



Speirs Group Limited

ANNUAL REPORT

for the year ended 31 March 2006

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Speirs Group Limited

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Speirs Corporate Vision and Values

VISION

The Company will be recognised as a market-leading New Zealand investment company in its chosen fields of competence, maximising returns to its investors, and enhancing the well-being of all its stakeholders through its current and other potential future investments.

VALUES

Speirs Group and its businesses will be:

- Absolutely committed to meeting and exceeding our customers' needs and the market demands by providing innovative solutions
- Committed to delivering strong profit performance, and sustainable growth in Company value
- Maintaining a culture that develops and recognises knowledge and skills
- Partnering with suppliers and distributors for mutual benefit
- Continuing to be a good citizen, maintaining the highest possible moral and ethical standards in our business activities and decisions
- Proud of our Company's heritage.

Financial Highlights

	2006 \$'000	2005 \$'000
New loans	165,040	143,495
Fresh salad & food sales	13,575	13,837
Total Operating Revenue	44,752	47,036
Profit after taxation	842	969
Total Assets	280,065	277,050
Shareholders' Equity	11,723	9,975
Perpetual Speirs Bonds	13,383	12,599
Total Permanent Capital *	25,106	22,574
Permanent Capital Percentage	8.96%	8.14%
Profit after taxation/ Average Shareholders' equity **	8.36%	10.08%

* Total Permanent Capital includes Perpetual Speirs Bonds. The Perpetual Speirs Bonds are unsecured, subordinated, interest bearing perpetual debt securities. They carry no right of repayment by the holder. The Company may repay all or part of the bonds outstanding should it so wish. While the Company considers the Perpetual Bonds to be effective permanent capital, accounting standards require that the Perpetual Bonds be recorded as a liability in the financial statements.

** Average Shareholders' equity ignores equity introduced by the exercise of options on 28 March 2006 because, resultant upon the timing, it provided no material trading benefit to the Company during the period.

Review of Operations

FINANCIAL PERFORMANCE

The Speirs Group Limited result for the year ended 31 March 2006 reflects the impact of slower growth in the New Zealand economy, intensifying competition and tightened lending policies adopted by the Company.

Total revenue from all sources declined by 4.8% to \$44,752,000 compared to the previous year. The \$2.3 million decline in revenue is the main driver of the Company's result for the 2006 financial year.

Advances by the Speirs Group Finance division rose 15% to \$165 million and sales by the Group's Foods division were steady at \$13.5 million.

Bad debts written off declined by 7.5% and amounted to \$2,328,000.

The Company's surplus before tax declined by 9.4% to \$1,210,000

The surplus after tax declined by 13.1% to \$842,000.

Fully imputed dividends, each of 4 cents per share, were paid on 27 June and 9 December 2005. The Directors have resolved to pay a fully imputed dividend of 3 cents per share on 26 June 2006.

FINANCIAL POSITION

Total assets were steady at \$280 million.

A \$1.56 million injection of equity resulted from the decision by Directors Nelson Speirs, Donald Speirs and David Speirs to exercise their options to acquire a total of 1,560,000 additional shares in the Company. These options were exercised on 28 March 2006.

The balance sheet has been strengthened, with permanent capital resources, including Perpetual Speirs Bonds, now amounting to \$25.106 million, and a permanent capital percentage of 8.96%.

Public support of our on-going Secured Stock offerings remains strong and Speirs Securities Limited's commercial paper, issued through the securitisation programme, continues to be rated A-1+ (extremely strong) by Standard & Poor's.

SPEIRS FINANCE

The past three years have been difficult as our Finance division has dealt with bad debt issues that arose from poor lending in the period 2002 – 2004. The 'tail' has continued to affect us in this financial year but to a lesser extent than in the previous two years.

Credit Quality

Further specific provisioning has been made this year to cope with the diminishing tail of the 2002-2004 bad debt problem. Our receivables portfolio has been examined carefully so as to be sure that reasonable and adequate provisioning has been made. The Company's credit policy has been completely reviewed and new processes implemented. Our quality assurance programme has been intensified and is closely monitored. We have enhanced our collections and asset management capability.

We expect the incidence of bad and doubtful debts to drop markedly.

New General Manager

In July 2005 Phil Herbert assumed the position of General Manager Speirs Finance. His enthusiasm is infectious, his industry knowledge and experience undoubted, and his leadership skills considerable. We have confidence that Phil will drive Speirs Finance to a position of leadership in our chosen markets.

Continuous Improvement

Systems and controls throughout the division are subject to constant review and enhancement. This is an on-going process. Reviews this year included credit policy and processes, collections/recovery policies and processes, staff training programmes, marketing programmes and IT systems development.

Chosen Markets

Speirs Finance is placing heavy emphasis on quality, asset backed lending; our lending primarily funds the vehicle and equipment needs of small to medium businesses nationwide. Our target market includes some funding for consumers' vehicles. The Company does not lend for property development.

SPEIRS FOODS

Speirs Foods performed well this past year in a very competitive marketplace. The year was marked by a number of new initiatives that will bring significant future benefits to the Company.

Speirs Foods remains a leader in the supply of fresh salads and fresh-cut vegetables to the nations' supermarkets and food service providers. We supply fresh product New Zealand-wide every business day.

STAFF AND AGENTS

The Directors continue to be impressed and are grateful for the way in which our people respond to challenge and change. They go the extra mile.

Every year throws up a new set of demands. Ever changing markets, products, laws and regulations – and opportunities – continually present themselves. This year has been no exception.

In the second half of the year, staff and agents were involved in a complete overhaul of Company policies and practices and in the development of business strategies for the next five years. Our staff and agents are strongly committed to the Company's vision, values and business growth programme.

This commitment helps to assure Directors that, though we have experienced difficulties in the past three years, the Company is now set to return to the successful track that it has followed for most of its history.

REVIEW OF OPERATIONS

OUTLOOK

Looking ahead, the Directors expect slowing economic growth, the lower exchange rate and rising oil prices to have some adverse impact on trading both in Speirs Finance and Speirs Foods, particularly in the first half of the 2007 financial year.

The strategic decisions to move away from motor dealership financing in 2004 and the company's avoidance of exposure to the property development market will mitigate the adverse effects of the tighter trading environment, while the Company's improved processes and various other business initiatives will be reflected in the second half of the 2007 year. We expect an improved result for the full financial year.

Speirs Group Limited is in a sound position to cope with adverse trends that might result from recent speculation about the stability of some elements of the finance sector. The company derives advantage from the demonstrated loyalty of its investor base and the strength of its wholesale money market securitisation programme.

In the longer term, with the progressive implementation of the business growth strategy now in place, we are looking ahead to strong results.



Nelson Speirs
Executive Chairman
29 May 2006

Donald Speirs
Deputy Chairman

GOVERNANCE

Governance

BROAD FRAMEWORK

The directors are responsible for the governance of the company.

Speirs Group Limited is incorporated under the Companies Act 1993. Its registered number is 19312.

The prime document relating to governance policies and practices is the Constitution of the Company, which may be viewed on the websites of the Company (www.speirs.co.nz) or the Companies Office (www.companies.govt.nz). The Company's governance principles comply with New Zealand Exchange Limited's 'corporate governance best practice code'.

The directors delegate specific responsibilities to Board committees; other specific responsibilities are delegated to either executive directors or senior management.

The directors and management will ensure that governance systems and processes meet the requirements of New Zealand Exchange Limited, the Securities Commission and any other relevant regulatory entity.

The directors have adopted a Code of Ethics setting out the principles by which the directors, management and staff will operate the company.

BOARD OF DIRECTORS

The Board is currently made up of eight Directors, six of whom are considered non-executive.

The Directors meet regularly throughout the year and prior to each meeting receive detailed monthly reports from the Executive Chairman and the General Managers of Speirs Finance and Speirs Foods. As appropriate, the Board also receives detailed reports from the various Board Committees. The Board is kept informed of key risks on a continuing basis and, if required, can meet between scheduled meetings to deal with specific matters.

The primary responsibilities of the Directors include:

- Working with management to create shareholder value
- Setting the long-term goals of the company and the strategic plans to achieve those goals
- Approving budgets for the financial performance of the company, and monitoring results
- Managing risk by ensuring that the company has appropriate systems of internal control
- Ensuring preparation of the annual and half-yearly financial statements
- Reporting to various regulatory bodies in a timely and appropriate manner

BOARD COMMITTEES

Committees are used to enhance the Board's effectiveness, while preserving overall Board responsibility. Committees are assigned terms of reference by the Board for the roles they perform, and are required to report to the Board on their deliberations, together with any decisions requiring Board ratification.

The Board continually reviews the roles, membership and effectiveness of the committees. The Board has the following committees: Audit, Remuneration, Credit and Nomination and Ethics.

Audit: John Wilson (Chair), Trevor Roberts and Linda Robertson

The Audit Committee provides a forum for communication between the Board and the external auditor. The Company's Internal Auditor reports directly to the Audit Committee Chair. The committee reviews:

- Annual and half-yearly financial statements prior to their approval by the Board
- Effectiveness of management information systems and systems of internal control
- Efficiency, effectiveness and independence of both the internal and external audit functions
- Balance sheet risk and management

Remuneration: Donald Speirs (Chair), John Wilson, Trevor Roberts and Nelson Speirs

The Remuneration Committee annually reviews the remuneration packages of directors and the general managers of the Company's trading divisions.

Particulars of directors' remuneration are set out on page 34 of this report.

Credit: Robert Speirs, Trevor Roberts, John Wilson, Nelson Speirs. Also attached to the committee are Phil Herbert (Speirs Finance General Manager, who acts as Chair) and Lee Simpson (Speirs Finance Head of Finance and Funding)

The Credit Committee reviews credit risks, recommends credit policy and approves certain large credit limits and exposures.

Nomination and Ethics: Trevor Roberts (Chair), Brian Ogden, David Speirs, John Wilson and Nelson Speirs

The Nomination and Ethics committee provides advice to the directors on the appointment of personnel to the Board and monitors company-wide adherence to the company's Code of Ethics.

Appointment and retirement of directors

PROCEDURE

Certain directors retire (and are eligible for re-election should they so wish) at each annual meeting of shareholders. The retiring directors are:

- a) Any directors appointed by the Board since the previous annual meeting; and
- b) At least one third of the remaining directors (or the number nearest to one third).

The Board has the power to exempt one executive director from this retirement rule.

The sequence of retirement is:

- a) Directors wishing to retire at the annual meeting;
- b) Those directors who have been longest in office since their last election. (Those who became directors on the same day shall draw lots, unless the Board decides otherwise).

RETIREMENT OF DIRECTOR

Brian Ogden has expressed a wish to retire from the Board, effective from 30 June 2006. Brian joined the Company in an executive capacity in 1968, and accepted a position on the Board of Directors in 1987.

In his role with the Company, Brian was the originator and, indeed, creator of our commercial division Speirs Foods. His enthusiasm and drive in those early years led the Company to be the pioneer of the fresh salad industry and markets in New Zealand, and established the base for Speirs Foods to remain a major player in those and other markets today.

Brian's contribution to Speirs Group Limited over those thirty-eight years has been immense, both as an executive and as a director.

The directors and staff of the Company wish Brian well in his retirement in the knowledge that he will remain a close and trusted friend of the Company.

BOARD APPOINTMENT OF DIRECTOR

During the year the directors were pleased to appoint and welcome Linda Robertson, of Wellington, to the Board.

With over 20 years experience in the New Zealand financial sector incorporating a breadth of experience in the financial and capital markets, Linda has gained broad financial and managerial experience at a senior level. She has extensive management experience in corporate finance, capital markets, treasury and risk management.

