process of disposing of some items of plant and equipment. At 30 June 2012 best estimates of the estimated selling value of certain items of plant and equipment have been made and appropriate impairment provisions made. Should the actual sales value be less than the estimated realisable value additional losses will be incurred.

Valuation of Subordinated Debt in Speirs Securities Limited

Speirs Securitisation LP's carrying value in relation to its share of the subordinated debt in Speirs Securities Limited is dependent upon the recovery of loans made to Speirs Securities Limited borrowers, which are predominantly secured over commercial motor vehicles. In arriving at the carrying value of Speirs Securitisation LP's share of the subordinated debt in Speirs Securities Limited provision has been made for non performance by some borrowers.

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 Limited and Speirs Securitisation LP

The Group operates predominantly within New Zealand.

Group 12 months June 2012	Speirs Foods	Other	Reconciliation	Consolidated
	\$'000	\$'000	\$'000	\$'000
External Revenue				
Interest Income	8	21	-	29
Revenue	13,393	-	-	13,393
Other Income	147	599	-	746
Intersegment Revenue / (Eliminations)	-	866	(866)	-
Total Segment Revenue	13,548	1,486	(866)	14,168
Interest Expense	(44)	(572)	-	(616)
Overall Segment Result	136	53	(940)	(751)
Income Tax Expense				-
Profit/(Loss) for the Year				(751)
Segment Assets	5,252	5,530	(4,000)	6,782
Segment Liabilities	2,017	3,883	-	5,900
Depreciation, Impairment and Amortisation	504	-	-	504
Capital Expenditure	105	-	-	105

Two customers account for 76% of the total Trading Income

Group 12 months June 2011	Speirs Foods \$'000	Other \$'000	Reconciliation \$'000	Consolidated \$'000
External Revenue				
Interest Income	7	74	-	81
Revenue	13,611	-	-	13,611
Other Income	130	10	-	140
Intersegment Revenue / (Eliminations)	-	396	(396)	-
Total Segment Revenue	13,748	480	(396)	13,832
Interest Expense	(38)	(676)	-	(714)
Impairment Loss on Associates	-	(72)	-	(72)
Overall Segment Result	229	(621)	(396)	(788)
Income Tax Expense				-
Profit/(Loss) for the Year				(788)
Segment Assets	5,592	5,200	(4,000)	6,792
Segment Liabilities	1,685	4,108	-	5,793
Depreciation and Amortisation	607	-	-	607
Capital Expenditure	42	-	-	42

Two customers account for 76% of the total Trading Income

5 FINANCIAL ASSETS AND LIABILITIES

Accounting Classifications and Fair Values

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

Group 30 June 2012

	Available for Sale \$'000	Loans and Receivables \$'000	Financial Liabilities at Amortised Cost \$'000	Total Carrying Value \$'000	Fair Value \$'000
Trade and Other Receivables	543	1,205	-	1,748	1,748
Loans and Advances	-	200	-	200	200
Cash and Cash Equivalents	-	339	-	339	339
	543	1,744	-	2,287	2,287
Trade and Other Payables	-	-	1,814	1,814	1,814
Borrowings	-	-	4,086	4,086	4,086
	-	-	5,900	5,900	5,900

Group 30 June 2011

	Loans and Receivables \$'000	Financial Liabilities at Cost \$'000	Total Carrying Value \$'000	Fair Value \$'000
Trade and Other Receivables	1,060	-	1,060	1,060
Loans and Advances	200	-	200	200
Cash and Cash Equivalents	245	-	245	245
	1,505	-	1,505	1,505
Trade and Other Payables	-	1,428	1,428	1,428
Borrowings	-	4,365	4,365	4,365
	-	5,793	5,793	5,793

Company 30 June 2012

	Loans and Receivables \$'000	Financial Liabilities at Amortised Cost \$'000	Total Carrying Value \$'000	Fair Value \$'000
Cash and Cash Equivalents	31	-	31	31
Loans and Advances	1,160	-	1,160	1,160
	1,191	-	1,191	1,191
Trade and Other Payables	-	201	201	201
Guarantee to Speirs Investments Limited	-	2,000	2,000	2,000
Borrowings	-	2,391	2,391	2,391
	-	4,592	4,592	4,592

Company 30 June 2011

	Loans and Receivables \$'000	Financial Liabilities at Amortised Cost \$'000	Total Carrying Value \$'000	Fair Value \$'000
Cash and Cash Equivalents	19	-	19	19
Trade and Other Receivables	7	-	7	7
Loans and Advances	1,010	-	1,010	1,010
	1,036	-	1,036	1,036
Trade and Other Payables	-	42	42	42
Guarantee to Speirs Investments Limited	-	2,000	2,000	2,000
Borrowings	-	2,875	2,875	2,875
	-	4,917	4,917	4,917

Determination of Fair Values

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet 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

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.

Non-Derivative Financial Liabilities – at net present value.

6 EMPLOYEE BENEFITS EXPENSE

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Employee Benefits Expense				
Wages and Salaries	3,343	3,322	61	61
Other Personnel Expenses	70	161	-	3
Total Employee Benefits Expense	3,413	3,483	61	64

7 OTHER INCOME

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Other Income				
Dividends from Subsidiaries	-	-	800	330
Fees Charged to Subsidiaries	-	-	66	66
Gain on Disposal of Property, Plant and Equipment	-	2	-	-
Gain on Acquisition of Speirs Securities Limited	555	-	-	-
Rental Income	72	67	-	-
Other Income	119	71	10	10
Total Other Income	746	140	876	406

8 OTHER EXPENSES

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Other Expenses				
Fees Paid to Auditors				
Statutory Audit of Financial Statements - KPMG	36	-	36	-
Statutory Audit of Financial Statements - PwC	-	58	-	58
Underaccrual of 2011 Audit Fee - PwC	12	-	12	-
Other Assurance Services - PwC	-	3	-	3
Other Assurance Services – KPMG *	-	-	-	-
Taxation Compliance Services - PwC	6	11	6	11
Directors Fees - Parent	130	125	130	125
Directors Fees – Subsidiaries	32	-	-	-
Bad Debts Written Off	-	6	-	-
Insurance	248	178	17	22
Legal Fees – Speirs Securitisation LP Transaction	185	-	-	-
Legal Fees	28	55	28	54
Loss on Disposal of Sale of Property, Plant & Equipment	27	-	-	-
Rental Expenditure	7	2	-	-
Other Expenses	685	548	166	104
Total Other Expenses	1,396	986	395	377

* KPMG was paid \$7,700 for advice provided in relation to the issue of the Perpetual Preference Shares. In accordance with IFRS this amount was deducted from the equity raised rather than appearing as an expense in the Statement of Comprehensive Income.

