



Speirs Group Limited

ANNUAL REPORT

for the year ended 31 March 2007

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Speirs Group Limited

Level 3, Farmers' Mutual House, 55 The Square, Palmerston North, New Zealand

P O Box 400, Palmerston North, New Zealand

Telephone 0800 65 45 45 or 06 350 6000 Facsimile 06 350 6020

Email investments@speirs.co.nz Website www.speirs.co.nz

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

	2007 \$'000	2006 \$'000
New loans	173,798	165,040
Fresh salad & food sales	12,120	13,575
Total Operating Revenue	43,835	44,752
(Loss)/Profit after taxation attributable to Shareholders of the Company	(1,919)	842
Total Assets	297,946	280,065
Total Equity Attributable to Shareholders of the Company	9,794	11,723
Perpetual Speirs Bonds	13,511	13,383
Minority Interest	745	-
Total Equity	24,050	25,106
Total Equity Percentage	7.82%	8.96%
(Loss)/Profit after taxation attributable to Shareholders of the Company / Total Equity Attributable to Shareholders of the Company	(19.60%)	7.18%

* Total Equity includes Perpetual Speirs Bonds. 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. For comparative purposes Perpetual Speirs Bonds have been treated as a component of Equity for both the 31 March 2007 and 2006 year ends.

Review of Operations

FINANCIAL PERFORMANCE

Speirs Group Limited recorded a loss after tax, attributable to the Company's shareholders, of \$1,919,000 for the year ended 31 March 2007.

The result is disappointing in terms of Speirs Directors' expectations at the start of the 2007 financial year, when they believed that the Company would improve on the profit of \$842,000 achieved the previous year.

By the end of the first half, it was clear that this would not be the case. Shareholders were advised accordingly. Speirs Finance Division's margins were being squeezed by the combination of an environment of slower growth and intensifying competition and by the Company's deliberate move to lower-risk, higher-value lending transactions that reduced the prospect of any repetition of the bad debt surge that flowed from more liberal lending practices followed by its Finance Division in the financial years 2001 to 2005.

In March, Directors confirmed that the tail of bad debt flowing from the 2001 – 2005 period would be larger than expected at the beginning of the year and that realisations from the recovered assets would be lower than expected. Speirs Shareholders were advised to expect a loss.

Speirs Group was informed on 20 June 2007 by a client company, Xpress Vehicle Rentals Limited ("Xpress"), that Xpress was unable to honour funding arrangements it had previously agreed with Speirs Group due to the impact of alleged improper activities by an individual in another aspect of Xpress' business.

Speirs Group is concerned that this development will materially and adversely impact upon Xpress' on-going viability and place at risk the funding that Speirs Group had, in good faith, made available to Xpress.

Speirs Group was not advised of this issue until 20 June 2007. However, it is clear that the alleged improper business activities affecting Xpress occurred prior to 31 March 2007. Consequently, Speirs Group Directors consider that, in terms of Financial Reporting Standard 5, paragraphs 4.1(a) and 5.1, Speirs Group is required to adjust the amounts recognised in its financial report for the year ended 31 March 2007 to reflect this 'adjusting event' that has come to the knowledge of Speirs Directors well after the balance date.

Accordingly, the directors of Speirs Group Limited decided that an additional expense of \$1.6m (entitled "Diminution in Operating Lease Assets held for Re-Lease") be provided for. This expense allows for the diminution in value of certain assets held at 31 March 2007 by Speirs Group Limited for the benefit of Xpress.

Speirs Group is taking every possible step to eliminate or mitigate the potential loss due to the unexpected developments at Xpress.

The Company's total revenue in 2007 declined by 2.0% to \$43,835,000. Advances by its Finance Division rose 5.3% to \$173,800,000 and Finance Division revenue increased 1.5% to \$31,651,000. Speirs Foods Division sales revenue declined, in very competitive conditions, to \$12,184,000.

The Company's costs in 2007 were increased by two non-recurring items: substantial compliance costs to prepare the Company for the adoption of the New Zealand equivalent International Financial Reporting Standards on 1 April 2007, and start-up costs from the establishment of Speirs Nutritionals Limited, a new venture between Speirs Foods Division and Massey University interests.

The effect of an increase in bad debts and doubtful debt provisioning and the Xpress issue (referred to above) are the principle drivers of the result in the 2007 financial year.

Bad debts and doubtful debt provisioning in 2007 amounted to \$3,318,000, compared to \$1,726,000 the previous year. Some \$2,300,000 – or 66% - of the 2007 bad debt and provisioning arose from loans made prior to 31 March 2005 under lending practices that have since been changed.

The Directors consider that high quality management and new processes – including significantly tightened lending policies, and upgraded asset valuation and recovered asset disposal practices – introduced in its Finance Division during the last 12 to 18 months are both proving effective, and that, after an exhaustive review of the receivables portfolio in the past year and further heavy provisioning, the significant residual bad debt problem has been properly addressed.