Linda also has previous governance experience having been a Director of New Zealand Post, Chairman of the Finance and Risk Committee for New Zealand Post, Chairman of the New Zealand Post Pension Plan and was also a Director of Kiwi Bank. She is currently a Director of Catalyst Risk Management Limited and Nature Unplugged Limited.

Linda has a Post Graduate Diploma in Banking from Massey University and a Bachelor of Commerce from the University of Canterbury. She is a member of the New Zealand Institute of Directors, a Graduate Member of the Australian Institute of Company Directors, a member of the Australian Compliance Institute and a member of the Institute of Finance Professionals New Zealand.

Linda is currently the Senior Risk Assurance Advisor at Transpower New Zealand Limited.

FINANCIAL STATEMENTS

Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2006

	Notes	Group		Company	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Total Operating Revenue	3	44,752	47,036	39,329	41,833
Surplus before Taxation	3	1,210	1,336	1,210	1,336
Taxation	4	(368)	(367)	(368)	(367)
Net Surplus after Taxation		842	969	842	969

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 31 March 2006

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Equity at Beginning of the Year	9,975	9,235	9,975	9,235
Net Surplus after Taxation	842	969	842	969
Revaluation of Property	-	-	-	-
Revaluation of Investment Property	45	120	45	120
Total Recognised Revenues and Expenses	887	1,089	887	1,089
Issue of Shares on the Exercise of Options	1,560	-	1,560	-
Dividends Paid	(699)	(349)	(699)	(349)
Equity at End of the Year	11,723	9,975	11,723	9,975

The notes on pages 13 to 31 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2006

	Notes	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Assets					
Cash and Other Current Assets	5	8,917	13,429	6,987	11,718
Short Term Deposits – at Call		8,726	5,278	8,726	5,278
Short Term Deposits – 90 days		2,366	2,203	-	-
Taxation Refund Due		511	11	511	11
Finance Receivables	6	238,168	236,454	143,321	155,559
Assets Leased to Others	7	2,665	3,299	2,665	3,299
Investment Properties	8	1,443	1,398	1,443	1,398
Cash at Bank Pledged to Others	2	5,536	3,383	5,536	3,383
Investments		150	1,227	150	1,227
Future Taxation Benefit	4	3,833	2,812	3,833	2,812
Subordinated Debt - Securitised Assets	9	-	-	10,909	8,824
Property, Equipment, Plant & Vehicles	10	7,750	7,301	7,750	7,301
Intangible Assets	11	-	255	-	255
Total Assets		280,065	277,050	191,831	201,065
Liabilities					
Trade Accounts Payable		2,394	2,698	2,381	2,675
Other Accrued Liabilities and Provisions		230	118	230	118
Accrued Employee Entitlements		292	201	292	201
Owing to Speirs Securities Limited		-	-	491	-
Commercial Paper	12	88,712	75,962	-	-
Secured Stock	12	160,131	169,026	160,131	169,026
Subordinated Notes	12	3,200	6,471	3,200	6,471
		254,959	254,476	166,725	178,491
Perpetual Speirs Bonds	13	13,383	12,599	13,383	12,599
Total Liabilities		268,342	267,075	180,108	191,090
Equity	14	11,723	9,975	11,723	9,975
Total of Equity and Liabilities		280,065	277,050	191,831	201,065

The Board of Directors of Speirs Group Limited authorised these financial statements for issue on 29 May 2006.

Signed on behalf of the Board of Directors



 Nelson Speirs
 Executive Chairman
 29 May 2006



 Donald Speirs
 Deputy Chairman

The notes on pages 13 to 31 form part of these financial statements.

FINANCIAL STATEMENTS CONTINUED

STATEMENT OF CASH FLOWS

for the year ended 31 March 2006

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash Flows from Operating Activities				
<i>Cash was provided from:</i>				
Dividend Income	24	91	24	91
Interest Income	26,920	28,105	18,725	19,800
Operating Lease Rentals	1,016	1,647	1,016	1,647
Sales by Trading Divisions	13,849	13,402	13,849	13,402
Fee and Other Income	3,218	3,060	6,024	6,162
<i>Cash was applied to:</i>				
Interest Expense	(19,676)	(19,555)	(14,598)	(14,717)
Income Taxes Paid	(1,889)	(610)	(1,889)	(610)
Payments to Suppliers and Employees	(20,139)	(19,654)	(19,779)	(19,175)
Net Cash Flows from Operating Activities	3,323	6,486	3,372	6,600
Cash Flows from Investing Activities				
<i>Cash was provided from:</i>				
Repayment of Subordinated Debt – Speirs Securities Limited	-	-	-	1,681
Repayment of Finance Receivables	160,133	164,276	96,037	96,017
Repayment of Cash at Bank Pledged to Others	-	625	-	625
Repayment of 90 Day Short Term Deposits	-	154	-	-
Movement in Balance Owing to Speirs Securities Limited	-	-	2,967	1,189
Sale of Assets Leased to Others	2,967	6,292	2,967	6,292
Sale of Investments	1,077	-	1,077	-
Sale of Finance Receivables to Speirs Securities Limited	-	-	77,574	54,546
Sale of Property, Equipment, Plant & Vehicles	29	102	29	102
<i>Cash was applied to:</i>				
Investment in Finance Receivables	(165,040)	(143,495)	(165,040)	(143,495)
Investment in 90 day Short Term Deposits	(163)	-	-	-
Investment in Cash at Bank Pledged to Others	(2,153)	-	(2,153)	-
Investment in Subordinated Debt – Speirs Securities Limited	-	-	(1,611)	-
Purchase of Assets Leased to Others	(2,939)	(4,288)	(2,939)	(4,288)
Purchase of Property, Equipment, Plant & Vehicles	(2,131)	(632)	(2,131)	(632)
Net Cash Flows from Investing Activities	(8,220)	23,034	6,777	12,037

The notes on pages 13 to 31 form part of these financial statements.

STATEMENT OF CASH FLOWS

continued

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash Flows from Financing Activities				
<i>Cash was provided from:</i>				
Issue of Shares on the Exercise of Options	1,560	-	1,560	-
Issue of Commercial Paper	327,659	325,246	-	-
Issue of Secured Stock	93,991	111,785	93,991	111,785
Issue of Subordinated Notes	806	904	806	904
Issue of Perpetual Speirs Bonds	436	532	436	532
<i>Cash was applied to:</i>				
Dividends Paid to Shareholders	(699)	(349)	(699)	(349)
Repayment of Commercial Paper	(314,909)	(336,672)	-	-
Repayment of Secured Stock	(102,647)	(130,905)	(102,647)	(130,905)
Repayment of Subordinated Notes	(3,968)	(2,271)	(3,968)	(2,271)
Net Cash Flows from Financing Activities	2,229	(31,730)	(10,521)	(20,304)
Net (Decrease)/ Increase in Cash	(2,668)	(2,210)	(372)	(1,667)
Cash at Beginning of the Year:				
Bank	9,871	5,745	5,783	1,114
Short Term Deposits – Call	5,278	11,614	5,278	11,614
	15,149	17,359	11,061	12,728
Cash at End of the Year:				
Bank	3,755	9,871	1,963	5,783
Short Term Deposits – Call	8,726	5,278	8,726	5,278
	12,481	15,149	10,689	11,061
Net (Decrease)/ Increase in Cash	(2,668)	(2,210)	(372)	(1,667)
Reconciliation of Net Surplus after Taxation to Net Cash Flows from Operating Activities				
Net Surplus after Taxation	842	969	842	969
Non-Cash Items:				
Amortisation of Intangibles	255	343	255	343
Debts Written Off	2,328	2,518	2,328	2,518
Movement in Provision for Doubtful Debts	(602)	1,364	(128)	1,544
Movement in Provision for Recourse	-	-	(474)	(180)
Depreciation	2,250	2,645	2,250	2,645
(Profit)/Loss on Sale of Property, Equipment, Plant & Vehicles	9	(26)	9	(26)
Movement in Future Taxation Benefit	(1,021)	(336)	(1,021)	(336)
Unrealised Gain on Marketable Securities	-	(274)	-	(274)
Movements in Other Working Capital Items:				
Inventories	(47)	78	(47)	78
Accounts Receivable, Prepayments and GST Refund Due	(90)	(463)	(51)	(395)
Accounts Payable and Provisions	(101)	(381)	(91)	(335)
Taxation Refund Due	(500)	49	(500)	49
	2,481	5,517	2,530	5,631
Net Cash Flows from Operating Activities	3,323	6,486	3,372	6,600

The notes on pages 13 to 31 form part of these financial statements.

Notes to the Financial Statements

Note 1 STATEMENT OF ACCOUNTING POLICIES

A. Reporting Entities and Statutory Base

The reporting entities are Speirs Group Limited (the “Company”) and the Company and Speirs Securities Limited (the “Group”). These financial statements are presented in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

B. Measurement Base

The general accounting policies recognised as appropriate for the measurement and reporting of financial performance, cash flows and the financial position have been followed in the preparation of these financial statements. The historical cost method, as modified by the revaluation of certain assets, has been followed.

These financial statements have been prepared so that all components are stated exclusive of Goods and Services Tax.

C. Particular Accounting Policies

The following particular accounting policies, which significantly affect the measurement of financial performance and of financial position, have been applied:

(i) Basis of Consolidation

The consolidated Group financial statements are prepared from the financial statements of Companies that comprise the Group. They are Speirs Group Limited and Speirs Securities Limited.

Speirs Group Limited consolidates Speirs Securities Limited as an in-substance subsidiary because, although the Company does not own any shares in Speirs Securities Limited, the two companies have entered into a securitisation arrangement which, arguably, may attribute significant risks and rewards of Speirs Securities Limited to the Company.

All significant transactions between Group companies are eliminated on consolidation.

(ii) Finance Receivables

Finance Receivables, comprising finance leases and secured fixed term advances, are included in the financial statements at the amount of total instalments due less unearned income and provision for doubtful debts.

Finance Receivables include “**impaired assets**”, comprising:

- “**non-accrual loans**” being loans where we do not expect to be able to collect all the amounts owing in terms of the contract;
- “**restructured loans**” being loans on which the original contracted terms have been concessionally modified, and on which interest continues to be accrued at a rate which is equal to or greater than the Company’s average cost of funds at the date of restructuring;

- “**assets acquired through security enforcement**” being assets acquired in full or partial satisfaction of outstanding loans.

“**Past due assets**” are Finance Receivables which have not been operated by the counterparty within the key terms of the agreement for at least 90 days but which are not impaired assets.

With the exception of non-accrual loans for which no further income is recognised, income in respect of Finance Receivables is recognised either on the yield to maturity method, or on the basis of daily balances outstanding at agreed interest rates.

Credit facility fees are recognised as income upon entering into Finance Receivables transactions.

(iii) Bad Debts and Doubtful Debts Provisioning

Bad Debts are identified on a counterparty by counterparty basis and, where there is reasonable doubt as to their collectability, they are written down, by way of a specific write off, to their expected net collectable amounts with the amount written off recognised as an expense in the Statement of Financial Performance.

In addition, a non-specific provision is maintained for doubtful debts which are inherent in the portfolio of Finance Receivables, but which have not been specifically identified and provided for. The amount of the non-specific provision is determined as a percentage of total Finance Receivables.

Any movements in the non-specific provision are recognised in the Statement of Financial Performance.

(iv) Assets Leased to Others

Assets Leased to Others by way of “Operating Leases” are valued at cost less accumulated depreciation at straight line rates estimated to reduce the value of the assets to their resale values at the conclusion of the operating lease terms. Rental in respect of Assets Leased to Others by way of “Operating Leases” is recognised as income as rental instalments fall due for payment.