9 NET INTEREST INCOME/ (EXPENSE)

	<i>Group</i>		<i>Company</i>	
	2012	<i>2011</i>	2012	<i>2011</i>
	\$'000	<i>\$'000</i>	\$'000	<i>\$'000</i>
Interest Income				
Cash and Cash Equivalents	8	13	-	5
Loans and Advances	21	68	103	98
Total Interest Income	29	81	103	103
Interest Expense				
Borrowings				
Convertible Redeemable Preference Shares	293	293	293	293
Unwind of Discount on Convertible Redeemable Preference Shares	147	214	147	214
Secured Stock	119	170	200	200
Mortgage	44	29	-	-
On all other borrowings	13	8	-	-
Total Interest Expense	616	714	640	707
Net Interest Income/(Expense)	(587)	(633)	(537)	(604)

10 INCOME TAX EXPENSE

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Tax Expense				
Current Tax	-	-	-	-
Deferred Tax Expense/(Benefit) – Note 17	-	-	-	-
Income Tax Expense/(Benefit)	-	-	-	-
<i>Group</i>				
	2012	2011		
	\$'000	\$'000		
Reconciliation of Effective Tax Rate				
Loss Before Income Tax	(751)	(788)		
Income Tax at 28% (June 2011: 30%)	(210)	(236)		
Loss/(Gain) on Associates	44	14		
Non-deductible Expenses	133	99		
Unrecognised Future Income Tax Benefit	33	123		
	-	-		
<i>Company</i>				
	2012	2011		
	\$'000	\$'000		
Reconciliation of Effective Tax Rate				
Loss Before Income Tax	(383)	(4,187)		
Income Tax at 28% (June 2011: 30%)	(107)	(1,256)		
Non-deductible Expenses	208	1,288		
Tax Exempt Income	(224)	(99)		
Tax Offsets/Allocations from Group Entities	68	(276)		
Unrecognised Future Income Tax Benefit	55	343		
	-	-		
<i>Group and Company</i>				
	2012	2011		
	\$'000	\$'000		
Imputation Credits				
Imputation Credits at Beginning of Period	3,945	4,070		
Income Tax Paid/(Income Tax Refunds Received)	-	-		
Imputation Credits Attached to Dividends Received	-	-		
Imputation Credits Attached to Convertible Redeemable Preference Share Dividends Paid	(125)	(125)		
Imputation Credits at Period End	3,820	3,945		

The imputation credits are available to shareholders of the Company through their shareholdings in the Company.

11 EARNINGS PER SHARE

Basic and Diluted Loss per Share

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Loss Attributable to Ordinary Shareholders				
Loss for the Year	(751)	(788)	(383)	(4,187)
Loss for the Year Attributable to Ordinary Shareholders	(751)	(788)	(383)	(4,187)

	Note	Group and Company	
		2012 '000	2011 '000
Weighted Average Number of Ordinary Shares – Basic and Diluted			
Issued Ordinary Shares at Beginning of the Year	22	10,835	10,835
Issued Ordinary Shares at End of the Year		11,335	10,835
Weighted Average Number of Ordinary Shares at Period End – Basic and Diluted		11,085	10,835

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2012 \$'000	30 June 2011 \$'000
Cash and Cash Equivalents				
Cash at Bank	234	145	27	10
Short Term Deposits – Call	105	100	4	9
Total Cash & Cash Equivalents	339	245	31	19

All cash and cash equivalents are held in registered banks.

At 30 June 2012 and 30 June 2011 the Company has no overdraft facility.

The effective interest rates at reporting date with respect to cash and cash equivalents are set out in the table below:

	Group		Company	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Cash and Cash Equivalents				
Cash at Bank	-	-	-	-
Short Term Deposits – Call	3.00%	3.00%	3.00%	3.00%

13 TRADE AND OTHER RECEIVABLES

Group	30 June 2012		30 June 2011	
	Gross Amount \$'000	Carrying Amount \$'000	Gross Amount \$'000	Carrying Amount \$'000
Trade and Other Receivables				
Trade Receivables	1,086	1,086	1,060	1,060
Subordinated Debt in Speirs Securities Limited	543	543	-	-
GST Refund	20	20	-	-
Prepayments	99	99	47	47
Total Trade and Other Receivables	1,748	1,748	1,107	1,107
Current	1,205	1,205	1,107	1,107
Non Current	543	543	-	-
Total	1,748	1,748	1,107	1,107

The subordinated debt in Speirs Securities Limited represents Speirs Securitisation LP's interest in the subordinated debt issued by Speirs Securities Limited. Speirs Securities Limited also issues senior ranking debt to a New Zealand Registered Bank. Speirs Securities Limited's assets principally comprise finance receivables which are secured by way of a first charge over, predominantly, commercial motor vehicles.

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

Company	30 June 2012			30 June 2011		
	Gross Amount \$'000	Impairment Allowance \$'000	Carrying Amount \$'000	Gross Amount \$'000	Impairment Allowance \$'000	Carrying Amount \$'000
Trade and Other Receivables						
Receivable from Speirs Foods	-	-	-	7	-	7
Prepayments	37	-	37	-	-	-
Total Trade and Other Receivables	37	-	37	7	-	7

14 INVENTORIES (Group Only)

	Group	
	30 June 2012 \$'000	30 June 2011 \$'000
Inventories		
Raw Materials and Consumables	312	288
Finished Goods	64	88
Total	376	376

No inventory is subject to retention of title clauses.

15 ASSOCIATE ENTITIES

Overall Summary

	<i>Group</i>	
	30 June	30 June
	2012	2011
	\$'000	\$'000
Investments Equity Accounted		
Share of Rosa Foods Limited	417	427
Share of Speirs Nutritionals Partners LP	284	550
	701	977
Share of Profit/(Loss) of Associates		
Share of Profit/(loss) of Rosa Foods Limited	(10)	11
Share of Profit of Speirs Nutritionals Partners LP	(266)	13
	(276)	24
	<i>Company</i>	
Investments in Associates		
Investment in Rosa Foods Limited	500	500
Less Impairment to Investment – Rosa Foods Limited	-	-
Investment in Speirs Nutritionals Partners LP	4,098	4,098
Less Impairment to Investment – Speirs Nutritionals Partners LP	(3,814)	(3,548)
	784	1,050

During the year ended 30 June 2011 Speirs Nutritionals Partners LP sold their Know How and Intellectual Property to a UK based company who will use these assets to manufacture and distribute Omega -3 products. Due to the lack of certainty regarding future income streams from this activity, the directors have decided to impair the investment the Company holds in Speirs Nutritionals Partners LP to an amount equivalent to the Company's share of the net assets of Speirs Nutritionals Partners LP.

(a) Rosa Foods Limited

On 1 April 2008 the Company 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 for the period ended 30 June 2012. The Company did not receive a dividend from Rosa during the period ended 30 June 2011.

	<i>Group</i>	
	30 June	30 June
	2012	2011
	\$'000	\$'000
Opening Balance	427	416
Share of surplus/(deficit) after tax of associate	(10)	11
Closing Balance	417	427

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

	2012	2011
	\$'000	\$'000
Current Assets	355	352
Goodwill	550	550
Property Plant and Equipment	591	648
Total Assets	1,496	1,550
Current Liabilities	440	391
Non Current Liabilities	124	202
Total Liabilities	564	593
Net Assets	932	957

(b)Speirs Nutritionals Partners LP

On 1 February 2010 the Company acquired a 59.61% interest in Speirs Nutritionals Partners LP ("SNPLP") in return for selling the Company's shares in Speirs Nutritionals Limited following a restructuring of the entities within the Group. SNPLP is a Limited Partnership which was formed when Speirs Nutritionals trading entity was changed from that of a company to that of a Limited Partnership. During the year ended 30 June 2011 Speirs Group Limited increased its interest in SNPLP from 59.61% to 60.657%. Financial information for SNPLP has been extracted from unaudited management accounts for the year ended 30 June 2012. SNPLP is not accounted for as a subsidiary as Speirs Group (under the terms of the underlying Partnership Agreement) does not have control of SNPLP. It does, however, have significant influence.