Speirs Group Limited paid a fully imputed dividend of 3 cents per share on 26 June 2006. No further dividend will be paid for the 2007 year.

FINANCIAL POSITION

Total assets rose to \$297 million (last year \$280 million), largely due to increases in Finance Division receivables, assets leased to others, and cash holdings.

There was also a \$540,000 injection of equity resulting from the decision by Directors Donald Speirs and David Speirs to exercise their options to acquire a total of 540,000 additional shares in the Company. These options were exercised on 27 September 2006.

Public support of Speirs Group's on-going Secured Stock offerings remains solid and Speirs Securities Limited's commercial paper, issued through the securitisation programme, continues to be rated A-1+ (extremely strong) by Standard & Poor's. The Company achieved an average rate of retention among Secured Stockholders whose stocks matured during the last year of 78%.

The balance sheet now reflects permanent capital resources, including Perpetual Speirs Bonds, amounting to \$24.050 million, and a permanent capital percentage of 7.82%.

SPEIRS FINANCE

Key features of Speirs Finance performance in 2007 have already been covered in this report. However, there were other significant developments during the year.

A comprehensive review of the Company's credit policy was completed. The Division now places heavy emphasis on quality, asset-backed lending, primarily to fund the vehicle and equipment needs of small to medium businesses nationwide. The Company no longer lends to customers seeking finance for transactions in the higher risk sectors of the second-hand vehicle market and does not lend for property development.

New lending processes have been introduced. The Division's quality assurance programme has been further intensified. Its collections and asset management capabilities have been strengthened. Systems and controls throughout the Division are now subject to closer monitoring and continuous review and enhancement.

Staff and agents have been involved in the review of policies, practices, products and services, as part of the update of business strategies for the five years 2006 –

REVIEW OF OPERATIONS

2010. A number of new product and service offerings have been developed during 2007 as a result of this process.

SPEIRS FOODS

Speirs Foods remains a leader in the supply of fresh salads and fresh-cut vegetables to the nations' supermarkets and food service providers. The Division supplies fresh product New Zealand-wide, six days a week.

While encountering a competitive marketing environment in 2007, operational efficiencies were implemented to maintain a satisfactory profit position for the year.

The Division continued to apply its "operational excellence" programme to upgrade produce procurement and standards, its customer response system, more sophisticated quality control and internal audit processes, increased management and staff training, and the application of performance measures and recognition.

Throughout the past year, Speirs Foods was also heavily involved in the formation of Speirs Nutritionals Limited, an initiative originated by the Division.

SPEIRS NUTRITIONALS

Speirs Nutritionals Limited is a 60% owned subsidiary company formed in the latter part of the financial year. The minority 40% shareholding is held by Massey University and others closely associated with Massey University.

The purpose of establishing Speirs Nutritionals Limited is to commercialise Omega-3 intellectual property developed by scientists at Massey University. Speirs Nutritionals will manufacture, market and license Omega-3 technologies which allow various food products to be enriched with high dosages of Omega-3.

The technology developed at Massey enable the Omega-3 emulsion to be merged into dairy products, bread, beverages and other food lines while avoiding the well-known Omega-3 'fishy' taste. There is worldwide interest in this development.

A new facility is currently under construction at our Speirs Foods' Marton premises. Construction is proceeding on budget and on time and we expect to commence production of the Omega-3 emulsion in the second half of 2007.

STAFF AND AGENTS

The Directors continue to be impressed by and 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. This past year has certainly been no exception. Ever changing markets, products, laws and regulations – and opportunities – continually present themselves. Our staff and agents are routinely involved in both the development and refinement of the Company's business growth strategy and are strongly committed to its vision, values and implementing its business development plans.

This commitment helps to assure Directors that, though the Company has experienced difficulties in recent years, it is well on the way to returning to the successful track that it has followed for most of its history.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

As required by law, the Company will adopt the new New Zealand equivalent International Financial Reporting Standards ("IFRS"), effective from 1 April 2007. The adoption of the new standards will mean significant changes

in the manner of our Company reporting. Work on the introduction of IFRS is largely complete, but at a very substantial compliance cost in both direct and indirect expenditure.

Many issues arise. They include, but are by no means limited to, issues arising from the adoption of IFRS that have the potential to affect our securitisation programme and our public borrowing programme, together with the joint understandings between the Company and the Trustee for our Debt Obligation-holders.