(v) Investment Properties

Real estate leased to others is accounted for as Investment Properties and is valued at the net current valuation by independent registered valuers on an annual basis, and no depreciation is provided for. Real estate revaluation gains and losses are recognised through the Statement of Movements in Equity.

(vi) Short Term Deposits and Cash at Bank Pledged to Others

Short Term Deposits, including cash deposited at Registered Banks but pledged to others, are recorded at cost. Interest is accounted for on an accrual basis.

(vii) Intangible Assets

Costs related to the establishment of the Securitisation of the Finance Receivables were written off over a period of eight years. Costs related to securing rights

to utilise the Scalime process were written off over a period of five years.

(viii) Property, Equipment, Plant, Vehicles & Computer Software

Land and buildings which are not classified as investment properties are accounted for at market values established by independent registered valuers every five years. The last valuations took place on 31 March 2004. Depreciation of buildings is recognised as an expense in the Statement of Financial Performance at rates of 2.50% to 2.96%.

Equipment, Plant, Vehicles and Computer Software are valued at cost less accumulated depreciation, depreciation being provided on a straight line basis at the following rates:

Vehicles	20%
Computer Equipment	12.5-25%
Other Plant, Equipment and Computer Software	10-25%

The cost of developing certain computer software for use by the Company internally is capitalised at cost and is amortised over a period of eight years.

(ix) Cash and Other Current Assets

Accounts Receivable are valued at estimated net realisable value after providing against debts where collection is doubtful.

Stocks are valued at the lower of cost and net realisable value.

(x) Borrowings

Borrowings are recognised at the amounts received from lenders, together with accrued interest where appropriate.

Interest expense is recognised on an accrual basis.

Interest rate swaps are entered into to manage interest rate exposure on Commercial Paper, with resulting gains and losses accounted for in the Statement of Financial Performance as they arise.

(xi) Taxation

The taxation expense recognised in the Statement of Financial Performance is the estimated liability in respect of the Net Surplus after allowance for permanent differences. This is the comprehensive basis for the calculation of Deferred Taxation.

The Group and Company follow the liability method of accounting for Deferred Taxation. Net Future Taxation Benefits, after deducting deferred tax liabilities, attributable to timing differences, are recognised in the financial statements if there is virtual certainty they will be recouped.

(xii) Financial Instruments Recognised

Financial instruments carried on the Statement of Financial Position include cash and bank balances, finance receivables, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments, including derivatives, that are designated as hedges of specific items are accounted for on the same basis as the underlying hedged items.

Unrecognised

The net differential paid or received on interest swaps is recognised as a component of interest expense over the period of the agreement.

(xiii) Investments

Investments in marketable securities are marked to market at balance date with any gain or loss being reflected in the Statement of Financial Performance.

(xiv) Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

- a. Cash means coins and notes, demand deposits and other highly liquid investments in which the Group and Company have invested as part of their day-to-day cash management. Cash includes liabilities which are the negative form of the above, such as any Bank Overdraft. Cash does not include Accounts Receivable or Payable, any Borrowing subject to a term facility or Cash at Bank Pledged to Others.
- b. Investing activities are those activities relating to the acquisition, holding and disposal of Property, Equipment, Plant & Vehicles, Finance Receivables and other investments. Investments can include securities not falling within the definition of Cash.
- c. Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group and Company. This includes both Equity and Debt not falling within the definition of Cash. Dividends paid in relation to the capital classified as Equity are included in financing activities.
- d. Operating activities include all transactions and other events that are not investing or financing activities. Interest and Dividends received and Interest Paid are included in operating activities.

(xv) Securitisation Arrangements

Neither surpluses nor deficits are recognised upon the assignment of Finance Receivables between the Company and Speirs Securities Limited.

Administration fees earned from the Securitisation arrangement are recognised in the Company's Statement of Financial Performance over the term of the contract and are limited to the surpluses earned by Speirs Securities Limited.

D. Changes in Accounting Policies

There have been no changes in the accounting policies during the year.

Note 2 SECURITISATION ARRANGEMENT

The Company is party to a securitisation arrangement with a Registered Bank, Speirs Securities Limited, and other parties. Under the terms of this arrangement, Speirs Securities Limited purchases eligible finance receivables from the Company. The purchase of these receivables by Speirs Securities Limited is funded by the issue of ninety-day commercial paper in the wholesale money market. The interest rate risk within Speirs Securities Limited arising from the funding of fixed rate receivables with ninety-day commercial paper is hedged through the use of interest rate swaps.

This arrangement has the effect of providing the Group with access to competitively priced and limited but certain funding from money markets within New Zealand. The future repayment commitments associated with this funding are precisely matched with the forward receipts due to the Group from client counter-parties. The Company charges fees to Speirs Securities Limited for the administration of the general affairs of Speirs Securities Limited, including the administration of the transferred receivables.

The principle components of the arrangement are:

- (i) Speirs Securities Limited is constituted for the purpose of purchasing the cash flow component of finance receivables agreements ("Eligible Receivables") (in the form of tranches of Eligible Receivables) from time to time.
- (ii) The Company is contracted to manage and administer the Eligible Receivables purchased by Speirs Securities Limited and the affairs generally of Speirs Securities Limited for various fees. Since it is not possible to determine an alternative fair value for these administration contracts with sufficient certainty, no fair value has been placed upon them. The fees earned by the Company in the year ended 31 March 2006 amounted to \$2,868,356 (2005 \$3,352,873).
- (iii) The Shareholders of Speirs Securities Limited are unrelated to the Company.
- (iv) Speirs Securities Limited primarily funds the purchase of each tranche of Eligible Receivables by issuing ninety-day commercial paper to the wholesale money market.
- (v) To be "Eligible" the Eligible Receivables must arise from agreements that, amongst other things:
 - a. are either Finance Leases or Security Agreements;
 - b. provide funding to a client counter-party that is secured by a charge over a registered motor vehicle used by and in the possession of the client counter-party;
 - c. be for a maximum term of sixty months; and
 - d. require repayment by a regular and even (usually monthly) cash flow payable from the client counter-party to the Company over the life of the agreement. The final payment may include a Residual Value or Balloon payment defined in (xii) below.
- (vi) Interest rate swap agreements are entered into with the Registered Bank concurrently with the issuing of the commercial paper required to fund each individual

tranche of Eligible Receivables. These are supported by standby facilities provided by the Registered Bank (see (vii) below) which guarantees funding should it not be possible to roll over ninety-day bills on their maturity. Under these agreements, and subject to subordinated debt arrangements referred to in (ix) below:

- a. the quantum and tenor of the money borrowed from the wholesale money market is exactly matched in both value and timing to the aggregate cash flows due to Speirs Securities Limited from the client counter-parties under the individual Eligible Receivables agreements. In this manner, the liquidity risk associated with funding by way of ninety-day commercial paper is eliminated; and
 - b. the interest rate cost of borrowing is fixed for the effective life of each tranche and, therefore, is fixed for each Eligible Receivable agreement that constitutes the tranche. At balance date Speirs Securities Limited had entered into interest rate swaps with a face value of \$89,472,931 (2005 \$76,663,734). The carrying value of the interest rate swaps in Speirs Securities Limited's financial statements is the amount of interest accrued on the swaps, \$106,604 (receivable) (2005 \$73,916 (receivable)). Speirs Securities Limited intends to hold the swaps through to their respective maturities. If, however, the swaps had been closed out at balance date, a mark to market valuation gain of \$32,724 (2005 \$735,432 gain) would have been recorded.
- (vii) The arrangement provides facilities for Speirs Securities Limited to borrow an agreed limit, currently set at \$100,000,000 (2005 \$95,000,000), on the wholesale money market. The Registered Bank provides standby facilities to meet any shortfalls, up to a maximum of the \$100,000,000 limit, from the wholesale money market should they ever arise.
 - (viii) During the year ended 31 March 2006, the Company sold \$77,573,638 (2005 \$54,546,468) of Eligible Receivables to Speirs Securities Limited, and derecognised these Finance Receivables in the financial statements of the Company. No surplus or deficit was recognised as a result of these sales. At 31 March 2006 the net value of these Eligible Receivables sold to and owned by Speirs Securities Limited was \$95,184,874 (2005 \$81,707,096).
 - (ix) The Company is required to arrange for the provision of funds on a continuing basis to Speirs Securities Limited by way of subordinated debt. The minimum quantum of that funding is calculated monthly on an agreed formula that discounts the aggregate future cash flows of the Speirs Securities Limited portfolio of Eligible Receivables by the aggregate of the weighted fixed swap interest borrowing rate that applies to them plus three percent. Different weightings are then applied according to the nature of the Eligible Receivables agreements and the underlying motor vehicles supporting them. The quantum of subordinated debt required varies marginally from

NOTES TO THE FINANCIAL STATEMENTS

month to month, but normally ranges between 11% and 12% of the accounting value of the Eligible Receivables at any time. The amount of the subordinated debt at 31 March 2006 was \$11,246,731 (2005 \$9,636,446) (see Note 9).

- (x) The subordinated debt provided to Speirs Securities Limited in this manner is subordinated to all other borrowings of Speirs Securities Limited. The rate of interest payable by Speirs Securities Limited to the holder(s) of the subordinated debt is governed by market rates and assessed risks and is set by the Company and agreed by Speirs Securities Limited from time to time.
- (xi) Other than any exposure arising from paragraph (xiii) below, the Company's exposure for any bad and doubtful debts incurred by Speirs Securities Limited is limited to the subordinated debt invested by the Company.
- (xii) Many Eligible Receivables agreements sold to Speirs Securities Limited under the Securitisation arrangements contain contractual undertakings by the client counter-party to make a final residual value or balloon payment on the termination of the Eligible Receivables agreement. This final payment amount (if any) is set at the time of the origination of the Eligible Receivable and will not exceed an amount established by the Company and agreed by the

Registered Bank as being a conservative estimate of the value of the underlying supporting registered motor vehicle asset that could be obtained by selling the motor vehicle asset into the open market place at the date the residual value or balloon payment is due.

- (xiii) A guarantor guarantees to Speirs Securities Limited the payment of residual values and balloon payments defined in (xii) above. In turn, the Company, as the entity which determines the residual values and balloon payments, indemnifies the guarantor in respect of the guarantor's contingent liability under this guarantee, which at 31 March 2006 amounted to \$21,792,429 (2005 \$19,090,278).
- (xiv) In the event of the Company being called upon to meet the indemnity referred to in (xiii) above, the Company may eliminate or mitigate this cost by realising the underlying security (the registered charge over a nominated motor vehicle) and selling the motor vehicle into the market place.
- (xv) The Company is required to place amounts, equal to a percentage of residual values guaranteed, together with amounts related to interest rate swap guarantees, on deposit with a nominated Registered Bank as collateral. At 31 March 2006 the amount of Registered Bank deposits pledged in this manner was \$5,536,371 (2005 \$3,382,772).