	<i>Group</i>	
	2012	2011
	\$'000	\$'000
Share of surplus/(deficit) of associate	(266)	13
Taxation expense	-	-
Share of deficit after tax of associate	(266)	13
Less share of dividends received	-	-
Net addition/(deletion) to the investment carrying value	(266)	13
Prior Year Balance Brought Forward	550	311
Additional Investment in Limited Partnership	-	298
Impairment on Acquisition or as a Result of Additional Investment	-	(72)
	284	550

The impairment on acquisition relates to the recognition of previously unrecognised losses due to the accounting policy which ceased recognising the trading losses of an associate when the net value of the investment in the associate declined to nil.

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

	2012	2011
	\$'000	\$'000
Current Assets	105	90
Property Plant and Equipment	568	1,082
Total Assets	673	1,172
Current Liabilities	4	265
Non Current Liabilities	200	-
Total Liabilities	204	265
Net Assets	469	907
Speirs Group Share (60.657%)	284	550

16 LOANS AND ADVANCES

	<i>Group</i>		<i>Company</i>	
	30 June	<i>30 June</i>	30 June	<i>30 June</i>
	2012	<i>2011</i>	2012	<i>2011</i>
	\$'000	<i>\$'000</i>	\$'000	<i>\$'000</i>
Allied Capital Convertible Redeemable Preference Shares	-	500	-	500
Allied Capital – Debt Owning	500	-	500	-
Loan to Speirs Nutritionals Partners LP	200	200	200	200
Loan to Speirs Securitisation LP	-	-	150	-
Speirs Investments Limited Unsecured Stock	-	-	810	810
Allied Nationwide Finance Limited Perpetual Bonds	2,000	2,000	-	-
	2,700	2,700	1,660	1,510
Provision for Impairment	(2,500)	(2,500)	(500)	(500)
	200	200	1,160	1,010
Current	200	200	350	200
Non-Current	-	-	810	810
	200	200	1,160	1,010

Allied Capital Convertible Redeemable Preference Shares/Debt Owning

As part of the sale of the Company's shareholding in Allied Farmers Limited to Allied Capital Limited on 22 May 2009 the Company received 500,000 \$1 Convertible Redeemable Preference Shares in Allied Capital Limited. The main terms of issue are that the Convertible Redeemable Preference shares have a coupon rate of 10% per annum. The Convertible Redeemable Preference shares can be converted (at Speirs' option) to either cash or ordinary shares in Allied Capital Limited in the period from 30 May 2011 to 30 May 2012.

On 29 February 2012 Speirs Group Limited converted its Allied Capital Convertible Redeemable Preference Shares into an unsecured debt owing from Allied Capital Limited. The unsecured debt ranks ahead of Allied Capital Limited's shareholders funds.

On 6 June 2012 Speirs Group Limited applied to the High Court to have a liquidator appointed to liquidate Allied Capital Limited. On 18 July 2012 the High Court appointed the Official Assignee as Allied Capital Limited's liquidator.

As the prior ranking liabilities of Allied Capital Limited are likely to exceed the value of Allied Capital Limited's assets the directors of Speirs Group Limited decided to continue to fully impair this receivable.

Allied Nationwide Finance Limited Perpetual Bonds

As part of the sale of the finance division of Speirs Group Limited on 30 September 2008, the Company received, as part of the consideration 2,000,000 \$1 Subordinated Perpetual Bonds in Allied Nationwide Finance Limited. The Allied Nationwide Finance Limited Perpetual Bonds ("The Bonds") have a par value of \$1.00 per bond.

The interest rate on the Bonds is reset annually on the 30th of September at the greater of 10.00% or the one year swap rate plus 4.50%. For the period ended 30 June 2012 the interest rate applicable to The Bonds was 10.00%.

The Bonds are a component of Subordinated Debt of Allied Nationwide Finance Limited.

During the year ended 30 June 2010 the Bonds were transferred to a wholly owned subsidiary of Speirs Group Limited, Speirs Investments Limited. On 20 August 2010 Allied Nationwide Finance Limited went into receivership. At 30 June 2012 Allied Nationwide Finance Limited (In Receivership) remains in receivership. For this reason the directors have decided to fully impair this receivable.

Loan to Speirs Nutritionals Partners LP

The Company has a loan facility to Speirs Nutritionals Partners LP. The facility is supported by a first charge over the assets of Speirs Nutritionals Partners LP. The interest rate on the loan is 10.50%. The loan matures on 30 June 2013. Note 15 discloses the assets and liabilities of Speirs Nutritionals Partners LP at 30 June 2012 and 2011.

Loan to Speirs Securitisation LP

The Company has a loan to Speirs Securitisation LP. The facility is unsecured. The interest rate on the loan is 8.25%. The loan is on an "on call" basis.

17 DEFERRED INCOME TAX ASSET

Unrecognised Deferred Tax Assets

The Group has a deferred tax asset of \$7,885,939 (2011: \$7,853,227) which has not been recognised. The asset not recognised is principally composed of tax losses which would require taxable profit to realise them in excess of that which can be reliably estimated in the medium term.

The Company has a deferred tax asset of \$8,252,307 (2011: \$8,305,389) which has not been recognised. The asset not recognised is principally composed of tax losses which would require taxable profit to realise them in excess of that which can be reliably estimated in the medium term.

18 PROPERTY, PLANT AND EQUIPMENT (Group Only)

	Land \$'000	Buildings \$'000	Computer Equipment \$'000	Vehicles \$'000	Other Plant & Equipment \$'000	Capital Work in Progress \$'000	Total \$'000
Cost							
Balance at 1 July 2010	80	2,787	911	399	4,850	48	9,075
Additions	-	7	4	36	53	-	100
Disposals / Transfers	-	-	(5)	(49)	(624)	(42)	(720)
Balance at 30 June 2011	80	2,794	910	386	4,279	6	8,455
Additions	-	12	2	15	70	6	105
Disposals / Transfers	-	-	-	(16)	(114)	-	(130)
Balance at 30 June 2012	80	2,806	912	385	4,235	12	8,430
Depreciation and Impairment Losses							
Balance at 1 July 2010	-	366	611	307	3,381	-	4,665
Depreciation for the Year	-	118	75	25	370	-	588
Disposals	-	-	(5)	(29)	(622)	-	(656)
Balance at 30 June 2011	-	484	681	303	3,129	-	4,597
Depreciation for the Year	-	118	55	23	242	-	438
Impairment	-	-	-	-	54	-	54
Disposals	-	-	-	(16)	(44)	-	(60)
Balance at 30 June 2012	-	602	736	310	3,381	-	5,029
Carrying Amounts							
At 1 July 2010	80	2,421	300	92	1,469	48	4,410
At 30 June 2011	80	2,310	229	83	1,150	6	3,858
At 30 June 2012	80	2,204	176	75	854	12	3,401

All assets are used for food processing purposes.