The Company is in the process of addressing these issues with its stockholders and the Trustee to enable it to continue to operate its borrowing programme as it has been under Generally Accepted Accounting Practices until now, and in conformity with the requirements of the Trust Deed

SPEIRS PERPETUAL BONDS

In October 2006, a meeting of Speirs Perpetual Bondholders agreed to a change in the terms of issue of the Bonds to the effect that interest would be payable on the Bonds conditional upon a Directors' formal resolution authorising each interest payment. This change allows the Company to classify the Bonds as Equity, as was originally intended.

OUTLOOK

Looking ahead, the Directors expect:

- a) Government's announced intentions with regard to infrastructure spending will create larger market opportunities for our Finance division clientele.
- b) further start up costs will be incurred by partly owned Speirs Nutritionals Limited. While this partly owned subsidiary should move into monthly profitability in the latter part of the 2008 financial year, these costs will impact adversely upon the overall Group financial performance for the financial year. Beyond this new 2008 financial year we expect Speirs Nutritionals Limited to provide a positive return to the Group.
- c) the significant changes made over the past twelve to eighteen months in both the management and processes of the finance division will see that division return to acceptable underlying profitability in this new financial year.
- d) economic, legislative, and regulatory changes – including new tax laws and employees' savings subsidy requirements – could affect the Group's results.

At the conclusion of the 2007 financial year, Speirs Group Limited remains in a sound position to cope with adverse trends that might result from on-going 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 better results.



Nelson Speirs
Executive Chairman
26 June 2007

Donald Speirs
Deputy Chairman

GOVERNANCE

Governance

BOARD 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 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 operate the company.

BOARD OF DIRECTORS

The Board is currently made up of seven Directors, five 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, 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: Linda Robertson (Chairman), Trevor Roberts and John Wilson

The Audit Committee provides a forum for communication between the Board and the external auditor. The Company's Internal Auditor reports to the Audit Committee. 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 (Chairman), 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 35 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 Chairman) 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 (Chairman), David Speirs, Linda Robertson, 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

John Wilson retires by rotation at the 2007 Annual Meeting of Shareholders. As he has expressed a wish to retire from the Board, John is not offering himself for re-election.

John has been associated with Speirs Group Limited since the 1970's, originally as a Director and advisor of a subsidiary company when Speirs Group Limited was active in the building supplies industry.

In May 1980 John accepted the Directors' invitation to join the Board, and has served the Company consistently and tirelessly since that date; for some years he was Deputy

Chairman of the Board, and held the position of Acting Chairman for several extended periods of time.

As a man of considerable business experience, John's counsel has been invaluable to the Board: indeed, he has guided the Board in many of its strategic decisions over the years. In particular, his influence could be seen in the actions the Company took to avoid the pitfalls that arose for the economy with the 1987 share market crisis, the development of the securitisation programme, the strengthening of the Company's equity position with perpetual bonds, the Company's listing on NZAX and the on-going growth of both the Company's finance and foods businesses.

John's contribution to the Company over these many years has been immense.

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

BOARD APPOINTMENT OF DIRECTOR

In June 2007 the directors were pleased to appoint and welcome Derek Walker, of Palmerston North, to the Board.

With over 30 years experience in senior management and governance positions within the New Zealand corporate sector, Derek has gained a wide range of business experience and knowledge at a most senior level.

Currently, Derek holds the position of chairman of NZ Windfarms Limited, The Bio Commerce Centre Limited and Palmerston North Airport Limited, and is a director of Quotable Value Limited and Third Bearing Limited. Past directorships and management positions include a wide range of positions within the electricity sector.

FINANCIAL STATEMENTS

Financial Statements
STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2007

	Notes	Group		Company	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Total Operating Revenue	3	43,835	44,752	36,556	39,329
(Deficit)/Surplus before Taxation	3	(2,873)	1,210	(2,735)	1,210
Taxation Benefit/(Expense)	4	899	(368)	897	(368)
Net (Deficit)/Surplus after Taxation		(1,974)	842	(1,838)	842
Attributable To:					
Equity Holders of the Company		(1,919)	842	(1,838)	842
Minority Interest		(55)	-	-	-
Net (Deficit)/Surplus for the Year		(1,974)	842	(1,838)	842

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 31 March 2007

	Notes	Group		Company	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Equity at Beginning of the Year		11,723	9,975	11,723	9,975
Net (Deficit)/Surplus after Taxation		(1,974)	842	(1,838)	842
Revaluation of Investment Property		180	45	180	45
Total Recognised Revenues and Expenses		(1,794)	887	(1,658)	887
Issue of Shares on the Exercise of Options		540	1,560	540	1,560
Capital Introduced by Minority Shareholder		800	-	-	-
Reclassification of Perpetual Speirs Bonds from Being Classified as a Liability to being Classified as a Component of Equity	15	13,456	-	13,456	-
Issue of Perpetual Speirs Bonds		55	-	55	-
Distributions Made on Perpetual Speirs Bonds		(699)	-	(699)	-
Taxation Benefit of Distributions Made on Perpetual Speirs Bonds		231	-	231	-
Dividends Paid on Ordinary Shares		(262)	(699)	(262)	(699)
Equity at End of the Year		24,050	11,723	23,386	11,723
Attributable To:					
Equity Holders of the Company		9,794	11,723	9,875	11,723
Perpetual Bondholders		13,511	-	13,511	-
Minority Interest		745	-	-	-
Total Equity		24,050	11,723	23,386	11,723