NOTES TO THE FINANCIAL STATEMENTS

Note 3 SURPLUS BEFORE TAXATION

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Operating Revenue				
Interest Earned on:				
Finance Receivables*	25,606	26,827	15,991	17,088
Short Term Deposits	1,314	1,278	942	997
Subordinated Debt – Speirs Securities Limited	-	-	1,792	1,715
Credit Facility Fees	2,412	2,690	2,316	2,439
Fees Earned as Administrator – Speirs Securities Limited	-	-	2,868	3,353
Operating Lease Rentals	1,016	1,647	1,016	1,647
Profit/(Loss) on Sale of Assets Leased to Others	(1)	22	(1)	22
Sales by Trading Divisions	13,575	13,837	13,575	13,837
Dividends Received	24	91	24	91
Bad Debts Recovered	506	276	506	276
Other Income	300	368	300	368
Total Operating Revenue	44,752	47,036	39,329	41,833
Expenses				
Amortisation of Intangible Assets	255	343	255	343
Audit Fees:				
Statutory Audit	114	102	114	102
Prior Year Under-accrual	3	3	3	3
Consultancy	26	43	26	43
Bad Debts Written Off	2,328	2,518	2,328	2,518
Bad Debt Provisioning:				
General	(1,418)	(455)	(944)	(275)
Specific	816	1,819	816	1,819
Depreciation:				
Buildings	40	40	40	40
Vehicles	271	150	271	150
Computer Equipment	246	276	246	276
Other Plant, Equipment and Computer Software	1,088	1,101	1,088	1,101
Assets Leased to Others	605	1,078	605	1,078
Directors' Fees	201	148	173	120
Interest Paid:				
Commercial Paper	5,078	4,838	-	-
Secured Stock	12,737	12,815	12,737	12,815
Subordinated Notes	349	621	349	621
Perpetual Speirs Bonds	1,512	1,281	1,512	1,281
Loss/(Profit) on Sale of Property, Equipment, Plant & Vehicles	8	(4)	8	(4)
Rent Paid	162	144	162	144
Other Trading and Operating Expenses	19,121	18,839	18,330	18,322
Total Expenses	43,542	45,700	38,119	40,497
Surplus before Taxation	1,210	1,336	1,210	1,336

* Interest Revenue from impaired assets has not been separately disclosed as it is not significant.

Note 4 TAXATION (Group and Company)

	2006 \$'000	2005 \$'000
Surplus before Taxation	1,210	1,336
Taxation on the Surplus for the Year at 33 cents in the Dollar	399	441
Adjustments for the taxation effect of:		
Non-Assessable Items	(41)	(92)
Non-Deductible Items	15	31
Prior Year Adjustment	3	3
Dividend Imputation Credits	4	8
Benefit of Imputation Credits Received	(12)	(24)
Taxation Expense	368	367
Taxation Expense is Represented by:		
Taxation Payable in Respect of the Current Year	1,389	703
Net Movement in Future Taxation Benefit	(1,021)	(336)
Taxation Expense	368	367
Future Taxation Benefit		
Balance at Beginning of the Year	2,812	2,476
Net Movement in Respect of Current Year	1,021	336
Balance at End of the Year	3,833	2,812
Future Taxation Benefit Comprises:		
Timing Differences that Provide Future Taxation Benefits	11,615	8,520
Recognised Tax Losses	-	-
Net Future Taxation Timing Charges	11,615	8,520
Future Taxation Benefit at 33 cents in the Dollar	3,833	2,812
Imputation Credit Account		
Balance at Beginning of the Year	3,179	2,717
Income Tax Paid	1,889	610
Imputation Credits attached to Dividends Received	12	24
Imputation Credits Allocated to Dividends Paid to Shareholders	(344)	(172)
Balance at End of the Year	4,736	3,179

The carry forward of imputation credits available to the shareholders of the Company is subject to the Company meeting Shareholder Continuity requirements of the Income Tax Act 1994.

Note 5 CASH AND OTHER CURRENT ASSETS

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash on Hand and at Bank	3,755	9,871	1,963	5,783
Prepayments	689	695	660	671
GST Refund Due	370	-	370	-
Operating Lease Assets Held for Re-Lease	1,467	-	1,467	-
Trade Receivables	2,024	2,298	1,915	2,223
Owing from Speirs Securities Limited	-	-	-	2,476
Stocks	612	565	612	565
Total Cash and Other Current Assets	8,917	13,429	6,987	11,718

NOTES TO THE FINANCIAL STATEMENTS

Note 6 FINANCE RECEIVABLES

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Gross Receivables - Finance Lease and Other Finance Contracts	277,402	273,922	167,137	181,010
Provision for Unearned Income	(35,469)	(33,101)	(20,389)	(21,896)
	241,933	240,821	146,748	159,114
Provision for Doubtful Debts	(3,765)	(4,367)	(3,427)	(3,555)
Total Finance Receivables	238,168	236,454	143,321	155,559
The amount owing by Directors is \$Nil (2005 \$Nil).				
General Provision for Doubtful Debts				
Balance at Beginning of the Year	2,231	2,686	1,419	1,694
Net Movement Recognised in the Statement of Financial Performance	(1,418)	(455)	(944)	(275)
Balance at End of the Year	813	2,231	475	1,419
The Group and Company Provision for Doubtful Debts is a general provision totalling (approximately) 0.355% (2005 0.99%) of the aggregate carrying value of all Finance Receivables. Due to the Company's significantly increased emphasis on specific provisioning and changes in debtor management procedures in the 2006 year, the requirement for overall general provisioning in the current year has been appropriately reduced.				
Specific Provision for Doubtful Debts				
Balance at Beginning of the Year	2,136	317	2,136	317
Net Movement Recognised in the Statement of Financial Performance	816	1,819	816	1,819
Balance at End of the Year	2,952	2,136	2,952	2,136
Impaired Assets				
Non-Accrual Loans				
Gross Receivable Balance at Beginning of the Year	3,592	5,012	3,592	5,012
Additions	10,201	8,869	10,201	8,869
Deletions	(6,624)	(7,803)	(6,624)	(7,803)
Bad Debts Written Off	(2,328)	(2,486)	(2,328)	(2,486)
Gross Receivable Balance at End of the Year	4,841	3,592	4,841	3,592
Aggregate General and Specific Provision relating to Non - Accrual Loans	2,968	2,169	2,968	2,169
Restructured Loans				
Gross Receivable Balance at Beginning of the Year	503	322	503	322
Additions	105	480	105	480
Deletions	(293)	(267)	(293)	(267)
Bad Debts Written Off	-	(32)	-	(32)
Gross Receivable Balance at End of the Year	315	503	315	503
Aggregate General Provision relating to Restructured Loans	1	5	1	5
Past Due Assets (Group and Company)				
Gross Receivable Balance at Beginning of the Year			2,078	5,378
Additions During the Year			12,881	6,188
Deletions During the Year			(7,703)	(9,488)
Gross Receivable Balance at End of the Year			7,256	2,078
Aggregate General Provision relating to Past Due Assets			24	19

No Finance Receivables are, or have been, assets acquired through security enforcement. In relation to Non-Accrual Loans, Restructured Loans and Past Due Assets there are no unrecognised assets included in the calculation of the above balances.

Note 7 ASSETS LEASED TO OTHERS (Group and Company)

	2006 \$'000	2005 \$'000
Operating Leased Vehicles:		
Cost	3,250	4,500
Accumulated Depreciation	(585)	(1,201)
Total Operating Leased Vehicles	2,665	3,299

Note 8 INVESTMENT PROPERTIES (Group and Company)

	2006 \$'000	2005 \$'000
Land and Buildings at Valuation	1,443	1,398

Land and Buildings leased to others by way of Operating Leases were revalued to current market valuation in accordance with a valuation report of Mr A.W. Walshaw, S.N.Z.P.I., A.N.Z.I.V., an independent Registered Valuer, of Palmerston North. The date of the valuation report was 27 February 2006.

Note 9 SUBORDINATED DEBT - SECURITISED ASSETS (Company)

	2006 \$'000	2005 \$'000
Gross Subordinated Debt	11,247	9,636
Provision for Recourse on Finance Receivables sold to Speirs Securities Limited	(338)	(812)
Net Subordinated Debt	10,909	8,824

Note 2 describes the arrangement that allows Speirs Securities Limited to apply subordinated debt against any losses it incurs on its purchased Finance Receivables. The Company currently holds all the Speirs Securities Limited's subordinated debt. Accordingly, the Provision for Recourse deducted above represents 0.355% (2005 0.99%) of the value at balance date of the Finance Receivables sold to Speirs Securities Limited, being the same percentage provided as a general provision for doubtful debts in respect of Finance Receivables of the Company.

Note 10 PROPERTY, EQUIPMENT, PLANT & VEHICLES (Group and Company)

	2006 \$'000	2005 \$'000
Freehold Land – Valuation	80	80
Freehold Buildings – Valuation	1,217	1,244
Total Property	1,297	1,324
Equipment, Plant & Vehicles:		
Cost	13,141	11,320
Accumulated Depreciation	(6,832)	(5,355)
Total Equipment, Plant & Vehicles	6,309	5,965
Capital Work in Progress	144	12
Total Property, Equipment, Plant & Vehicles, Capital Work in Progress	7,750	7,301

All freehold land and buildings were revalued to current market valuation on 31 March 2004 in accordance with a valuation report of Mr A.W. Walshaw, S.N.Z.P.I., A.N.Z.I.V., an independent Registered Valuer, of Palmerston North. The date of the valuation report was 8 March 2004. Additions since the date of the valuation report amount to \$42,484. The Freehold Land and Buildings are used for food processing purposes. The Equipment, Plant & Vehicles are used for food processing purposes and by our administration and finance offices and staff.

NOTES TO THE FINANCIAL STATEMENTS

Note 11 INTANGIBLE ASSETS (Group and Company)

	2006 \$'000	2005 \$'000
Balance at Beginning of the Year	255	598
Capitalised during the Year	-	-
Amortised during the Year	(255)	(343)
Balance at End of the Year	-	255

Intangible Assets comprise costs related to the establishment of the "Securitisation" arrangement for Finance Receivables and costs related to securing rights to utilise the "Scalime process" less amortisation to date.

Note 12 LIABILITIES

The Company's Bank Overdraft facility, unused at 31 March 2006 and 2005, is secured by way of a floating charge over all of the Company's assets and undertakings. This floating charge takes priority over all other borrowings of the Company, but is limited to the amount borrowed from Registered Banks or \$20,081,000 (31 March 2005 \$22,001,700), whichever is the lesser.

The Company's Secured Stock is secured under the Terms of the Composite Trust Deed dated 16 June 1986 between the Company and Perpetual Trust Limited. This floating charge takes priority over all other borrowings of the Company, other than for borrowings from Registered Banks referred to above.

The Company's Subordinated Notes are constituted under the Terms of the Composite Trust Deed dated 16 June 1986 between the Company and Perpetual Trust Limited and rank equally with Perpetual Speirs Bonds and behind all other liabilities of the Company.

The Group's Commercial Paper is secured by way of a Security Trust Deed dated 6 March 1998 between the Company, Speirs Securities Limited, Perpetual Trust Limited and a Registered Bank. This represents a fixed and floating charge over all the assets of Speirs Securities Limited.

Note 13 PERPETUAL SPEIRS BONDS (Group and Company)

	2006 \$'000	2005 \$'000
Perpetual Speirs Bonds	13,383	12,599

At 31 March 2006 13,383,000 (2005 12,599,500) \$1.00 Perpetual Speirs Bonds had been allotted to investors. Perpetual Speirs Bonds are issued in perpetuity but may be redeemed by the Company at some future date. The interest rate on Perpetual Speirs Bonds is reset annually on the 30th of September at the greater of 10.00% and the then one year swap rate plus 4.50%. For the period ended 30 September 2005 the interest rate applicable to Perpetual Speirs Bonds was 11.34%. For the period 1 October 2005 to 30 September 2006 the interest rate applicable to Perpetual Speirs Bonds is 11.78%.

Perpetual Speirs Bonds are Subordinated Debt, as defined in the Composite Trust Deed dated 16 June 1986, and rank equally with all other Subordinated Debt on issue, including Subordinated Notes, and rank behind all other liabilities of the Company.