19 INTANGIBLE ASSETS (Group Only)

	30 June 2012 Purchased Software \$'000	30 June 2011 Purchased Software \$'000
Cost		
Balance at Beginning of Year	164	126
Additions	-	38
Disposals	-	-
Balance at End of Year	164	164
Amortisation and Impairment Losses		
Balance at Beginning of Year	135	116
Amortisation for the Year	12	19
Disposals	-	-
Balance at End of Year	147	135
Carrying Amounts		
At Beginning of Year	29	10
At End of Year	17	29

20 TRADE AND OTHER PAYABLES

	<i>Group</i>		<i>Company</i>	
	30 June 2012 \$'000	<i>30 June 2011 \$'000</i>	30 June 2012 \$'000	<i>30 June 2011 \$'000</i>
Trade and Other Payables				
Trade Payables	1,397	1,009	84	22
Owing to Speirs Foods	-	-	82	-
Provisions	5	5	-	-
Other Payables and Accrued Expenses	412	414	35	20
	1,814	1,428	201	42

21 BORROWINGS

	<i>Group</i>		<i>Company</i>	
	30 June 2012 \$'000	<i>30 June 2011 \$'000</i>	30 June 2012 \$'000	<i>30 June 2011 \$'000</i>
Borrowings				
Secured Stock – Speirs Investments Limited	1,190	1,190	-	-
Mortgage Facility	505	300	-	-
Convertible Redeemable Preference Shares	2,391	2,875	2,391	2,875
	4,086	4,365	2,391	2,875
Current	-	-	-	-
Non-Current	4,086	4,365	2,391	2,875
	4,086	4,365	2,391	2,875

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

	Group		Company	
	30 June 2012 %	30 June 2011 %	30 June 2012 %	30 June 2011 %
Borrowings				
Secured Stock – Speirs Investments Limited	10.00%	10.00%	-	-
Mortgage Facility	8.25%	8.95%	-	-
Convertible Redeemable Preference Shares	9.00%	9.00%	9.00%	9.00%

Secured Stock – Speirs Investments Limited

The secured stock is secured under the Terms of the Trust Deed dated 20 July 2009 between Speirs Investments Limited and Perpetual Trust Limited. The secured stock matures on 2 October 2013. The interest rate on the secured stock is reset annually on the 30th of September at the greater of 10.00% or the one year swap rate plus 4.50%.

Mortgage Facility

Speirs Foods Limited has a mortgage funding facility for up to \$985,000. The facility has a maturity date of 10 July 2014. The facility is secured by a mortgage over the properties owned by Speirs Foods Limited, along with a charge over the assets and undertakings of Speirs Foods Limited and an unsecured guarantee from Speirs Group Limited.

Convertible Redeemable Preference Shares

During the year ended 30 June 2010 3,250,000 convertible redeemable preference shares were issued at \$1 each. The convertible redeemable preference shares have a redemption date of 14 December 2013. At the redemption date the holders of the convertible redeemable preference shares have the option in redeeming their shares in cash (on a \$ for \$ basis) or converting the convertible redeemable preference shares to ordinary shares in the company at a ratio of 3 ordinary shares for every 2 convertible redeemable preference shares held. The convertible redeemable preference shares rank behind all other liabilities of the company but ahead of ordinary shareholders. During the year ended 30 June 2012, in accordance with shareholder resolutions passed at a special shareholder meeting, 679,000 convertible redeemable preference shares were repurchased and cancelled by the Company.

22 CONTRIBUTED CAPITAL

Group and Company

	30 June 2012 \$'000	30 June 2011 \$'000
Balance at 1 July	12,757	12,757
Issue of Perpetual Preference Shares (net of issue costs)	584	-
Issue of 500,000 Fully Paid Ordinary Shares at 10c per share	50	-
Balance at Year End	13,391	12,757

The Company issued Convertible Redeemable Preference Shares during the year ended 30 June 2010 (see Note 21). Under NZ IFRS such instruments are required to be discounted using an appropriate discount rate for instruments of similar risk. Any variance between the discounted cash flow calculation and the carrying value is accounted for as a component of Contributed Capital.

Group and Company

	Ordinary Shares	
	30 June 2012 '000	30 June 2011 '000
Number of Shares on issue at 1 July	10,835	10,835
Issue of 500,000 Fully Paid Ordinary Shares	500	-
Number of Shares on issue at Period End	11,335	10,835

The total authorised number of ordinary shares is **11,334,576** (30 June 2011: 10,834,576). 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.

Dividends

During the year the Company did not pay any dividends (2011: Nil)

Subsequent to 30 June 2012, the Directors proposed that no ordinary dividend be paid for the year ended 30 June 2012.

Perpetual Preference Shares

Group and Company	Perpetual Preference Shares	
	30 June 2012 '000	30 June 2011 '000
Number of Shares on issue at 1 July	-	-
Issued During the Year	679	-
Number of Shares on issue at Period End	679	-

During the year ended 30 June 2012, in accordance with shareholder resolutions passed at a special shareholder meeting, 679,000 perpetual preference shares ("PPS") were issued at \$1 each

The table below sets out some of the key terms of the PPS.

Issue price	\$1.00 each.
Dividends payable by the Company	Dividends are only payable if authorised by the Board. If authorised, dividends are payable at the higher of: <ul style="list-style-type: none"> (a) 9% per annum; and (b) the average bid and offered swap rate for a one year swap as quoted on the Reuters Screen Page "FISSWAP" (which is currently around 2.4%) plus 5%. No dividends may be authorised by the Board in respect of ordinary shares in the Company unless dividends are authorised in respect of the PPS and all dividends on the PPS, including authorised but unpaid dividends, have been paid.
Ranking in respect of dividends	Behind the dividends payable on the CRPS, equally with all other dividends payable on the PPS, and ahead of dividends payable on ordinary shares in the Company and any other shares in the Company that are expressed to rank behind the PPS.
When redeemable	May, at the sole option of the Company, be redeemed by the Company at any time after 10 years from the issue date (i.e. from 2022).
Redemption amount payable by the Company	\$1.00 plus any authorised but unpaid dividends.
When convertible	Convertible at the election of the holder between 5 and 10 years from the date of issue (i.e. between 2017 and 2022).
Rate of conversion	1 PPS converts into 8 ordinary shares in the Company.
Ranking in liquidation	Behind the creditors of the Company, behind the CRPS holders, but ahead of ordinary shareholders and any other holders of shares that are expressed to rank behind the CRPS.

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

	<i>Group</i>		<i>Company</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Reconciliation of Profit/(Loss) After Tax for the Year to Net Cash from Operating Activities				
Profit/(Loss) for the Year	(751)	(788)	(383)	(4,187)
Adjustments for Non-Cash Items:				
Depreciation and Impairment on Property, Plant and Equipment	492	588	-	-
Amortisation of Intangible Assets	12	19	-	-
Bad Debts Written-off	-	6	-	-
Non Cash Gain on Acquisition of Speirs Securities Limited	(543)	-	-	-
Share of Associates (Gains)/ Losses	276	(24)	-	-
Impairment Loss on Associate	-	72	266	3,548
Unwind of Discount on Convertible Redeemable Preference Shares	147	214	147	214
(Gain) / Loss on Sale of Property Plant and Equipment	27	(2)	-	-
	(340)	85	30	(425)
Movement in Other Working Capital Items:				
Change in Inventories	-	27	-	-
Change in Trade and Other Receivables	(98)	(107)	(37)	-
Change in Trade and Other Payables	386	(395)	166	(130)
Net Cash From Operating Activities	(52)	(390)	159	(555)

24 RELATED PARTIES

Transactions with Key Management Personnel

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

Key management personnel compensation comprised:

	<i>Group</i>		<i>Company</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Short-Term Employee Benefits	403	393	61	61
Termination Benefits	-	3	-	3
	403	396	61	64

Other Transactions with Key Management Personnel

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

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

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

Entities with which Speirs Group Limited is deemed to be related are: Speirs Foods Limited (a wholly owned subsidiary), Speirs Investments Limited (a wholly owned subsidiary), Speirs Nutritionals Partners LP (a Limited partnership in which Speirs Group has a 60.57% interest), Speirs Securitisation LP (a Limited Partnership in which Speirs Group Limited is the Limited Partner) and Rosa Foods Limited (a company in which Speirs Group Limited has a 40% interest).