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2007

	Notes	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Assets					
Cash and Other Current Assets	5	12,994	8,917	7,912	6,987
Short Term Deposits – at Call		8,842	8,726	8,842	8,726
Short Term Deposits – 90 days		2,549	2,366	-	-
Taxation Refund Due		400	511	400	511
Finance Receivables	6	250,979	238,168	127,749	143,321
Assets Leased to Others	7	5,040	2,665	5,040	2,665
Investment Properties	8	2,094	1,443	2,094	1,443
Cash at Bank Pledged to Others	2	382	5,536	382	5,536
Investments		150	150	150	150
Investment in Subsidiaries	11	-	-	1,200	-
Future Taxation Benefit	4	4,963	3,833	4,961	3,833
Subordinated Debt - Securitised Assets	9	-	-	14,960	10,909
Property, Equipment, Plant & Vehicles	10	8,398	7,750	7,698	7,750
Capitalised Development Costs	18	355	-	-	-
Intangible Assets	12	800	-	-	-
Total Assets		297,946	280,065	181,388	191,831
Liabilities					
Trade Accounts Payable		3,595	2,394	3,575	2,381
Other Accrued Liabilities and Provisions		344	230	336	230
Accrued Employee Entitlements		275	292	275	292
Owing to Speirs Securities Limited		-	-	-	491
Owing to Speirs Nutritionals Limited		-	-	14	-
Commercial Paper	13	115,880	88,712	-	-
Secured Stock	13	151,061	160,131	151,061	160,131
Subordinated Notes	13	2,741	3,200	2,741	3,200
		273,896	254,959	158,002	166,725
Perpetual Speirs Bonds	14	-	13,383	-	13,383
Total Liabilities		273,896	268,342	158,002	180,108
Total Equity Attributable to Equity					
Holders of the Company	15	23,305	11,723	23,386	11,723
Minority Interest	17	745	-	-	-
Total Equity		24,050	11,723	23,386	11,723
Total of Equity and Liabilities		297,946	280,065	181,388	191,831

The Board of Directors of Speirs Group Limited authorised these financial statements for issue on 26 June 2007.

Signed on behalf of the Board of Directors



Nelson Speirs
Executive Chairman
26 June 2007



Linda Robertson
Director and Chairman of the Audit Committee

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 2007

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash Flows from Operating Activities				
<i>Cash was provided from:</i>				
Dividend Income	24	24	24	24
Interest Income	27,740	26,920	17,342	18,725
Operating Lease Rentals	1,378	1,016	1,378	1,016
Sales by Trading Divisions	11,830	13,849	11,830	13,849
Fee and Other Income	2,606	3,218	5,725	6,024
Income Tax Refunds Received	111	-	111	-
<i>Cash was applied to:</i>				
Interest Expense	(20,655)	(19,676)	(13,699)	(14,598)
Income Taxes Paid	-	(1,889)	-	(1,889)
Payments to Suppliers and Employees	(17,977)	(20,139)	(17,530)	(19,779)
Net Cash Flows from Operating Activities	5,057	3,323	5,181	3,372
Cash Flows from Investing Activities				
<i>Cash was provided from:</i>				
Repayment of Finance Receivables	156,443	160,133	85,616	96,037
Repayment of Cash at Bank Pledged to Others	5,154	-	5,154	-
Movement in Balance Owing to Speirs Securities Limited	-	-	-	2,967
Sale of Assets Leased to Others	1,969	2,967	1,969	2,967
Sale of Investments	-	1,077	-	1,077
Sale of Finance Receivables to Speirs Securities Limited	-	-	99,311	77,574
Sale of Property, Equipment, Plant & Vehicles	190	29	190	29
<i>Cash was applied to:</i>				
Investment in Finance Receivables	(173,798)	(165,040)	(173,798)	(165,040)
Investment in 90 day Short Term Deposits'	(183)	(163)	-	-
Investment in Cash at Bank Pledged to Others	-	(2,153)	-	(2,153)
Investment in Subordinated Debt				
- Speirs Securities Limited	-	-	(4,152)	(1,611)
Investment in Development Costs	(355)	-	-	-
Movement in Balance Owing to Speirs Securities Limited	-	-	(1,223)	-
Purchase of Assets Leased to Others	(5,265)	(2,939)	(5,265)	(2,939)
Purchase of Investment Property	(44)	-	(44)	-
Advance to Speirs Nutritionals Limited	-	-	(1,186)	-
Purchase of Property, Equipment, Plant & Vehicles	(2,800)	(2,131)	(2,100)	(2,131)
Net Cash Flows from Investing Activities	(18,689)	(8,220)	4,472	6,777