Note 14 EQUITY (Group and Company)

	2006 \$'000	2005 \$'000
Fully Paid Up Ordinary Share Capital	11,628	10,068
Reserves	569	524
(Accumulated Deficit)/Retained Earnings	(474)	(617)
Total Equity	11,723	9,975
Fully Paid Up Ordinary Share Capital		
Balance at Beginning of Year 8,734,576 Ordinary Shares (2004 8,734,576 shares)	10,068	10,068
Shares Issued on Exercise of Options 1,560,000 shares (2005 Nil)	1,560	-
Balance at End of Year 10,294,576 Ordinary Shares (2005 8,734,576 shares)	11,628	10,068
Reserves		
Asset Revaluation Reserve		
Balance at Beginning of the Year	200	200
Revaluation	-	-
Balance at End of the Year	200	200
Investment Property Revaluation Reserve		
Balance at Beginning of the Year	324	204
Revaluation	45	120
Balance at End of the Year	369	324
Total Reserves	569	524
(Accumulated Deficit)/Retained Earnings		
Balance at Beginning of the Year	(617)	(1,237)
Net Surplus after Taxation	842	969
Dividends Paid in Cash	(699)	(349)
Balance at End of the Year	(474)	(617)

All issued Ordinary Shares are fully paid and rank equally in all matters except for the 1,560,000 shares issued on the exercise of options on 28 March 2006, in that these shares do not rank for dividends or other distribution, other than for dividends and other distributions paid in respect of financial periods from 1 April 2006.

David Speirs holds 40,000 Options to subscribe for Ordinary Shares in the Company at a cost of \$1 for each share. These Options may be exercised in whole or in part before 30 September 2006.

Donald Speirs holds "Founders Options" to subscribe for 500,000 Ordinary Shares in the Company at a cost of \$1 for each share. These options may be exercised in whole or in part before 30 September 2006.

NOTES TO THE FINANCIAL STATEMENTS

Note 15 FINANCIAL INSTRUMENTS

Credit Risks

Financial Assets and off balance sheet liabilities which subject the Group and Company to credit risks consist of:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash at Bank	3,755	9,871	1,963	5,783
Short Term Deposits	11,092	7,481	8,726	5,278
Trade Receivables	2,024	2,298	1,915	2,223
Owing from Speirs Securities Limited	-	-	-	2,476
Finance Receivables	238,168	236,454	143,321	155,559
Cash at Bank Pledged to Others	5,536	3,383	5,536	3,383
Subordinated Debt – Securitised Assets	-	-	10,909	8,824
'Off Balance Sheet' Residual Values/Balloon Payments	-	-	21,792	19,090

The Company's credit risk exposure in respect of 'Off Balance Sheet' Residual Values/Balloon Payments guarantees should be reducible to the extent of Subordinated Debt not otherwise applied and certain of the Cash at Bank Pledged to Others.

All of these Financial Assets are recognised in the Statement of Financial Position with the exception, in the case of the Company, of the 'Off Balance Sheet' Residual Values/Balloon Payments.

The Group and Company manage credit risks of Finance Receivables primarily by restricting advances to:

- Finance Leases and Security Agreements over motor cars, commercial vehicles and other fixed assets owned or administered by the Company and financed for a maximum of five years to customers throughout New Zealand, with the Company's interests in the assets registered with the Personal Property Securities Register;
- Fixed Term Advances secured by general security agreement or mortgage as appropriate.

Credit risks in respect of Bank balances and Short Term Deposits are managed by limiting amounts invested in any particular institution or by depositing amounts with Registered Banks within New Zealand.

Concentration of Credit Risks

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 and Company manage concentration of credit risk by placing restrictions on the maximum amounts which may be advanced to any one individual customer or deposited with a Registered Bank.

At 31 March 2006 the Group was exposed to twelve and the Company was exposed to nine entities whose indebtedness exceeded ten per cent of the Group's and Company's Equity. Significant borrowers (eight in relation to the Group and four in relation to the Company) all fall into the 10-20% concentration range while the balance of exposures are in relation to four Registered Banks, and in the case of the Company, Speirs Securities Limited.

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Percentage of Equity				
10% – 20%	8	3	4	3
20% - 30%	2	1	2	1
30% - 40%	1	-	1	-
60% - 70%	-	-	1	-
70%-80%	-	-	-	1
90%-100%	1	1	1	1
	12	5	9	6

Other than as disclosed above, there are no concentrations of exposure to any particular industry. The Company and Group are not exposed to any geographic concentration of credit risks. All credit risks are in New Zealand.

Note 15 FINANCIAL INSTRUMENTS continued**Liquidity Risk**

Liquidity risk arises where there is a mismatch in the timing of repayments of monetary liabilities and realisation of monetary assets. The Group and Company mitigate liquidity risk through the securitisation programme which provides funding on Commercial Paper and standby facilities from a Registered Bank as referred to in Note 2. The Company also manages liquidity risk by matching, as best as it can, maturities of monetary liabilities and monetary assets which have not been securitised.

At 31 March 2006 and 2005 the Company held unused credit facilities from a Registered Bank aggregating \$14,000,000. These facilities are available to the Company and to the Group on a 365 day basis, subject to certain covenants being met. The maturity profiles are set out on page 25 - 28.

Foreign Currency

At 31 March 2006 and 2005 the Group and Company had no foreign currency exposure.

Concentration of Funding Risk

The Company manages concentration of funding risk by limiting the amount of borrowings from any individual investor. At 31 March 2006 and 2005 the Company had no significant concentration of funding from any individual investor.

The Group may have concentration of funding through maturing Commercial Paper. However, this is totally off-set by a standby facility provided by a Registered Bank, which is available to access, if necessary, upon the repayment of Commercial Paper. (See Note 2).

In relation to geographic concentrations of funding risks for the Group and Company, approximately half of the Group and Company's Secured Stock funds are received from investors located in the lower half of the North Island. The remainder is received from investors located throughout New Zealand.

Fair Value of Financial Instruments

Fair values of financial instruments are materially similar to their carrying values in these financial statements.

Interest Rate Risk

Interest rate risk arises from lending at fixed interest rates for different terms than the corresponding borrowings.

Interest rate risk of the Company is managed, by matching as far as possible, maturities on funding facilities with maturities on Finance Receivables. The Company has no interest rate hedge contracts.

Interest rate risk in respect of Speirs Securities Limited is managed by entering into interest rate swap contracts in respect of all Commercial Paper borrowings for the term of the appropriately matching Finance Receivables. (See Note 2).

Maturity terms and current weighted average interest rates are set out on pages 25 – 28.

NOTES TO THE FINANCIAL STATEMENTS

Note 15 FINANCIAL INSTRUMENTS continued

	<i>Weighted Interest Rate %</i>	<i>Total \$'000</i>	<i>On Demand \$'000</i>	<i>Up to 12 Months \$'000</i>	<i>Between 12-24 Months \$'000</i>	<i>Between 24-60 Months \$'000</i>	<i>Redeemable at the Company's Option \$'000</i>
Group 2006							
Net Monetary Assets							
Cash on Hand and at Bank	-	3,755	3,755	-	-	-	-
Short Term Deposits - Call	7.25	8,726	8,726	-	-	-	-
Short Term Deposits – Ninety Days	7.43	2,366	-	2,366	-	-	-
Trade Receivables	-	2,024	-	2,024	-	-	-
GST Refund Due	-	370	-	370	-	-	-
Tax refund due	-	511	-	511	-	-	-
Finance Receivables	10.72	238,168	-	98,628	68,533	71,007	-
Cash at Bank Pledged to Others	7.25	5,536	-	-	-	5,536	-
Total Monetary Assets		261,456	12,481	103,899	68,533	76,543	-

Assets Leased to Others are excluded from this table as they are not technically 'monetary assets'.

Liabilities

Trade Accounts Payable and Other Sundry Liabilities	-	2,624	-	2,624	-	-	-
Accrued Employee Entitlements	-	292	-	292	-	-	-
Commercial Paper	6.75	88,712	-	28,705	28,521	31,486	-
Secured Stock	7.98	160,131	14,958	69,139	70,332	5,702	-
Subordinated Notes	9.09	3,200	-	1,620	804	776	-
Perpetual Speirs Bonds	11.78	13,383	-	-	-	-	13,383
Total Liabilities		268,342	14,958	102,380	99,657	37,964	13,383

With the exception of the Perpetual Speirs Bonds, asset and liability interest rate repricing dates are the same as maturity dates. At 31 March 2006 the Company had issued 13,383,000 \$1.00 Perpetual Speirs Bonds (2005 \$12,599,500). Perpetual Speirs Bonds are issued in perpetuity but may be redeemed by the Company at some future date. At 31 March 2006 the Company has no intention to redeem the Perpetual Speirs Bonds in the foreseeable future. The interest rate on Perpetual Speirs Bonds resets annually on 30 September at the greater of 10.00% and a fixed margin of 4.50% above the then one year swap rate. For the period ended 30 September 2005 the Perpetual Speirs Bonds interest rate was 11.34%. For the period 1 October 2005 until 30 September 2006 the Perpetual Speirs Bonds interest rate is 11.78%.

At 31 March 2006 the Company had immediate unused credit facilities available from a Registered Bank amounting to \$14,000,000, comprising a bank overdraft of up to \$1 million and a Committed Cash Advance Facility of up to \$13 million. The Committed Cash Advance Facility allows the company to draw down up to \$13 million for a term not exceeding 365 days. This facility is approved by the Registered Bank as being available for a period of 365 days, subject to certain covenants being met.

Note 15 FINANCIAL INSTRUMENTS continued

	Weighted Interest Rate %	Total \$'000	On Demand \$'000	Up to 12 Months \$'000	Between 12-24 Months \$'000	Between 24-60 Months \$'000	Redeemable at the Company's Option \$'000
Group 2005							
Net Monetary Assets							
Cash on Hand and at Bank	-	9,871	9,871	-	-	-	-
Short Term Deposits	6.75	7,481	5,278	2,203	-	-	-
Trade Receivables	-	2,298	-	2,298	-	-	-
Tax Refund Due	-	11	-	11	-	-	-
Finance Receivables	10.53	236,454	-	105,132	69,236	62,086	-
Cash at Bank Pledged to Others	6.75	3,383	-	-	-	3,383	-
Total Monetary Assets		259,498	15,149	109,644	69,236	65,469	-

Assets Leased to Others are excluded from this table as they are not 'monetary assets'.

Liabilities

Trade Accounts Payable and Other							
Sundry Liabilities	-	2,816	-	2,816	-	-	-
Accrued Employee Entitlements	-	201	-	201	-	-	-
Commercial Paper	6.38	75,962	-	29,584	25,385	20,993	-
Secured Stock	7.47	169,026	11,731	96,171	51,217	9,907	-
Subordinated Notes	8.91	6,471	-	3,926	1,263	1,282	-
Perpetual Speirs Bonds	11.34	12,599	-	-	-	-	12,599
Total Liabilities		267,075	11,731	132,698	77,865	32,182	12,599

With the exception of the Perpetual Speirs Bonds, asset and liability interest rate repricing dates are the same as maturity dates. At 31 March 2005 the Company had issued 12,599,500 \$1.00 Perpetual Speirs Bonds. Perpetual Speirs Bonds are issued in perpetuity but may be redeemed by the Company at some future date. At 31 March 2005 the Company had no intention to redeem the Perpetual Speirs Bonds in the foreseeable future. The interest rate on Perpetual Speirs Bonds resets annually on 30 September at the greater of 10.00% and a fixed margin of 4.50% above the then one year swap rate.

At 31 March 2006 the Company had immediate unused credit facilities available from certain Registered Banks amounting to \$14,000,000.

