

## Chairman's Speech

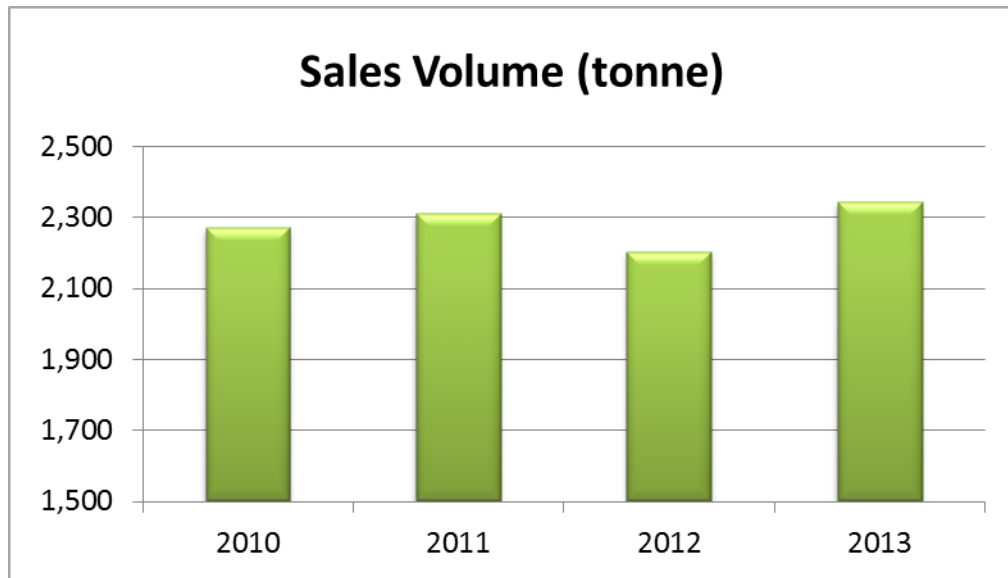
Welcome to this Annual Meeting and thank you for continued support for the company particularly in recent years as the company has struggled to recover from some major setbacks.

At the last Annual Meeting in my Outlook for the coming year I focussed on three matters; Firstly the rebuilding of Speirs Foods business to acceptable levels of profitability; secondly the development of business initiatives which I cautioned would take some time and finally the significant refinancing of debt due in this last quarter of 2013. These three matters have required a significant amount of effort. This morning I wish to outline the progress we have made on all three and how we will work to bring them to completion.

### Speirs Foods

My colleague Derek Walker who chairs Speirs Foods will now address you on the performance and progress of Speirs Foods Limited.

- **Sales Trend**



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- Market remains very competitive.
- Good increase in sales over 2012 – helped by good summer and new products
- Continue to build relationships with customers – selected as Countdown “Deli Supplier of the Year”

- **Margin Trend**



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- Margin per kg fell from previous year – primarily due to high costs incurred in Spring quarter from start-up costs for new product and high cabbage cost.
- We continue to place a focus on containing material and production costs and continually look for production efficiencies.

- **Profit Trend**

- Profit improvement over previous year.
- Good recovery in second half of the year after a poor first half.

- **The Current Year**

- Continued focus on building volume through new products and promoting existing products.
- Recently introduced a new branded tray range.
- Overall sales for the first four months of the year have continued to show good gains on last year.

- **Summary**

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

### **Phoenix**

The key business initiative we have focussed on is the re-entry into the vehicle leasing business. This was a key business area for Speirs up until 2008 when Speirs Securities was sold to Allied Nationwide Finance.

In June 2012 we made a small step back into the finance business with the repurchase of the rights to the remaining book of business of Speirs Securities Limited. This book has been running down in accordance with expectations and all loans will have been repaid by the end of 2014. This has been a profitable activity for Speirs, contributing \$74,000 to the overall result in 2013. As part of this transaction we regained systems and processes that would support an ongoing business in the financing sector.

Over the last 12 months we have talked to a number of parties who were interested in partnering with Speirs to establish a new vehicle financing business. We are in the final stages of negotiations and documentation with our preferred party. Much of the detail around this remains commercially sensitive and subject to confidentiality agreements. On 23 September we announced to the NZX that we had reached a conditional Heads of Agreement with a significant New Zealand domiciled entity to create a new finance business for the funding of motor vehicles and commercial plant. The prime target markets will be small to medium businesses New Zealand-wide. Our responsibilities will include developing markets and providing computer software, systems and 'knowhow' for the new venture. We will not be the primary funder of the business. We had previously announced that we anticipated recognising an approximately \$800,000 profit when an arrangement was proceeded with. That is still our expectation. We hope to announce more definite news on this very shortly.

### **Refinancing**

The company had to refinance \$1.2 million of secured stockholders in early October 2013 and has \$2.6 million of redeemable preference shares to refinance in mid December 2013. The original intention was that the \$1.2 million of secured stock would be repaid by a \$2 million perpetual bonds held in Allied Nationwide Finance, which unfortunately went into receivership and then into liquidation. We did have a put option over these perpetual bonds, which was exercised on 30 September 2013, and are continuing to seek recovery.

The main strategy to achieve the re-financing has been an issue of Redeemable Preference Shares. To date there has been total subscriptions of \$2.3 million from maturing investors plus new funds. The offer closes on 9 December 2013 and we are anticipating further subscriptions during this period. We have other finance facilities in place or under discussion to meet any shortfall.

### **Financial Performance**

The loss after tax was a disappointing \$622,000, which while an improvement over the 2012 year is clearly unsustainable. The company did however return to an operating cash flow surplus. The main detractors were the further write-down of Speirs Nutritionals by \$184,000, mainly reflecting reduced value for plant and equipment and the under-budget performance of Speirs Foods. Both corporate overheads and interest costs were significantly reduced.

### **Board and Management**

The board comprises three non-executive directors Derek Walker, Nelson Speirs and myself. The board has been actively involved in the business over the last year and I would particularly like to commend Derek's involvement as Chair of Speirs Foods and Nelson's contribution to the development of the new financing business proposals. Derek Walker retires by rotation and offers himself for re-election. The two other directors fully support his re-election.

The separate Speirs Foods board has been in existence for two years and has given that business the detailed focus and oversight it needed. I would like to thank John McCliskie and Robert Speirs for their contribution as directors.

Our Company Secretary Lee Simpson has carried a heavy load this year with significant involvement in the capital refinancing and the development of the proposed financing business. He has also carried out his financial and secretarial responsibilities with a high degree of professionalism. The board wish to express their thanks to him for his contribution. We also wish to confirm the thanks that Derek has already expressed to Chris Newton, Brett Robertson and the team at Speirs Foods.

### **Auditor**

KPMG were appointed as Auditors in 2011 following a tender process. They have carried out their responsibilities diligently. The directors have confirmed their appointment for the 2013/14 year.

### **Outlook**

The success of the capital refinancing and the establishment of the vehicle financing business are the major issues for the current year. We also anticipate improved results from Speirs Foods as a result of the continuous improvements being made. We are fully committed to bring improved results for you our shareholders.