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

STATEMENT OF CASH FLOWS continued

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash Flows from Financing Activities				
<i>Cash was provided from:</i>				
Issue of Shares on the Exercise of Options	540	1,560	540	1,560
Issue of Commercial Paper	421,103	327,659	-	-
Issue of Secured Stock	68,192	93,991	68,192	93,991
Issue of Subordinated Notes	1,011	806	1,011	806
Issue of Perpetual Speirs Bonds	75	436	75	436
<i>Cash was applied to:</i>				
Dividends Paid to Shareholders	(262)	(699)	(262)	(699)
Distributions in relation to Perpetual Speirs Bonds	(699)	-	(699)	-
Repayment of Commercial Paper	(393,935)	(314,909)	-	-
Repayment of Secured Stock	(77,209)	(102,647)	(77,209)	(102,647)
Repayment of Subordinated Notes	(1,470)	(3,968)	(1,470)	(3,968)
Net Cash Flows from Financing Activities	17,346	2,229	(9,822)	(10,521)
Net (Decrease)/ Increase in Cash	3,714	(2,668)	(169)	(372)
<i>Cash at Beginning of the Year:</i>				
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
<i>Cash at End of the Year:</i>				
Bank	7,353	3,755	1,678	1,963
Short Term Deposits – Call	8,842	8,726	8,842	8,726
	16,195	12,481	10,520	10,689
Net (Decrease)/ Increase in Cash	3,714	(2,668)	(169)	(372)
Reconciliation of Net (Deficit)/Surplus after Taxation				
to Net Cash Flows from Operating Activities				
Net (Deficit)/Surplus after Taxation	(1,974)	842	(1,838)	842
<i>Non-Cash Items:</i>				
Amortisation of Intangibles	-	255	-	255
Debts Written Off	5,058	2,328	5,058	2,328
Diminution in Operating Lease Assets Held for Re-Lease	1,600	-	1,600	-
Movement in Provision for Doubtful Debts	(1,740)	(602)	(1,841)	(128)
Movement in Provision for Recourse	-	-	101	(474)
Depreciation	2,221	2,250	2,221	2,250
(Profit)/Loss on Sale of Property, Equipment, Plant & Vehicles	(6)	9	(6)	9
Taxation Benefit of Distributions Made on Perpetual Speirs Bonds	231	-	231	-
Movement in Future Taxation Benefit	(1,130)	(1,021)	(1,128)	(1,021)
<i>Movements in Other Working Capital Items:</i>				
Inventories	11	(47)	11	(47)
Accounts Receivable, Prepayments and GST Refund Due	(196)	(90)	(195)	(51)
Accounts Payable and Provisions	871	(101)	856	(91)
Taxation Refund Due	111	(500)	111	(500)
	7,031	2,481	7,019	2,530
Net Cash Flows from Operating Activities	5,057	3,323	5,181	3,372

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, Speirs Nutritionals Limited 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, Speirs Nutritionals Limited and Speirs Securities Limited. Speirs Group Limited consolidates Speirs Nutritionals Limited as a subsidiary as Speirs Group Limited holds a 60% shareholding in Speirs Nutritionals 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. All entities have a balance date of 31 March.

(ii) Finance Receivables

Finance Receivables, comprising finance leases, conditional purchase agreements 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

Intangible assets are amortised on a straight line basis over their estimated useful lives.

(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 & 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 between six and twelve and a half years.

(ix) Cash and Other Current Assets

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

Inventories 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) Development Costs

Costs related to the post research development phase are recognised as an asset and are carried at cost. The resulting asset is amortised over its estimated useful life. Also included as a component of development costs are market research activities undertaken prior to the commencement of commercial production to establish the usefulness of a product or the existence of a potential market.

(xv) Investment in Subsidiaries

Investments in subsidiaries are carried at cost less any provision for impairment.

(xvi) Cash Flows

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

- 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.
- 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.
- 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 and Interest paid in relation to the capital classified as Equity are included in financing activities.
- 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.