	Weighted Interest Rate %	Total \$'000	On Demand \$'000	Up to 12 Months \$'000	Between 12-24 Months \$'000	Between 24-60 Months \$'000	Redeemable at the Company's Option \$'000
Company 2006							
Net Monetary Assets							
Cash on Hand and at Bank	-	1,963	1,963	-	-	-	-
Short Term Deposits	7.25	8,726	8,726	-	-	-	-
Trade Receivables	-	1,915	-	1,915	-	-	-
Tax refund due	-	511	-	511	-	-	-
GST Refund Due	-	370	-	370	-	-	-
Finance Receivables	10.72	143,321	-	72,756	35,750	34,815	-
Cash at Bank Pledged to Others	7.25	5,536	-	-	-	5,536	-
Subordinated Debt – Securitised Assets	16.00	10,909	-	1,942	4,262	4,705	-
Total Monetary Assets		173,251	10,689	77,494	40,012	45,056	-

Assets Leased to Others are excluded from this table as they are not technically 'monetary assets'.

NOTES TO THE FINANCIAL STATEMENTS

Note 15 FINANCIAL INSTRUMENTS continued

	<i>Weighted Interest Rate</i> %	<i>Total</i> \$'000	<i>On Demand</i> \$'000	<i>Up to 12 Months</i> \$'000	<i>Between 12-24 Months</i> \$'000	<i>Between 24-60 Months</i> \$'000	<i>Redeemable at the Company's Option</i> \$'000
Liabilities							
Trade Accounts Payable and Other Sundry Liabilities	-	2,611	-	2,611	-	-	-
Accrued Employee Entitlements	-	292	-	292	-	-	-
Owing to Speirs Securities Limited	-	491	491	-	-	-	-
Secured Stock	7.98	160,131	14,958	69,139	70,332	5,702	-
Subordinated Notes	9.09	3,200	-	1,620	804	776	-
Perpetual Speirs Bonds	11.78	13,383	-	-	-	-	13,383
Total Liabilities		180,108	15,449	73,662	71,136	6,478	13,383

With the exception of the Perpetual Speirs Bonds, asset and liability interest rate repricing dates are the same as maturity dates. At 31 March 2006 the Company had issued 13,383,000 \$1.00 Perpetual Speirs Bonds (2005 \$12,599,500). Perpetual Speirs Bonds are issued in perpetuity but may be redeemed by the Company at some future date. At 31 March 2006 the Company has no intention to redeem the Perpetual Speirs Bonds in the foreseeable future. The interest rate on Perpetual Speirs Bonds resets annually on 30 September at the greater of 10.00% and a fixed margin of 4.50% above the then one year swap rate. For the period ended 30 September 2005 the Perpetual Speirs Bonds interest rate was 11.34%. For the period 1 October 2005 until 30 September 2006 the Perpetual Speirs Bonds interest rate is 11.78%. At 31 March 2006 the Company had immediate unused credit facilities available from certain Registered Banks amounting to \$14,000,000, comprising a bank overdraft of up to \$1 million and a Committed Cash Advance Facility of up to \$13 million. The Committed Cash Advance Facility allows the company to draw down up to \$13 million for a term not exceeding 365 days. This facility is approved by the Registered Bank as being available for a period of 365 days, subject to certain covenants being met.

	<i>Weighted Interest Rate</i> %	<i>Total</i> \$'000	<i>On Demand</i> \$'000	<i>Up to 12 Months</i> \$'000	<i>Between 12-24 Months</i> \$'000	<i>Between 24-60 Months</i> \$'000	<i>Redeemable at the Company's Option</i> \$'000
Company 2005							
Net Monetary Assets							
Cash on Hand and at Bank	-	5,783	5,783	-	-	-	-
Short Tem Deposits	6.75	5,278	5,278	-	-	-	-
Trade Receivables	-	2,223	-	2,223	-	-	-
Tax Refund Due	-	11	-	11	-	-	-
Owing from Speirs Securities Limited	-	2,476	-	2,476	-	-	-
Finance Receivables	10.60	155,559	-	77,540	40,057	37,962	-
Cash at Bank Pledged to Others	6.75	3,383	-	-	-	3,383	-
Subordinated Debt – Securitized Assets	16.00	8,824	-	1,895	3,793	3,136	-
Total Monetary Assets		183,537	11,061	84,145	43,850	44,481	-

Assets Leased to Others are excluded from this table as they are not 'monetary assets'.

Note 15 FINANCIAL INSTRUMENTS continued

	<i>Weighted Interest Rate %</i>	<i>Total \$'000</i>	<i>On Demand \$'000</i>	<i>Up to 12 Months \$'000</i>	<i>Between 12-24 Months \$'000</i>	<i>Between 24-60 Months \$'000</i>	<i>Redeemable at the Company's Option \$'000</i>
Company 2005							
Liabilities							
Trade Accounts Payable and Other							
Sundry Liabilities	-	2,793	-	2,793	-	-	-
Accrued Employee Entitlements	-	201	-	201	-	-	-
Secured Stock	7.47	169,026	11,731	96,171	51,217	9,907	-
Subordinated Notes	8.91	6,471	-	3,926	1,263	1,282	-
Perpetual Speirs Bonds	11.34	12,599	-	-	-	-	12,599
Total Liabilities		191,090	11,731	103,091	52,480	11,189	12,599

With the exception of the Perpetual Speirs Bonds, asset and liability interest rate repricing dates are the same as maturity dates. At 31 March 2005 the Company had issued 12,599,500 \$1.00 Perpetual Speirs Bonds. Perpetual Speirs Bonds are issued in perpetuity but may be redeemed by the Company at some future date. At 31 March 2005 the Company had no intention to redeem the Perpetual Speirs Bonds in the foreseeable future. The interest rate on Perpetual Speirs Bonds resets annually on 30 September at the greater of 10.00% and a fixed margin of 4.50% above the then one year swap rate.

At 31 March 2005 the Company had immediate unused credit facilities available from certain Registered Banks amounting to \$14,000,000.

NOTES TO THE FINANCIAL STATEMENTS

Note 16 SEGMENTS

	<i>Speirs Foods</i>		<i>Speirs Finance</i>		<i>Total</i>	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Group						
Interest Earned	-	-	26,920	28,105	26,920	28,105
Operating Lease Rentals	-	-	1,016	1,647	1,016	1,647
Sales to Customers	13,575	13,837	-	-	13,575	13,837
Other Income	2	-	3,239	3,447	3,241	3,447
Total Revenue	13,577	13,837	31,175	33,199	44,752	47,036
Segment Result	1,254	1,255	2,870	2,875	4,124	4,130
Interest on Subordinated Notes					(349)	(621)
Interest on Perpetual Speirs Bonds					(1,512)	(1,281)
Corporate Costs					(1,053)	(892)
Taxation					(368)	(367)
Net Surplus after Taxation					842	969
Segment Assets	5,824	5,848	274,241	271,202	280,065	277,050
Company						
Interest Earned	-	-	18,725	19,800	18,725	19,800
Operating Lease Rentals	-	-	1,016	1,647	1,016	1,647
Sales to Customers	13,575	13,837	-	-	13,575	13,837
Other Income	2	-	6,011	6,549	6,013	6,549
Total Revenue	13,577	13,837	25,752	27,996	39,329	41,833
Segment Result	1,254	1,255	2,870	2,875	4,124	4,130
Interest on Subordinated Notes					(349)	(621)
Interest on Perpetual Speirs Bonds					(1,512)	(1,281)
Corporate Costs					(1,053)	(892)
Taxation					(368)	(367)
Net Surplus after Taxation					842	969
Segment Assets	5,824	5,848	186,007	195,217	191,831	201,065

The Group and Company operate predominantly in two industries, wholly within New Zealand.

The food industry operations comprise:

- the supply of salad and fresh cut vegetables to retailers and caterers.

The finance industry operations comprise:

- the leasing of vehicles; and
- advances on vehicles and other assets by way of mortgages and security agreements.

Note 17 RELATED PARTY TRANSACTIONS

The Company holds non-voting Redeemable Preference Shares in MMM Holdings Limited (trading as Anza Motor Company), a Palmerston North based motor vehicle dealer. Speirs Group Limited Directors, Donald Speirs, Nelson Speirs and David Speirs, and family trusts of which they are trustees, own 155,833 Ordinary Shares in MMM Holdings Limited, amounting to 19.99% of the ordinary share capital of that Company.

The Company provides funding to MMM Holdings Limited. As at 31 March 2006, funding totalled:

	\$	<i>Dividend/Interest Rate</i>
Non-voting, Redeemable Preference Shares	150,000	16.00%
Consumer Credit Advances Funding Facility	7,152,973	10.78%
Floor Plan Advances by way of Secured Debenture	1,500,000	11.08%

In addition, the Company leases real estate to MMM Holdings Limited with a value of \$1,443,000 and a rental yield of 9.41%p.a.

The Shares are included in "Investments", the Advances and Consumer Credit Funding is included in "Finance Receivables" and the Leases of Real Estate are included in "Investment Properties".

During the year the Company funded consumer credit paper in the amount of \$5,968,247 (2005: \$6,974,107)

NZAX has, under Listing Rule B4.1, granted a waiver to allow the Company to continue this business relationship with MMM Holdings Limited

Note 18 EVENTS SUBSEQUENT TO BALANCE DATE

Since balance date the Directors have proposed to resolve that a final dividend of three cents per share (amounting to \$262,037) be paid in respect of the year ended 31 March 2006. There have been no other events subsequent to balance date requiring disclosure in, or adjustment to, the financial statements.

Note 19 COMMITMENTS (Group and Company)

As at balance date the Group and Company had commitments outstanding and these are due as follows:

	<i>Property Rentals \$'000</i>	<i>Capital Expenditure \$'000</i>	<i>2006 Total \$'000</i>	<i>2005 Total \$'000</i>
Within One Year	124	-	124	314
Between One and Two Years	25	-	25	124
Between Two and Five Years	-	-	-	25
Over Five Years	-	-	-	-
Total Commitments	149	-	149	463

Note 20 CONTINGENT LIABILITIES

The Company has a contingent liability to meet any shortfall on residual values/balloon payments attached to financing contracts that have been funded by way of Securitisation amounting to \$21,792,429 (2005 \$19,090,278).

Note 21 IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002 the New Zealand Accounting Standards Review Board (ASRB) announced that New Zealand International Financial Reporting Standards (NZ IFRS) will apply to all New Zealand reporting entities for periods commencing on or after 1 January 2007, with earlier adoption periods commencing on or after January 2005 permitted. Speirs Group Limited intends to adopt NZ IFRS for the year commencing 1 April 2007. The comparative financial statements will need to be restated and an opening position prepared using NZ IFRS as at 1 April 2006.

Transition Management

A conversion project has been established. This project entails assessing the impacts of changes in financial reporting standards on Speirs' financial reporting and other related activities, then designing and implementing processes to deliver financial reporting on an NZ IFRS compliant basis. The company expects to be in a position to comply with the requirements of NZ IFRS when we are required to do so.

Impact of Adopting NZ IFRS

At this point in time the impact on Speirs' key accounting policies as a result of adopting NZ IFRS are considered to be:

- **Recognition of Fee Income**

Credit establishment fees are currently recognised at the inception of the loan. Under NZIFRS credit establishment fees will need to be recognised on a yield to maturity basis over the life of the related advance.

- **Provision for Impairment of Finance Receivables**

The Company currently maintains a general provision for doubtful debts to cover non-identified possible losses inherent in the portfolio of finance receivables. Under NZIFRS losses expected as a result of future events are no longer recognised.

- **Accounting for Interest Rate Swaps (in relation to the Group only)**

Currently any variations between the carrying value of the interest rate swaps and their market value is not recognised. NZ IAS 39 requires that swaps are valued at their fair market value and that this variation be reflected in the financial statements. It is the intention of the Board that any variations between the carrying value and the fair market value of the swaps is recognised as an adjustment in the Statement of Financial Performance.