Transactions for the year ended 30 June 2012 with related parties are summarised below:

- Speirs Group Limited provided funding to Speirs Nutritionals by way of a term loan facility. The interest charge on the credit facility was \$21,000 (2011: \$68,250). At 30 June 2012 and 2011 the outstanding balance of the credit facility was \$200,000.

- Speirs Group Limited received a dividend of \$800,000 (2011: \$330,000) from Speirs Foods Limited.
- Speirs Group Limited charged Speirs Foods Limited \$66,000 (2011: \$66,000) in respect of corporate services provided by Speirs Group Limited.
- Speirs Group Limited paid Speirs Investments Limited \$200,000 (2011: \$200,000) in relation to an interest guarantee on secured and unsecured stock issued by Speirs Investments Limited. At 30 June 2012 and 2011 the amount of the guarantee was \$2,000,000.
- Speirs Group Limited received \$81,000 (2011: \$30,000) from Speirs Investments Limited in relation to interest on unsecured stock held by Speirs Group and issued by Speirs Investments Limited. At 30 June 2012 and 2011 the balance of the unsecured stock was \$810,000.
- Speirs Group Limited received a dividend on preference shares for \$10,000 (2011: \$20,000) from Rosa Foods Limited. At 30 June 2012 and 2011 the balance of the preference shares was \$100,000.
- Speirs Foods charged Rosa Foods Limited \$266,426 (2011: \$197,542) for freight and marketing services provided. At 30 June 2012 Rosa Foods Limited owed Speirs Foods Limited \$75,334 (2011: \$36,664).
- Speirs Foods Limited charged rent to and provided goods and services to Speirs Nutritionals. The fees charged for goods and services provided were \$Nil (2011: \$52,472). The rental charge was \$20,049 (2011: \$67,000). At 30 June 2012 the amount owing from Speirs Nutritionals to Speirs Foods Limited was \$Nil (2011: \$8,577).
- Speirs Foods Limited was charged \$17,077 (2011: \$101,480) by Speirs Nutritionals for manufacturing services provided. At 30 June 2012 the amount owing to Speirs Nutritionals by Speirs Foods Limited was \$Nil (2011: \$4,072).
- Speirs Group Limited provided a credit facility of \$150,000 to Speirs Securitisation LP.

All interest and fees charged to related parties have been charged at fair market rates

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

25 CAPITAL COMMITMENTS AND CONTINGENCIES

Commitments

The Group and Company were committed to capital expenditure of \$18,000 for the year ended 30 June 2012 (30 June 2011: Nil)

Contingent Liabilities

At 30 June 2012 the Group and Company had no contingent liabilities (2011: Same)

26 EVENTS AFTER THE REPORTING PERIOD

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

27 GUARANTEES - SPEIRS INVESTMENTS LIMITED AND SPEIRS FOODS LIMITED (Parent Only)

Speirs Investments Limited

During the year ended 30 June 2010 the Company transferred the \$2million of Allied Nationwide Finance Limited Perpetual Bonds ("the Bonds") to Speirs Investments Limited. Speirs Investments Limited issued \$1.7 million of secured stock to the public and \$300,000 of unsecured stock to the Company. As part of this issuance Speirs Group Limited provided Speirs Investments investors with an unsecured guarantee to meet quarterly interest payments and principal at maturity date (2 October 2013) should Allied Nationwide Finance be unable to make interest and principal repayments. On 20 August 2010 Allied Nationwide Finance went into receivership. The recoverability of the Bonds is subject to any proceeds received from the Receiver of Allied Nationwide Finance Limited. As there is considerable uncertainty surrounding any future recoveries the directors have deemed it appropriate to recognise a liability in respect of the funds which may be payable under the guarantee between Speirs Group Limited and Speirs Investments Limited.

Speirs Foods Limited

Speirs Foods Limited has a mortgage funding facility for up to \$985,000. The facility is secured by a mortgage over the properties owned by Speirs Foods Limited, along with a charge over the assets and undertakings of Speirs Foods Limited and an unsecured guarantee from Speirs Group Limited.

28 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 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 General Manager 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 and Company have 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 and Company to credit risks consist of:

	<i>Group</i>		<i>Company</i>	
	<i>June 2012 \$'000</i>	<i>June 2012 \$'000</i>	<i>June 2012 \$'000</i>	<i>June 2011 \$'000</i>
Cash and Cash Equivalents	339	245	31	19
Trade and Other Receivables	1,748	1,060	-	7
Loans and Advances	200	200	1,160	1,010

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	
	June	June	June	June
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Carrying Amount	200	200	1,748	1,060
Past Due but not Impaired	-	-	1	3
Neither Past Due nor Impaired	200	200	1,747	1,057
Allied Nationwide Finance Limited Perpetual Bonds	2,000	2,000	-	-
Impairment Provision	(2,000)	(2,000)	-	-
Total Carrying Amount	200	200	1,748	1,060

Trade and other receivables totalling \$1,136 (2011: \$3,097) are greater than 90 days overdue but are considered collectable and are not impaired.

Company	Loans and Advances		Trade and Other Receivables	
	June	June	June	June
	2012	2012	2012	2011
	\$'000	\$'000	\$'000	\$'000
Carrying Amount	1,160	1,010	-	7
Past Due but not Impaired	-	-	-	-
Neither Past Due nor Impaired	1,160	1,010	-	7
Total Carrying Amount	1,160	1,010	-	7

Trade and other receivables totalling \$Nil (2011: \$Nil) 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 76% 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 \$985,000 secured on Group owned real estate. 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:

Group 2012	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	339	339	339	-	-	-	-	-
Loans and Advances	200	221	-	5	5	211	-	-
Trade and Other Receivables	1,748	1,748	-	1,205	-	-	-	543
Total	2,287	2,308	339	1,210	5	211	-	543

Group 2012	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	1,814	1,814	-	1,814	-	-	-	-
Borrowings	4,086	4,593	-	94	94	188	4,217	-
Total	5,900	6,407	-	1,908	94	188	4,217	-

Group 2011	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	245	245	245	-	-	-	-	-
Loans and Advances	200	217	-	5	5	207	-	-
Trade and Other Receivables	1,060	1,060	-	1,060	-	-	-	-
Total	1,505	1,522	245	1,065	5	207	-	-

Group 2011	Carrying Amount	Gross Nominal Cash Flow	On Demand	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Derivative Liabilities</i>								
Trade and Other Payables	1,423	1,423	-	1,423	-	-	-	-
Borrowings	4,365	5,297	-	101	101	202	678	4,215
Total	5,788	6,720	-	1,524	101	202	678	4,215

Company 2012	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	31	31	31	-	-	-	-	-
Loans and Advances	1,160	1,283	150	25	26	251	831	-
Total	1,191	1,314	181	25	26	251	831	-

Company 2012	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	201	201	-	201	-	-	-	-
Borrowings	2,391	2,705	-	54	54	108	2,489	-
Guarantee to Speirs Investments Limited	2,000	2,252	-	50	50	100	2,052	-
Total	4,592	5,158	-	305	104	208	4,541	-

Company 2011	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	19	19	19	-	-	-	-	-
Trade and Other Receivables	7	7	7	-	-	-	-	-
Loans and Advances	1,010	1,211	-	26	26	247	81	831
Total	1,036	1,237	26	26	26	247	81	831

Company 2011	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	42	42	-	42	-	-	-	-
Borrowings	2,875	3,511	-	65	65	129	259	2,993
Guarantee to Speirs Investments Limited	2,000	2,452	-	50	50	100	200	2,052
Total	4,917	6,005	-	157	115	229	459	5,045

The Group and Company 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 and Company'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

The Group undertakes minimal transactions denominated in foreign currencies. At 30 June 2012 and 30 June 2011 the Group had no foreign currency exposures.