(xvii) 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 2007 amounted to \$3,165,111 (2006 \$2,868,356).
- (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 or other approved asset type 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 \$116,879,340 (2006 \$89,472,931). The carrying value of the interest rate swaps in Speirs Securities Limited's financial statements is the amount of interest accrued on the swaps, \$102,630 (receivable) (2006 \$109,604 (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 \$1,159,174 (2006 \$32,724 gain) would have been recorded.
- (vii) The arrangement provides facilities for Speirs Securities Limited to borrow an agreed limit, currently set at \$130,000,000 (2006 \$100,000,000), on the wholesale money market. The Registered Bank provides standby facilities to meet any shortfalls, up to a maximum of the \$130,000,000 limit, from the wholesale money market should they ever arise.
- (viii) During the year ended 31 March 2007, the Company sold \$99,311,231 (2006 \$77,573,638) 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 2007 the net value of these Eligible Receivables sold to and owned by Speirs Securities Limited was \$123,669,232 (2006 \$95,184,874).
- (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

NOTES TO THE FINANCIAL STATEMENTS

Receivables agreements and the underlying motor vehicles supporting them. The quantum of subordinated debt required varies marginally from month to month, but normally ranges between 11% and 13% of the accounting value of the Eligible Receivables at any time. The amount of the subordinated debt at 31 March 2007 was \$15,398,680 (2006 \$11,246,731) (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) Until 21 November 2006 when the guarantee was released, a guarantor guaranteed to Speirs Securities Limited the payment of residual values and balloon payments defined in (xii) above. In turn, the Company, as the entity which determined the residual values and balloon payments, indemnified the guarantor in respect of the guarantor's contingent liability under this guarantee, which at 31 March 2007 amounted to \$Nil (2006 \$21,792,429).
- (xiv) 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 2007 the amount of Registered Bank deposits pledged in this manner was \$382,373 (2006 \$5,536,371).

NOTES TO THE FINANCIAL STATEMENTS

Note 3 (DEFICIT)/SURPLUS BEFORE TAXATION

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating Revenue				
Interest Earned on:				
Finance Receivables*	26,346	25,606	14,066	15,991
Short Term Deposits	1,394	1,314	1,007	942
Subordinated Debt – Speirs Securities Limited	-	-	2,269	1,792
Credit Facility Fees	2,027	2,412	1,885	2,316
Fees Earned as Administrator – Speirs Securities Limited	-	-	3,165	2,868
Operating Lease Rentals	1,378	1,016	1,378	1,016
Profit/(Loss) on Sale of Assets Leased to Others	(33)	(1)	(33)	(1)
Sales by Trading Divisions	12,120	13,575	12,120	13,575
Dividends Received	24	24	24	24
Bad Debts Recovered	103	506	103	506
Other Income	476	300	572	300
Total Operating Revenue	43,835	44,752	36,556	39,329
Expenses				
Amortisation of Intangible Assets	-	255	-	255
Audit Fees:				
Statutory Audit	114	100	106	100
Other Assurance Services	12	12	12	12
Other Services	126	31	126	31
Bad Debts Written Off	5,058	2,328	5,058	2,328
Bad Debt Provisioning:				
General	48	(1,418)	(53)	(944)
Specific	(1,788)	816	(1,788)	816
Depreciation:				
Buildings	41	40	41	40
Vehicles	278	271	278	271
Computer Equipment	161	246	161	246
Other Plant, Equipment and Computer Software	853	1,088	853	1,088
Assets Leased to Others	888	605	888	605
Diminution in Operating Lease Assets Held for Re-Lease	1,600	-	1,600	-
Directors' Fees	232	201	191	173
Interest Paid:				
Commercial Paper	6,956	5,078	-	-
Secured Stock	12,544	12,737	12,544	12,737
Subordinated Notes	248	349	248	349
Perpetual Speirs Bonds **	906	1,512	906	1,512
Loss/(Profit) on Sale of Property, Equipment, Plant & Vehicles	(39)	8	(39)	8
Rent Paid	161	162	161	162
Other Trading and Operating Expenses	18,309	19,121	17,998	18,330
Total Expenses	46,708	43,542	39,291	38,119
(Deficit)/Surplus before Taxation	(2,873)	1,210	(2,735)	1,210

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

** Interest Paid on Perpetual Speirs Bonds in relation to the year ended 31 March 2007 is for the period 1 April 2006 until the Perpetual Speirs Bonds were reclassified as a component of Equity on 27 October 2006. From that date any payments in relation to Perpetual Speirs Bonds were treated as a distribution in the Statement of Movements in Equity.