- **Recognition of a Servicer Asset (in relation to the Company only)**

As the Company performs administrative functions on behalf of another entity, NZ IAS 39 requires the recognition of an asset and income in relation to the future administrative functions to be performed on behalf of the other entity.

The company is currently in the process of finalising this work with our external auditors and legal counsel. The main issue which has yet to be fully resolved is the impact of the adoption of NZ IFRS on the securitisation arrangement (see Note 2).

The financial impact on the financial statements had they been prepared using NZ IFRS would be to increase income by \$32,724 to reflect the recognition of the notional gain on interest rate swaps. The financial impacts of the establishment fee issue, the impairment issue and servicer asset issue have not been estimated.

The actual impact of adopting NZ IFRS may vary from the information presented above, and the variation may be material.



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Auditors' Report

to the shareholders of Speirs Group Limited

We have audited the financial statements on pages 9 to 31. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2006 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 13 and 14.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2006 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and tax advisors.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 9 to 31:
 - (i) comply with generally accepted accounting practice in New Zealand; and
 - (ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2006 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 29 May 2006 and our unqualified opinion is expressed as at that date.

Chartered Accountants

Wellington

STATUTORY INFORMATION

Statutory Information

PRINCIPAL ACTIVITIES

Speirs Group Limited operates two commercial divisions:

Speirs Finance – whose principal activity is asset backed financing

Speirs Foods – whose principal activity is fresh food production and distribution

DIRECTORS' SHAREHOLDINGS

The number of shares held by Directors of the Company:

	Beneficial Holdings	Non-Beneficial Holdings
David Speirs *	60,000	171,388
Nelson Speirs *	1,072,679	-
John Wilson	40,600	30,000
Robert Speirs	33,787	-
Donald Speirs *	521,524	642,273
Trevor Roberts	12,600	-
Brian Ogden	-	92,222
Nelson Speirs and Brian Ogden (as Co-Trustees)	-	705,489
Nelson Speirs and Donald Speirs (as Co-Trustees)	-	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.

* 1,000,000 shares held by Nelson Speirs, 500,000 shares held by Donald Speirs and 60,000 shares held by David Speirs were acquired by the exercise on 28 March 2006 of options held by those shareholders to purchase these shares in the Company for a cash price of \$1 for each share. These shares rank equally with all other shares in the Company, other than that they do not rank for dividends or other distributions other than for dividends and other distributions paid in respect of financial periods from 1 April 2006.

DIRECTORS' OPTIONS TO PURCHASE SHARES

Directors hold Options to purchase up to 540,000 shares in the Company for a cash price set at \$1 for each share. Options held by Directors, and the date the Options expire are:

	Options Held	Date Options Expire
Donald Speirs	500,000	Before 30 September 2006
David Speirs	40,000	Before 30 September 2006

DISCLOSURE OF INTERESTS BY DIRECTORS

Trevor Roberts

- purchased 5,000 ordinary shares in the Company, at a cost of \$1.06 per share on 26 January 2006.

Donald Speirs

- exercised 500,000 options to purchase ordinary shares in the Company, at a cost of \$1 per share on 28 March 2006.

Nelson Speirs

- exercised 1,000,000 options to purchase ordinary shares in the Company, at a cost of \$1 per share on 28 March 2006.

David Speirs

- exercised 60,000 options to purchase ordinary shares in the Company, at a cost of \$1 per share on 28 March 2006.

DIRECTORS' REMUNERATION

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

Name	Salary/Consultants Fees and Use of Company Motor Vehicle	Directors Fees	Total Remuneration	
Nelson Speirs**	\$234,000	\$Nil	\$234,000	Non Independent Director
Donald Speirs *	\$58,000	\$48,000	\$106,000	Non Independent Director
Brian Ogden *	\$70,000	\$Nil	\$70,000	Independent Director
Trevor Roberts	\$Nil	\$40,000	\$40,000	Independent Director
Robert Speirs	\$Nil	\$30,000	\$30,000	Non Independent Director
John Wilson	\$Nil	\$42,500	\$42,500	Independent Director
Linda Robertson	\$Nil	\$12,500	\$12,500	Independent Director
David Speirs	\$200,000	\$Nil	\$200,000	Non Independent Director

* Donald Speirs and Brian Ogden work for and consult to the Company on a "part time" and "as required" basis.

** Nelson Speirs remuneration includes salary paid for a period of four months when he was acting as both Executive Chairman and Acting General Manager, Speirs Finance

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

There were no loans by the Company to any 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 (other than executive directors) were:

\$120,000 - \$129,999	1
\$130,000 - \$139,999	1
\$150,000 - \$159,999	2

AUDITORS

In accordance with section 200 of the Companies Act 1993 the auditors, PricewaterhouseCoopers, continue in office.

STATUTORY INFORMATION REGARDING SHAREHOLDERS AND BONDHOLDERS TWENTY LARGEST SHAREHOLDERS AT 31 MARCH 2006

	Fully Paid Ordinary Shares	Percentage of Issued Voting Capital
Nelson Speirs *	1,072,679	10.42%
Nelson Speirs, Brian Ogden	705,489	6.85%
Donald Speirs, Kevin O'Sullivan	642,273	6.24%
New Zealand Central Securities Depository Limited	607,792	5.90%
Donald Speirs *	521,524	5.07%
Nelson Speirs, Donald Speirs	521,222	5.07%
Donald Speirs, Nelson Speirs	421,790	4.10%
Donald Speirs, Nelson Speirs	257,206	2.50%
David Speirs, Rebecca Speirs	171,388	1.66%
R G Myers	127,515	1.24%
M Le Moigne	109,385	1.06%
Nelson Speirs, Donald Speirs	100,000	0.97%
T A Morgan Limited	100,000	0.97%
Brian Ogden, Eila Ogden	92,222	0.90%
Custodial Services Limited	87,467	0.85%
Nelson Speirs, Donald Speirs and Mary Speirs	82,927	0.80%
E D Fogarty	78,889	0.76%
E A Wallace	73,787	0.72%
T A Morgan, S Grauert	63,889	0.62%
M W Speirs	62,360	0.61%
	5,899,804	57.31%

* See note under Directors' shareholdings on page 33

SHAREHOLDER STATISTICS AT 31 MARCH 2006

Ordinary Shares	Holders	%	Shares	%
1 to 1,000	55	8.40	35,793	0.35
1,001 to 5,000	337	51.45	868,870	8.44
5,001 to 10,000	124	18.93	979,760	9.52
10,001 to 100,000	128	19.54	3,251,890	31.59
100,001 and over	11	1.68	5,158,263	50.10
	655	100.00	10,294,576	100.00

SUBSTANTIAL SECURITY HOLDERS AT 31 MARCH 2006

The following information is provided in compliance with Section 26 of the Securities Markets Act 1988 and is stated as at 31 March 2006. The total number of voting securities of Speirs Group Limited at that date was 10,294,576.

Substantial Security Holder	Number of Shares in Which Relevant Interest is Held	Percentage of Voting Securities
Nelson Speirs	3,161,313	30.71%
Donald Speirs	2,546,942	24.74%
Brian Ogden	797,711	7.75%
Kevin O'Sullivan	642,273	6.24%
Port Stafford Limited*	606,458	5.89%

*Held by ANZ Nominees Limited through New Zealand Central Securities Depository Limited

20 LARGEST PERPETUAL SPEIRS BONDHOLDERS AT 31 MARCH 2006

	<i>Bonds Held</i>	<i>Percentage of Bonds on Issue</i>
B R Mathieson	682,000	5.10%
M H Allan	681,500	5.09%
M J Allan	590,000	4.41%
E M & I W Faulkner	200,000	1.49%
B B Harford	200,000	1.49%
D K Harford	200,000	1.49%
D K Harford, B B Harford, R Whalley & H Q Fletcher	200,000	1.49%
I R Liddington	125,000	0.93%
F H Cockrell, A J Cockrell & J A Fluker	120,000	0.90%
C W Henderson	106,000	0.79%
C A Tapsell	106,000	0.79%
J G Clapham	100,000	0.75%
P M Wilson	100,000	0.75%
G B Goffin	100,000	0.75%
J H Bibby and V C Bibby	100,000	0.75%
P G Edmonds and S M Edmonds	100,000	0.75%
M E Luckin & P E Jones	100,000	0.75%
P J Stevens and W H Stevens	100,000	0.75%
Waiapu Board of Diocesan Trustees Incorporated	100,000	0.75%
Te Whiti Nominees Limited	85,000	0.63%
	4,095,500	30.60%

PERPETUAL SPEIRS BONDHOLDER STATISTICS AT 31 MARCH 2006

Perpetual Speirs Bonds	Holder	%	Bonds	%
1,000 to 5,000	294	38.74	1,033,500	7.72
5,001 to 10,000	188	24.77	1,626,500	12.15
10,001 to 100,000	266	35.05	7,512,500	56.13
100,001 and over	11	1.44	3,210,500	24.00
	759	100.00	13,383,000	100.00

Directory

DIRECTORS

The Board of Directors of the Company is comprised of six Non-Executive Directors and two Executive Directors. All Directors have served for the whole year with the exception of Linda Robertson who joined the Board in November 2005.

NON-EXECUTIVE DIRECTORS

Donald Speirs, *Deputy Chairman*

John Wilson, F.C.A., A.C.I.S.

Brian Ogden

Trevor Roberts, LL.B., A.A.MINZ.

Robert Speirs

Linda Robertson, B Com, Dip Bank, CTP, M Inst D, GAICD

EXECUTIVE DIRECTORS

Nelson Speirs, F.C.A., *Executive Chairman*

David Speirs, *Executive Director*

REGISTERED OFFICE

Level 3, Farmers' Mutual House
68 The Square, Palmerston North
P O Box 400, Palmerston North

Freephone: 0800 65 45 45

Telephone: 06 350 6000

Facsimile: 06 350 6020

SECURITIES REGISTRAR

Computershare Investor Services Limited

Private Bag 92119

Auckland 1020

Telephone: 09 488 8700

Facsimile: 09 488 8787

Investor Enquiries: 09 488 8777

DIVISIONAL AND BRANCH OFFICES

Speirs Finance Investments

Level 3, Farmers' Mutual House
68 The Square, Palmerston North

P O Box 400, Palmerston North

Telephone: 0800 65 45 45

Facsimile: 06 350 6020

Email: investments@speirs.co.nz

Website: www.speirs.co.nz

Speirs Finance Lending

Level 1, Suite 103, AA Centre,
29 Waterloo Road, Lower Hutt

P O Box 30-283, Lower Hutt

Telephone: 0800 77 34 77

Facsimile: 04 570 8412

Email: enquiries@speirs.co.nz

Website: www.speirs.co.nz

Speirs Foods

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

PricewaterhouseCoopers

Solicitors

Chapman Tripp

Bankers

Bank of New Zealand

Trustee for Debt Obligation Holders

Perpetual Trust Limited

AGM Notice

Notice is hereby given that the Annual Meeting of Shareholders of Speirs Group Limited ("the Company") will be held at 4.00 p.m. on Monday, 26 June 2006 at the Speirs Centre, Palmerston North Boys' High School, Featherston Street, Palmerston North.

Refreshments will be served at the conclusion of the Annual Meeting.

