

26 November 2013

NZX Limited
Wellington

PRE-BREAK ANNOUNCEMENT

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

Summary of Proposed Transaction

- 1 One of SGL’s wholly-owned subsidiaries, Speirs Foods Limited (*Speirs Foods*), is proposing to enter into invoice financing arrangements with an independent third party financier, PFNZ Limited (trading as Pacific Invoice Finance) (*Pacific*), that will involve:

- 1.1 the sale of Speirs Foods’ invoices (and related accounts receivable) to Pacific; and

- 1.2 Speirs Foods’ repurchase of invoices (and related accounts receivable) as required,

(the *Proposed Transactions*).

Why is this Pre-Break Announcement being made?

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

- 2.1 the prior approval of the Issuer’s shareholders; or

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

- 3 NZAX Listing Rule 9.1.1(b) applies to the Proposed Transactions due to the extended definition of “Issuer” in NZAX Listing Rule 1.6.6, which includes Speirs Foods (which will carry out the Proposed Transactions).

- 4 SGL’s Market Capitalisation as at the date of this Pre-Break Announcement is approximately NZD567,000. It is expected that the value of the assets involved in the Proposed Transactions will exceed 50% of SGL’s Average Market Capitalisation, as it is anticipated that approximately \$1,500,000 of invoices may be transferred to Pacific initially with additional invoices being transferred as they are created. As a result, SGL must comply with NZAX Listing Rule 9.1.1(b).

- 5 The board of SGL has elected to comply with NZAX Listing Rule 9.1.1(b) by following the pre-break announcement procedure, rather than by calling a special meeting of shareholders and obtaining the approval of the shareholders to the Proposed Transactions at that meeting. Provided that no shareholders’ meeting is called by shareholders holding more than 5% of the shares in SGL within 10 business days of the date of this announcement, SGL will be entitled to implement the Proposed Transactions.

Rationale for the Proposed Transactions

6 The rationale for the Proposed Transactions is to:

- 6.1 raise funds to assist SGL in meeting its obligations in respect of the upcoming redemption, on 16 December 2013, of convertible redeemable preference shares issued by SGL pursuant to a simplified disclosure prospectus dated 11 November 2009, which are not being rolled into new Redeemable Preference Shares to be issued by SGL; and
- 6.2 provide additional funding for Speirs Foods to conduct its business.

Terms of the Proposed Transactions

7 The key components of the Proposed Transactions are outlined below. However, these may change as the Proposed Transactions are still being negotiated and, as a result, some of the key components (including, but not limited to, cash to be raised as a result of the Proposed Transactions) have not yet been finalised. The key terms of the Proposed Transactions are:

- 7.1 Speirs Foods will transfer its invoices (and related accounts receivable) to Pacific on commercial, arms-length terms. As Speirs Foods will be required to transfer existing invoices and any new invoices created up to termination of the facility, the Proposed Transactions will create an ongoing relationship between Speirs Foods and Pacific until termination of the financing facility;
- 7.2 Pacific will generally advance to Speirs Foods a proportion of the total payment due on an invoice up front, with the remaining funds being advanced to Speirs Foods after the invoice has been paid in full;
- 7.3 Pre-agreed administration fees will be charged on the facility and a discount rate (similar to an interest rate) will be payable by Speirs Foods on any amounts owing to Pacific;
- 7.4 Pacific will take general security over all of Speirs Foods' assets;
- 7.5 SGL will provide a guarantee in favour of Pacific in respect of Speirs Foods' liabilities; and
- 7.6 Speirs Foods will repurchase certain invoices (and related accounts receivable) from Pacific as required – for example, if the underlying customer does not pay their invoice within the relevant period (being approximately 90 days).

8 Pacific will take general security over Speirs Foods' assets supported by an unsecured guarantee from SGL in relation to Speirs Foods' liability to Pacific.

Effect of Proposed Transactions

9 The proceeds of the Proposed Transactions will be used in Speirs Foods' business or lent or distributed to SGL and will be used by SGL to partially fund the discharge of liabilities which mature on 16 December 2013 (as described in paragraph 6.1). Speirs Foods expects to utilise \$750,000 initially under the Proposed Transactions.

10 To the extent that the proceeds of the Proposed Transactions, together with other funds SGL already has in place, do not fully repay SGL's obligations in relation to the maturing liabilities noted in paragraph 6 above, SGL is also pursuing other funding alternatives, including the sale of surplus properties and entering into a sale and leaseback transaction in relation to operational land and buildings.

Directors' Interests in the Proposed Transaction

11 There are no directors interested in the Proposed Transaction.

- Shareholder right to call a shareholders' meeting**
- 12 As required by NZAX Listing Rule 10.2.2, the Proposed Transactions are conditional (in addition to the expiry of the 10 business day period from the date of this announcement) upon no special meeting of SGL's shareholders being called pursuant to section 121 of the Companies Act 1993, within that 10 business day period.
- 13 Under section 121 of the Companies Act 1993, the board of SGL must call a special meeting of shareholders where shareholders (who together, hold shares together carrying not less than 5% of the voting rights entitled to be exercised at a meeting of shareholders) submit a written request to the board of SGL for a meeting.
- 14 The contact details for SGL for the delivery and acceptance of such a written request under section 121 of the Companies Act 1993 are:

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

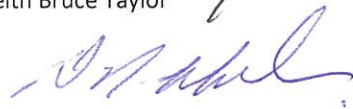
Directors' Certificate

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

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

Dated this 26th day of November 2013, and signed by all directors of Speirs Group Limited:



Keith Bruce Taylor

Derek Neil Walker

Richard Nelson Speirs