Note 4 TAXATION

	<i>Group</i>		<i>Company</i>	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(Deficit)/Surplus before Taxation	(2,873)	1,210	(2,735)	1,210
Taxation on the Surplus for the Year at 33 cents in the Dollar	(948)	399	(902)	399
Adjustments for the taxation effect of:				
Non-Assessable Items	-	(41)	-	(41)
Unrecognised tax losses - Speirs Nutritionals Limited	44	-	-	-
Non-Deductible Items	6	15	6	15
Prior Year Adjustment	(1)	3	(1)	3
Dividend Imputation Credits	-	4	-	4
Benefit of Imputation Credits Received	-	(12)	-	(12)
Taxation (Benefit)/Expense	(899)	368	(897)	368
Taxation (Benefit)/Expense is Represented by:				
Taxation Payable in Respect of the Current Year	-	1,389	-	1,389
Taxation Benefit of Distributions Made on Perpetual Speirs Bonds	231	-	231	-
Net Movement in Future Taxation Benefit	(1,130)	(1,021)	(1,128)	(1,021)
Taxation (Benefit)/Expense	(899)	368	(897)	368
Future Taxation Benefit				
Balance at Beginning of the Year	3,833	2,812	3,833	2,812
Net Movement in Respect of Current Year	1,130	1,021	1,128	1,021
Balance at End of the Year	4,963	3,833	4,961	3,833
Future Taxation Benefit Comprises:				
Timing Differences that Provide Future Taxation Benefits	12,022	11,615	12,428	11,615
Recognised Tax Losses	3,019	-	2,605	-
Net Future Taxation Timing Charges	15,041	11,615	15,033	11,615
Future Taxation Benefit at 33 cents in the Dollar	4,963	3,833	4,961	3,833
Imputation Credit Account				
Balance at Beginning of the Year	4,736	3,179	4,736	3,179
Income Tax Paid/(Income Tax Refunds Received)	(111)	1,889	(111)	1,889
Imputation Credits attached to Dividends Received	12	12	12	12
Imputation Credits Allocated to Dividends Paid to Shareholders	(129)	(344)	(129)	(344)
Balance at End of the Year	4,508	4,736	4,508	4,736

The carry forward of imputation credits and recognised tax losses available to the shareholders of the Company is subject to the Company meeting the requirements of the Income Tax Act 1994.

Note 5 CASH AND OTHER CURRENT ASSETS

	<i>Group</i>		<i>Company</i>	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash on Hand and at Bank	7,353	3,755	1,678	1,963
Prepayments	629	689	592	660
GST Refund Due	343	370	343	370
Owing from Speirs Securities Limited	-	-	732	-
Operating Lease Assets Held for Re-Lease	1,761	1,467	1,761	1,467
Trade Receivables	2,307	2,024	2,205	1,915
Inventories	601	612	601	612
Total Cash and Other Current Assets	12,994	8,917	7,912	6,987

NOTES TO THE FINANCIAL STATEMENTS

Note 6 FINANCE RECEIVABLES

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Gross Receivables - Finance Lease and Other Finance Contracts	293,733	277,402	149,279	167,137
Provision for Unearned Income	(40,729)	(35,469)	(19,944)	(20,389)
	253,004	241,933	129,335	146,748
Provision for Doubtful Debts	(2,025)	(3,765)	(1,586)	(3,427)
Total Finance Receivables	250,979	238,168	127,749	143,321
The amount owing by Directors is \$35,670 (2006 \$Nil).				
General Provision for Doubtful Debts				
Balance at Beginning of the Year	813	2,231	475	1,419
Net Movement Recognised in the Statement of Financial Performance	48	(1,418)	(53)	(944)
Balance at End of the Year	861	813	422	475
The Group and Company Provision for Doubtful Debts is a general provision totalling (approximately) 0.355% (2006 0.355%) of the aggregate carrying value of all Finance Receivables.				
Specific Provision for Doubtful Debts				
Balance at Beginning of the Year	2,952	2,136	2,952	2,136
Net Movement Recognised in the Statement of Financial Performance	(1,788)	816	(1,788)	816
Balance at End of the Year	1,164	2,952	1,164	2,952
Impaired Assets				
Non-Accrual Loans				
Gross Receivable Balance at Beginning of the Year	4,841	3,592	4,841	3,592
Additions	6,648	10,201	5,912	10,201
Deletions	(1,514)	(6,624)	(1,218)	(6,624)
Bad Debts Written Off	(5,058)	(2,328)	(5,058)	(2,328)
Gross Receivable Balance at End of the Year	4,917	4,841	4,477	4,841
Aggregate General and Specific Provision relating to Non - Accrual Loans	1,181	2,968	1,179	2,968
Restructured Loans				
Gross Receivable Balance at Beginning of the Year	315	503	315	503
Additions	38	105	38	105
Deletions	(121)	(293)	(121)	(293)
Bad Debts Written Off	-	-	-	-
Gross Receivable Balance at End of the Year	232	315	232	315
Aggregate General Provision relating to Restructured Loans	1	1	1	1
Past Due Assets				
Gross Receivable Balance at Beginning of the Year	7,256	2,078	7,256	2,078
Additions	7,426	12,881	6,218	12,881
Deletions	(11,071)	(7,703)	(10,379)	(7,703)
Gross Receivable Balance at End of the Year	3,611	7,256	3,095	7,256
Aggregate General Provision relating to Past Due Loans	13	24	11	24

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)

	2007 \$'000	2006 \$'000
Operating Leased Vehicles:		
Cost	5,763	3,250
Accumulated Depreciation	(723)	(585)
Total Operating Leased Vehicles	5,040	2,665

Note 8 INVESTMENT PROPERTIES (Group and Company)

	2007 \$'000	2006 \$'000
Land and Buildings at Valuation	2,094	1,443

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 12 March 2007. On 28 March 2007 the Company entered into an unconditional agreement to purchase an additional block of land which cost \$471,205. Settlement did not take place until April 2007. As at 31 March 2007 a liability for the unpaid portion of the purchase has been recognised and the asset included at cost.