BUSINESS

- 1 **Annual Report:** To receive and consider the Annual Report for the year ended 31 March 2006, including the financial statements and the auditors' report.
- 2 **Election of Directors:** To consider and, if thought fit, to elect Directors to the Board of Directors of the Company ("the Board") as Resolutions 1, 2 and 3. In accordance with the Company's constitution, Linda Robertson, appointed by the Board during the year, must retire from the Board at the Annual Meeting, while Nelson Speirs and Robert Speirs retire from the Board by rotation. As they are eligible, they all offer themselves for election. Each of these appointments will be voted on separately.
- 3 **Directors' Fees:** To consider and, if thought fit, to pass the following Resolution 4 as an ordinary resolution:
 "That the maximum total amount of Directors' fees payable annually to all Directors taken together remain at \$200,000, such sum to be divided among the Directors as the Directors from time to time deem appropriate."
- 4 **Executive Directors' Remuneration:** To consider and, if thought fit, to pass the following Resolutions 5 and 6 as ordinary resolutions approving the remuneration of the Executive Directors:
Nelson Speirs:
 "For the purposes of Rule B4.1 of the NZAX Listing Rules, to ratify, authorise and approve the entry by the Company into a contract of employment with Nelson Speirs having a maximum total remuneration amount of \$225,000 and otherwise on the terms and conditions described in the Explanatory Note."
David Speirs:
 "For the purposes of Rule B4.1 of the NZAX Listing Rules, to ratify, authorise and approve the entry by the Company into a contract of employment with David Speirs having a maximum total remuneration amount of \$210,000 and otherwise on the terms and conditions described in the Explanatory Note."
- 5 **Reappointment of Auditors:** To record the re-appointment of PricewaterhouseCoopers as Auditors of the Company and to consider and, if thought fit, to pass the following Resolution 7 as an ordinary resolution:
 "That the Board be authorised to fix the auditors' fees and expenses from time to time."
- 6 **Other business:** To transact any other business which may be properly submitted to the Annual Meeting.

The recommendation of your Board is to vote in favour of the Resolutions.

By order of the Board



Nelson Speirs, *Executive Chairman*

Palmerston North, New Zealand

29 May 2006

NOTES

- 1 **Voting Rights:** All Shareholders are entitled to attend the meeting, and are entitled to one vote on a "show of hands" or by "voice vote", and to one vote for each share held in the event of a "poll", in each case in accordance with the Company's Constitution.
- 2 **Voting Exclusions:** In accordance with the NZAX Listing Rules, none of the Directors who will be entitled to be paid Directors' fees, or any of their Associated Persons, may vote on Resolution 4; and none of the Executive Directors who will be entitled to be paid pursuant to their employment contracts, or any of their Associated Persons may vote on Resolutions 5 and 6 respectively. That voting prohibition will not prevent a person who is disqualified from voting, who has been appointed as a proxy or voting representative by another person who is not disqualified from voting under the NZAX Listing Rules, from voting in respect of the securities held by that other person in accordance with the express instructions (excluding to exercise discretion on how to vote) of that other person.
- 3 **Proxies:** A Shareholder of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote on the Shareholder's behalf. A proxy need not be a Shareholder of the Company. If you wish you may appoint as your proxy the Chairman of the meeting. A proxy form is enclosed for each Ordinary Shareholder. Proxy forms, to be effective, must be received at the Registered Office of the Company, together with the Power of Attorney or other authority under which they are signed (if any), not later than 48 hours before the time of the meeting. The meeting will be held at 4pm on Monday 26 June 2006.

The Registered Office of the Company is on Level 3, Farmers' Mutual House, 68 The Square, Palmerston North (P O Box 400).

AGM NOTICE

- 4 **Resolution Requirements:** An ordinary resolution is a resolution passed by a simple majority of votes of Shareholders who are entitled to vote at the Annual Meeting and who exercise their right to vote.
- 5 **Speirs Bondholders:** Speirs Bond holders are welcome to attend the Annual Meeting as non-voting participants.

EXPLANATORY NOTES

Election of directors / resolutions 1, 2 and 3

- 1 In accordance with the Company's constitution, Linda Robertson, appointed by the Board during the year, must retire from the Board at the Annual Meeting, while Nelson Speirs and Robert Speirs retire from the Board by rotation. As they are eligible, Linda Robertson offers herself for election, and Nelson Speirs and Robert Speirs offer themselves for re-election to the Board:

Linda Robertson, BCom, DipBank, CTP, MInstD, GAICD

Linda was appointed as a Director by the Board in November 2005.

With over 20 years experience in the New Zealand financial sector incorporating a breadth of experience in the financial and capital markets, Linda has gained broad financial and managerial experience at a senior level. She has extensive management experience in corporate finance, capital markets, treasury and risk management.

Linda also has previous governance experience having been a director of New Zealand Post, Chairman of the Finance and Risk Committee for New Zealand Post, Chairman of the New Zealand Post Pension Plan and was also a Director of Kiwi Bank. She is currently a Director of Catalyst Risk Management Limited and Nature Unplugged Limited.

Linda has a Postgraduate Diploma in Banking from Massey University and a Bachelor of Commerce from the University of Canterbury. She is a member of the New Zealand Institute of Directors, a Graduate Member of the Australian Institute of Company Directors, a member of the Australian Compliance Institute and a member of the Institute of Finance Professionals New Zealand.

Linda is currently the Senior Risk Assurance Advisor at Transpower New Zealand Limited.

Nelson Speirs, FCA Executive Chairman

Nelson Speirs is a joint founder of the Company, and has been a director and executive of the Company since its inception in 1966. He is experienced in both the Finance and Food industries. Nelson Speirs' role is primarily related to corporate governance matters, as well as strategy planning and development and on-going consulting with senior management in both Speirs Finance and Speirs Foods.

Robert Speirs

Robert Speirs was elected to the Board in March 2001. He is a Palmerston North businessman.

Executive directors' remuneration / resolutions 5 and 6

- 2 Rule B4.1 of the NZAX Listing Rules requires approval by ordinary resolution of the shareholders of the Company for any material transaction with a related party. The Executive Directors, as directors and officers of the Company, are related parties of the Company. In each case, the Executive Director's remuneration is a material transaction, because that term relates to services as an employee where the actual cost to the Company (ignoring any returns or benefits in connection with the services) is likely to exceed an amount equal to 1.5% of the Company's average market capitalisation.
- 3 For the purposes of an application of the relevant provisions of Rule B4.1 of the NZAX Listing Rules, the current monetary threshold, as at the date of this notice, is \$130,079.
- 4 Nelson Speirs' proposed remuneration from the Company is a base salary of \$200,000 per annum plus use of a motor vehicle valued at \$25,000 per annum, giving a total remuneration package of \$225,000. The remuneration package exceeds the applicable threshold. The Executive Chairman's role is deemed to be 80% of full time.
- 5 David Speirs' proposed remuneration from the Company is a base salary of \$185,000 per annum plus use of a motor vehicle valued at \$25,000 per annum, giving a total remuneration package of \$210,000. The remuneration package exceeds the applicable threshold. The role is deemed to be a full time position.

Executive Directors' Remuneration

- 6 The Company's objective is to seek quality staff, and to provide remuneration that fits within the likely upper quartile of remuneration payable for similar positions with similar responsibilities elsewhere in New Zealand.
- 7 In February 2005 the Company's Remuneration Committee sought the advice of Sheffield Limited, a nationally respected employment-consulting firm, for guidance on the appropriate remuneration for the Executive Directors.
- 8 With regard to the position held by Nelson Speirs, Sheffield's detailed report stated:

"In order to benchmark this role against the market we have selected a sample of 15 comparable roles. This sample includes information on Chief Executive Officers and Managing Directors in organisations that are similar in nature to Speirs Group Limited. The majority of roles included in our sample come from organisations operating within the manufacturing/processing industry, and finance/banking industry, and have revenues ranging from \$56M to \$70M per annum, and assets ranging from \$24M to \$419M. Additionally, many of these organisations are involved in more than one line of business, similar to Speirs Group Limited.

A detailed market table of this information can be summarised as follows:

AGM NOTICE

	Lower Quartile (\$)	Median Quartile (\$)	Average Quartile (\$)	Upper Quartile (\$)
Base Salary	192,614	220,000	222,502	250,000
Total Gross Package	230,769	256,348	286,391	345,000
Total Cost Package	249,169	308,000	316,598	356,000

9 The report goes on to say:

"In arriving at a recommendation on the level of remuneration package for Nelson Speirs we have taken into account an amalgam of several factors including the size and nature of the company (revenues, employee numbers), its industry, the complexity of the role itself and ...market data

Based on [this], we would therefore recommend a total cost package (this includes base salary, benefits plus FBT and actual incentive/bonus payments paid) of +/- 10% of the median of the market data for the Executive Chairman. This equates to a total cost package of \$277,200 to \$338,800 with a mid-point of \$308,000.

If Speirs Group Limited deem this position to be less than full time then the recommended remuneration should be apportioned appropriately."

10 With regard to the position held by David Speirs, Sheffield's detailed report states:

"In order to benchmark this role against the market we have selected a sample of 12 comparable roles. This sample includes information on Managing Directors, Chief Executive Officers and General Managers Managing Directors in organisations that are similar in nature to Speirs Foods. The majority of roles included in our sample come from food and beverage manufacturing/processing organisations and have revenues ranging from \$9M to \$26M per annum.

A detailed market table of this information can be summarised as follows:

	Lower Quartile (\$)	Median Quartile (\$)	Average Quartile (\$)	Upper Quartile (\$)
Base Salary	136,500	150,000	144,556	160,000
Total Gross Package	135,000	167,330	163,692	180,000
Total Cost Package	135,000	172,368	174,576	204,813

11 The report goes on to say:

"In arriving at a recommendation on the level of remuneration package for the General Manager – Speirs Foods of Speirs Group Limited, we have taken into account an amalgam of several factors including the size and nature of the company (revenues, employee numbers), its industry, the complexity of the role itself and ...market data

Based on [this], we would therefore recommend a total cost package (this includes base salary, benefits plus

FBT and actual incentive/bonus payments paid) of +/- 10% of the median of the market data for the General Manager, Speirs Foods. This equates to a total cost package of \$155,131 to \$189,605 with a mid-point of \$172,368.

12 In setting the proposed remuneration for Executive Directors, the Board's Remuneration Committee continued its policy of adopting the upper quartile figures as being appropriate. Sheffield Limited advised that, in its judgment, relevant upper quartile total remuneration figures, including performance related elements, are:

Executive Chairman (assuming full time role)	\$356,000
General Manager Speirs Foods	\$204,813

13 Accordingly, the Remuneration Committee has determined that remuneration payable should be:

Nelson Speirs: Nelson Speirs continues his role as Executive Chairman of the Company. This role is approximately 80% of a full time role. During the year Phil Herbert assumed the position of General Manager, Speirs Finance and as a result Nelson Speirs relinquished the role of Acting General Manager, Speirs Finance. The remuneration payable to Nelson Speirs has been reviewed accordingly. The terms (in brief) of Nelson Speirs' employment contract are as follows:

Base Salary	\$200,000, per annum (2005, \$325,000)
Use of Company Car	\$25,000 per annum (estimated)

David Speirs: David Speirs continues in his role as General Manager Speirs Foods. The terms (in brief) of David John Speirs' employment contract are as follows:

Base Salary	\$185,000, per annum (2005: \$175,000)
Use of Company Car	\$25,000 per annum (estimated)

The Company prefers not to enter employment contracts with performance related elements. Accordingly, the above figures include no performance related factors.

14 Although Nelson Speirs is a member of the Company's Remuneration Committee, he took no part in the Committee's consideration of his own remuneration.

15 The Directors of the Company are satisfied that the terms of the Executive Directors' employment contracts are fair and reasonable to the Company. This is evidenced by a certificate of the Directors, for the purposes of Rule B4.5(b) of the NZAX Listing Rules, certifying that the terms of the Executive Directors' employment contracts are fair and reasonable to shareholders and in the best interests of the Company. The Executive Directors, as interested parties, did not sign that certificate. A copy of the Certificate is enclosed with this Annual Report