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:

Group 2012

	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	339	234	105	-	-	-	-
Loans and Advances	200	-	-	-	200	-	-
	539	234	105	-	200	-	-
Borrowing	4,086	-	-	1,190	-	2,896	-
	4,086	-	-	1,190	-	2,896	-
	(3,547)	234	105	(1,190)	200	(2,896)	-

The Directors intend to renegotiate funding lines when the above liabilities arise in 2013.

Group 2011

	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	245	145	100	-	-	-	-
Loans and Advances	200	-	-	-	200	-	-
	445	145	100	-	200	-	-
Borrowing	4,365	-	-	1,190	-	300	2,875
	4,365	-	-	1,190	-	300	2,875
	(3,920)	145	100	(1,190)	200	(300)	(2,875)

The Directors intend to renegotiate funding lines when the above liabilities arise in 2013.

Company 2012

	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	31	27	4	-	-	-	-
Loans and Advances	1,160	-	150	810	200	-	-
	1,191	27	154	810	200	-	-
Borrowings	2,391	-	-	-	-	2,391	-
Guarantee to Speirs Investments Limited	2,000	-	-	2,000	-	-	-
	4,391	-	-	2,000	-	2,391	-
	(3,200)	27	154	(1,190)	200	(2,391)	-

The Directors intend to renegotiate funding lines when the above liabilities arise in 2013.

Company 2011

	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	19	10	9	-	-	-	-
Loans and Advances	1,010	-	-	810	200	-	-
	1,029	10	9	810	200	-	-
Borrowings	2,875	-	-	-	-	-	2,875
Guarantee to Speirs Investments Limited	2,000	-	-	2,000	-	-	-
	4,875	-	-	2,000	-	-	2,875
	(3,846)	10	9	(1,190)	200	-	(2,875)

The Directors intend to renegotiate funding lines when the above liabilities arise in 2013.

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

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:

	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>
	<i>\$'000</i>	<i>\$'000</i>
Contributed Equity	13,391	12,757
Accumulated Deficits	(12,509)	(11,758)
Total Equity Balance at Period End	882	999

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

29 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	
		2012	2011
Speirs Investments Limited	Investment holding company	100%	100%
Speirs Foods Limited	Food processing company	100%	100%
Speirs Securitisation Management Limited	General Partner in a Limited Partnership providing Administrative services to a securitisation Programme.	100%	-
Speirs Securitisation LP	Limited Partner in a Limited Partnership providing Administrative services to a securitisation Programme.	100%	-



Independent auditor's report

To the shareholders of Speirs Group Limited

Report on the Group financial statements

We have audited the accompanying financial statements of Speirs Group Limited ("the Group"), comprising the Group and its subsidiaries, on pages 5 to 38. The financial statements comprise the statements of financial position as at 30 June 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the Group and the group.

Directors' responsibility for the Group and group financial statements

The directors are responsible for the preparation of Group and group financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of Group and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Group and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Group and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Group and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group and group.

Opinion

In our opinion the financial statements on pages 5 to 38:

- comply with generally accepted accounting practice in New Zealand;

- give a true and fair view of the financial position of the Group and the group as at 30 June 2012 and of the financial performance and cash flows of the Group and the group for the year then ended.

Other

The financial statements of Speirs Group Limited for the year ended 30 June 2011, were audited by another auditor who expressed an unmodified opinion on those statements on 9 September 2011.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Speirs Group Limited as far as appears from our examination of those records.

A handwritten signature in blue ink, appearing to read "KPMG".

10 September 2012
Wellington

STATUTORY INFORMATION

Principal activities

Speirs Group Limited operates as a holding company. Its principal interests are in:

Entity	Interest	Principal Activity
Speirs Foods Limited	Wholly owned subsidiary	Fresh food production and distribution
Speirs Investments Limited	Wholly owned subsidiary	Investment holding company
Rosa Foods Limited	40% owned associate	Prepared meal production and distribution
Speirs Securitisation LP	Speirs Group Limited is the sole Limited Partner	Administrator and subordinated debt holder of Speirs Securities Limited
Speirs Nutritionals Partners LP	60.657% owned associate	Commercial development and marketing of Intellectual Property and Know How

Directors' shareholdings

	Beneficial Holdings	Non-Beneficial Holdings
The number of shares held by Directors of the Company at 30 June 2012:		
Keith Taylor	500,000	-
Nelson Speirs	1,047,678	705,489
Derek Walker	-	-
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.

Disclosure of interests by directors

- Keith Taylor declared that he is interested in the issue of 500,000 Speirs Group Limited ordinary shares at 10c per share to himself on 9 December 2011, as approved by shareholders at the Annual General Meeting held on 28 November 2011.
- Nelson Speirs declared that he is interested in the issue of \$389,000 Perpetual Preference Shares to him and the repurchase of \$389,000 Convertible Redeemable Preference Shares from him on 21 June 2012.

Governance positions held by directors at 30 June 2012

Director	Entity	Relationship
Keith Taylor	Takeovers Panel	Member
	NZ Qualifications Authority	Board Member
	Earthquake Commission	Deputy Chair
	Government Superannuation Authority	Chairman
	Reserve Bank of New Zealand	Board Member
	Gough, Gough & Hamer Limited & Associated Companies	Director
	Butlands Management Limited & Associated Companies	Director
	Port Marlborough New Zealand Limited & Associated Companies	Director
	NZ Fire Services Superannuation Scheme	Trustee
	Southern Cross Healthcare Society & Associated Entities	Director
	Southern Cross Health Trust	Trustee
	Annuitas Management Limited	Director
	Keith B Taylor Limited	Director
Derek Walker	Palmerston North Airport Limited	Director (Chair)

	The Bio Commerce Centre Limited & Associated Companies	Director (Chair)
	NZ Windfarms Limited & Associated Companies	Director
	Speirs Foods Limited	Director
	Third Bearing Limited	Director
	TBL Investments Limited	Director
	Elmira Consulting Limited	Director
	Manawatu Health Homes Limited	Director
	Central Energy Trust	Trustee (Chair)
	Computercare NZ Limited	Director
Nelson Speirs	Speirs Group Limited	Director
	S N Management Limited	Director
	MMM Holdings Limited	Director (Chair)
	The Bio Commerce Centre Limited & Associated Companies	Director
	Allied Nationwide Finance Limited (In Receivership)	Director
	Speirs Securitisation Management Limited	Director
	Speirs Securities Limited	Director

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

- Nil

Directors' remuneration

Directors' remuneration (including an allowance for the use of Company vehicles) received, or due and receivable during the year ended 30 June 2012, is as follows:

Name	Salary/Consultants Fees and Use of Company Motor Vehicle	Directors Fees	Total Remuneration	
Keith Taylor (appointed 10 October 2011)	\$Nil	\$36,667	\$ 36,667	Independent Director and Chair
Derek Walker	\$ Nil	\$25,833	\$25,833	Independent Director
Nelson Speirs	\$ Nil	\$32,083	\$ 32,083	Non Independent Director
Donald Speirs (retired 28 November 2011)	\$ Nil	\$14,417	\$ 14,417	Non Independent Director
Trevor Roberts (retired 28 November 2011)	\$Nil	\$ 12,333	\$ 12,333	Independent Director
Robert Speirs (resigned 28 November 2011)	\$Nil	\$ 8,333	\$ 8,333	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 the Company.

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 2012 and as at 30 June 2011, 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 2012 were:

	Group	Parent
• \$150,000 - \$159,999	1	-
• \$180,000 - \$189,999	1	-

STATUTORY DISCLOSURE IN RELATION TO SHAREHOLDERS

Twenty largest shareholders at 30 June 2012

	<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	743,400	6.56%
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%
Donald Speirs, Nelson Speirs, John Wilson	257,206	2.27%
David Speirs, Rebecca Speirs	171,388	1.51%
M Le Moigne	109,385	0.97%
M W Speirs	102,994	0.91%
Nelson Speirs, Mary Speirs, Robert Speirs, Susan Le Moigne and Glendinnings Trustee Company Limited	100,000	0.88%
David Speirs	100,000	0.88%
Custodial Services Limited	92,945	0.82%
Nelson Speirs, Susan Le Moigne and Glendinnings Trustee Company Limited	82,927	0.73%
E D Fogarty	78,889	0.70%
R J Doey	76,556	0.68%
Cervelo Investments Limited	73,968	0.65%
E A Wallace	73,787	0.65%
	6,802,420	60.01%

* See note under Directors' shareholdings on page 41

Shareholder Statistics at 30 June 2012

<i>Ordinary Shares</i>	<i>Holders</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
1 to 999	32	5.35	15,263	0.13
1,000 to 4,999	299	50.00	690,846	6.10
5,000 to 9,999	91	15.22	647,181	5.71
10,000 to 99,999	162	27.09	3,657,938	32.27
100,000 and over	14	2.34	6,323,348	55.79
	598	100.00	11,334,576	100.00

Substantial Security Holders at 29 August 2012

The following information is provided in compliance with Section 26 of the Securities Markets Act 1988 and is stated as at 29 August 2012. The total number of voting securities of Speirs Group Limited at that date was 11,334,576.

<i>Substantial Security Holder</i>	<i>Number of Shares in Which Relevant Interest is Held</i>	<i>Percentage of Voting Securities</i>
Nelson Speirs	3,136,312	27.67%
Donald Speirs	2,221,792	19.60%
Susan Le Moigne	1,443,425	12.73%
Glendinnings Trustee Company Limited	1,409,638	12.44%
John Wilson	1,381,869	12.19%
Robert Speirs	1,360,498	12.00%
Mary Speirs	1,345,212	11.87%
Active Equity Holdings Limited	743,400	6.56%

Board Charter

Part 1 - The Company Goal(s)

The purpose of Speirs Group Limited, and its goal, is to become recognised as a strong, capable investment company by investing in entities that operate in chosen fields in which the Company has competence, so as to maximise returns to its investors and enhance the well-being of all its stakeholders.

Speirs Group Limited funds its investments through its equity, “mezzanine” financing, and borrowing from the public. Mortgage funding may be raised by subsidiaries from time to time.

The words “Company”, “Board” and “Management” have the same meaning for all entities that are subsidiaries or associates of Speirs Group Limited, or in which Speirs Group Limited owns a significant interest.

Part 2 - Board Governance Process

The role of the Board is to add long-term value to the Company’s shares as well as providing sustainable returns to all stakeholders.

Management will not be represented on the Board. Management control is exercised by the Board Secretary (Speirs Group Limited) and the appropriate CEO (entities that are subsidiaries or associates of Speirs Group Limited, or in which Speirs Group Limited owns a significant interest).

The Board will:

- ensure that the Company’s Goals are clearly established, and that strategies, originated by Management, are in place for achieving them;
- ensure that Management is pro-active in building the businesses within established parameters, through innovation, initiative, technology, new products and the development of business knowhow;
- monitor the performance of Management;
- appoint the CEO, set the terms of the CEO’s employment contract and, if necessary, terminate the CEO’s employment with the Company;
- protect the Company’s financial position and its ability to meet its debts and other obligations when they fall due;
- ensure that the Company’s financial statements are informative and comply with all legal and accounting standards;
- ensure that the Company adheres to high standards of ethical and corporate behaviour;
- ensure that the Company has appropriate risk management/regulatory compliance policies in place.
- Where possible, mitigate key risks facing the Company.

Day to day management of the Company will be in the hands of Management.

The Board will satisfy itself that the Company is achieving the Company Goals.

The Board’s Relationship with Shareholders and with other Stakeholders

The Board will use its best endeavours to familiarise itself with issues of concern to Shareholders and other relevant stakeholders

In so doing, the Board will regularly consider economic, political, social and legal issues and other relevant matters that could affect the development of the businesses or the interests of Shareholders and other relevant stakeholders.

The Board acknowledges the cornerstone shareholding of the Speirs family in Speirs Group Limited.

Board Procedures

Directors will:

- At all reasonable times, have access to all relevant Company information and to Management;
- Meet formally at least quarterly, and additionally as the occasion requires. The board may meet by audio or audio/visual means;
- set its own agenda, through the Chair;
- place emphasis on strategic issues and policy;
- attend board meetings, prepare fully, and participate fully, frankly and constructively in board discussions;
- bring the benefit of individual knowledge, skills and abilities to the Board table;
- recognise that constructive debate will lead to better decisions, and seek consensus if possible;
- when making decisions, consider the general principles on which they are founded and any Company policies that may impact upon the decision;
- other than as required by law, regulation or agreement of the Board itself, regard all matters discussed at Board meetings as being confidential.

At the regular formal meetings the Board will consider:

- an update of its 'interests register';
- an operational report from the CEO (and CFO if applicable), which shall include reporting of financial and operational performance with comparison of actual and budgeted performance, explanation of variances from budget, and forecasts of future performance;
- specific proposals for capital expenditure;
- major issues and opportunities for the Company;
- any changes to strategic risks and opportunities for the Company;
- approving the quarterly payment of dividends in relation to the Convertible Redeemable Preference Shares and associated solvency declarations.
- considering the payment of dividends in relation to the Perpetual Preference Shares and associated solvency declarations.

At least annually, the Board will:

- undertake a planning process which reviews the company's short, medium and long term goals and strategic direction in the context of the environment and markets it is operating in, its internal strengths and weaknesses and the key internal and external risks and opportunities for the company.
- approve the annual operating and capital plan and expenditure budgets;
- approve the annual and half-yearly financial statements, report to Shareholders and public announcements;
- approve the annual report;
- consider and, if appropriate, declare or recommend the payment of dividends on ordinary shares;
- review the Board composition, structure and succession;
- review the Company's audit requirements;
- review the performance of, necessity for and composition of Board committees;
- undertake Board and individual director evaluations;
- review directors' remuneration;
- review the CEO's performance and remuneration;
- review any donations and sponsorships;
- review remuneration policies and practices in general;
- review risk assessment policies and controls including insurance covers and compliance with legal and regulatory requirements;
- review the Company's code of conduct and ethical standards;
- review Shareholder, customer and supplier relations;

- agree the following year's Board work plan.

Board Chair and Deputy Chair

At its first formal meeting following the annual general meeting of Shareholders, the Board will appoint a Chair from amongst its members. The Board may, if it wishes, appoint a Deputy Chair.

The Chair is responsible for:

- representing the Board to Shareholders and the Public;
- ensuring the integrity and effectiveness of the Governance Process;
- maintaining regular dialogue with the CEO over significant operational matters;
- consultation with the other directors on any matter that might give concern;
- facilitating Board meetings to ensure that no director dominates discussion, that relevant opinion among directors is forthcoming and that discussions result in logical and sensible outcomes.

Board Committees

The Board will form committees only when it is efficient or necessary to facilitate efficient decision-making. Unless otherwise directed by the Board, all directors will be members of each committee. The committees will observe the Board rules of conduct and procedure, and will speak and act only on matters authorised by the Board. That authority will not derogate from the authority delegated to the CEO.

The Board has three standing committees – Audit, Remuneration and Nomination.

The **Audit Committee** is the conduit to the external auditors. The Board Chair will not be the Audit Committee Chair. The Audit Committee reviews the annual and half-yearly financial statements prior to approval by the Board, the effectiveness of management information systems and systems of internal control and the effectiveness of the external audit function.

The **Remuneration Committee** annually reviews the remuneration packages of all directors and the CEO and makes recommendations to the Board. The packages are reviewed with due regard to performance and other relevant factors including market relativity. The **Nomination Committee** will be chaired by the Board Chair. The Nomination committee reviews the composition of the Board annually and makes recommendations to the Board to ensure the Board comprises members with an appropriate mix of skills and experience. Appropriate assistance from external advisors may be sought.

Board Composition and Mix

The composition of the Board, with a membership of no less than three, will reflect the duties and responsibilities it is required to discharge as representative of the Shareholders, including setting the Company's goal(s) and strategy for achieving those goals, and overseeing the implementation of that strategy.

The qualification for Board membership is the ability and intelligence to make sensible business decisions and recommendations, such as:

- an entrepreneurial talent for contributing to the creation of Shareholder value;
- the ability to see the wider picture;
- the ability to ask the hard questions;
- experience in the industry sector;
- high ethical standards;
- sound practical and common sense;
- total commitment to furthering the interests of Shareholders and the achievement of the Company Goals.

Directors hold office for three years following their first appointment by Shareholders, and retire by rotation. Directors retiring by rotation may offer themselves for re-election for a further three year term.

Induction of new Directors

Potential new directors are encouraged to carry out "due diligence" on the Company before accepting an appointment to the Board.

Prior to their first appointment, an induction programme will be provided to fully acquaint the new director with the business and affairs of the Company and the business environment and markets in which it operates. This will include appropriate meetings with other directors and with senior Management.

Directors' Remuneration

The Remuneration Committee will recommend to the Board the level of remuneration paid to directors, always within the overall limitations imposed by Shareholders. Consideration will be taken of extra responsibilities such as chairing a Board committee.

The Chair and Deputy Chair (if any) will be paid a level of fees appropriate to their office. For the Chair, this will usually be in the order of 200% of the basic fees paid to the other directors.

Remuneration will be reviewed annually, which may include taking independent professional advice.

Speirs Group Limited Shareholding by Directors

Speirs Group Limited shares are listed on NZAX. Directors are encouraged, but not obliged, to hold shares in Speirs Group Limited.

Should directors buy or sell shares in Speirs Group Limited, they must strictly observe the provisions of Speirs Group Limited's own internal rules as well as all relevant legislative and regulatory procedures.

Provision of Business or Professional Services by Directors

Because a conflict of interest (actual or perceived) may be created, directors should not, generally, provide business or professional services of an ongoing nature to the Company, other than where:

- the service is a special assignment, where the director has special expertise in the particular field; and
- the terms of engagement are competitive, clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

Other Board Appointments

Any director, while holding office, is at liberty to accept other Board appointments so long as the appointment is not in conflict with the Company's business and does not detrimentally affect the director's performance as a Company director. All other appointments must first be discussed with the Chair before being accepted.

Board and Director Evaluations

Each year:

- the Board will critically evaluate its own performance, processes and procedures to establish that they are not unduly complex and remain designed to assist the Board in effectively fulfilling its role;
- individual directors will be evaluated by the Board determining questions to be asked of each director about him/herself and about each other, including the Chair. Each director answers the questions in writing and the responses are collected and collated by the Chair who then discusses the results with each director. The Chair's own results are discussed with the remainder of the Board.

Indemnities and Insurance

The Company provides directors with, and pays premiums for, indemnity and professional insurance cover while acting in their capacities as directors. The Board may also provide an indemnity to directors.

The Secretary to the Board

The Secretary is appointed by the Board.

The Secretary is responsible for ensuring that:

- Board procedures are followed;

- the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.
- Take minutes of all Board and Board Committee meetings.

All directors, particularly the Board Chair and Committee Chairs, have access to the advice and services of the Secretary for the purposes of the Board's affairs and the Company's business.

Part 3 – Position of CEO (for Speirs Group Limited, read 'Secretary to the Board' for 'CEO')

Position of CEO

The Board will link the Company's governance and management functions through the CEO. All Board authority conferred on Management is delegated through the CEO so that the authority and accountability of Management is considered to be the authority and accountability of the CEO so far as the Board is concerned.

The Board will agree with the CEO to achieve specific results directed towards the Company Goal(s)

Between Board meetings the Chair maintains an informal link between the Board and the CEO, is kept informed by the CEO on all important matters and is available to the CEO to provide counsel and advice where appropriate.

The CEO will take the lead and, as appropriate, work with the Chair and the Board, to undertake the necessary administrative duties to float, manage, re-finance, and repay all mezzanine financing and public borrowing as required by the Board from time to time.

Only decisions of the Board acting as a body are binding on the CEO. Instructions by individual directors or by Board committees are not given directly to the CEO.

Accountability of CEO to Board

The CEO, in association with the Chair, is accountable to the Board for the achievement of the Company Goal(s).

The CEO is accountable for the observance of the Management Limitations (see below).

The CEO will provide monthly reports to the Board covering:

- all appropriate operational, financial and other relevant matters;
- assurances that the Board considers necessary to confirm that the Management Limitations are being observed.

Management Limitations

The CEO is expected to:

- act within all specific authorities delegated to him/her by the Board;
- not cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics;
- allocate Company capital and resources in adherence with Company Goal(s) and annual operating and capital expenditure budgets;
- not cause or permit any action without taking into account the health, safety, environmental and political consequences and their effect on long-term Shareholder value;
- not cause or permit any action that is likely to result in the Company becoming financially embarrassed;
- adequately protect and maintain the assets of the Company.
- appropriately administer and service the liabilities of the Company;
- operate the Company with a comprehensive system of internal control;
- not permit employees and other parties working for the Company to be subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.

DIRECTORY

Directors

At 30 June 2012 the Board of Directors of the Company is comprised of three Non-Executive Directors. All Directors have served for the whole year, except for:

- Keith Taylor who was appointed as a director on 10 October 2011
- Donald Speirs who retired as a director on 28 November 2011
- Trevor Roberts who retired as a director on 28 November 2011
- Robert Speirs who resigned as a director on 28 November 2011.

Non-Executive Directors

Keith Taylor (Chairman) BSc, BCA, FIA, F Inst D

Nelson Speirs, F.C.A.

Derek Walker, B.E. (Hons), B.B.S.

Company Secretary

Lee Simpson B.B.S, C.A

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 6020

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

Auditors

KPMG

Bankers

Bank of New Zealand

Solicitors

Chapman Tripp