Note 9 SUBORDINATED DEBT - SECURITISED ASSETS (Company)

	2007 \$'000	2006 \$'000
Gross Subordinated Debt	15,399	11,247
Provision for Recourse on Finance Receivables sold to Speirs Securities Limited	(439)	(338)
Net Subordinated Debt	14,960	10,909

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% (2006 0.355%) 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		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Freehold Land – Valuation	80	80	80	80
Freehold Buildings – Valuation	1,398	1,217	1,398	1,217
Total Property	1,478	1,297	1,478	1,297
Equipment, Plant & Vehicles:				
Cost	13,091	13,141	13,091	13,141
Accumulated Depreciation	(7,646)	(6,832)	(7,646)	(6,832)
Total Equipment, Plant & Vehicles	5,445	6,309	5,445	6,309
Capital Work in Progress	1,475	144	775	144
Total Property, Equipment, Plant & Vehicles, Capital Work in Progress	8,398	7,750	7,698	7,750

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 \$265,217. 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 INVESTMENT IN SUBSIDIARIES

The Company's investment in subsidiaries comprises shares at cost. The only subsidiary in which the Company holds a direct ownership interest is Speirs Nutritionals Limited, whose principal activity is the development and manufacture of Omega-3 emulsion.

The subsidiary was formed on 27 November 2006 at which date the Company received a 60% shareholding in Speirs Nutritionals Limited. The cost to the Company to purchase the 60% interest in Speirs Nutritionals Limited was \$1,200,000. At the same date, other minority shareholders contributed \$800,000 in return for their 40% interest in Speirs Nutritionals Limited.

Speirs Nutritionals Limited has a balance date of 31 March.

In the period since Speirs Nutritionals Limited was formed and 31 March 2007, Speirs Nutritionals Limited recorded a before tax loss of \$137,000. This result has been included in the Group's Statement of Financial Performance.

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.

Note 12 INTANGIBLE ASSETS

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at Beginning of the Year	-	255	-	255
Capitalised during the Year	800	-	-	-
Amortised during the Year	-	(255)	-	(255)
Balance at End of the Year	800	-	-	-

In the 2007 year Intangible Assets comprise intellectual property related to the establishment of the Omega-3 fish oil processing process by Speirs Nutritionals Limited.

In the 2006 year Intangible Assets comprised 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 13 LIABILITIES

The Company's Bank Overdraft facility, unused at 31 March 2007 and 2006, 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 \$19,183,100 (31 March 2006 \$20,081,000), 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 14 PERPETUAL SPEIRS BONDS (Group and Company)

	2007 \$'000	2006 \$'000
Perpetual Speirs Bonds	-	13,383

NOTES TO THE FINANCIAL STATEMENTS

On 27 October 2006, at Special Meeting of Speirs Perpetual Bondholders, a majority of the Bondholders voted on a proposal which allows the interest on the Perpetual Speirs Bonds to be paid at the discretion of the Company's directors. For this reason, from 27 October 2007, Perpetual Speirs Bonds are classified under the "Equity" heading rather than as a liability – see Note 15

At 31 March 2006 13,383,000 \$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 2006 the interest rate applicable to Perpetual Speirs Bonds was 11.78%. For the period 1 October 2006 to 30 September 2007 the interest rate applicable to Perpetual Speirs Bonds is 12.08%.

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 15 EQUITY

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Fully Paid Up Ordinary Share Capital	12,168	11,628	12,168	11,628
Reserves	749	569	749	569
(Accumulated Deficit)/Retained Earnings	(3,123)	(474)	(3,042)	(474)
Total Equity Attributable to Shareholders of the Company	9,794	11,723	9,875	11,723
Perpetual Speirs Bonds	13,511	-	13,511	-
Total Equity	23,305	11,723	23,386	11,723
Fully Paid Up Ordinary Share Capital				
Balance at Beginning of Year 10,294,576 Ordinary Shares (2006 8,734,576 shares)	11,628	10,068	11,628	10,068
Shares Issued on Exercise of Options 540,000 shares (2006 1,560,000 shares)	540	1,560	540	1,560
Balance at End of Year 10,834,576 Ordinary Shares (2006 10,294,576 shares)	12,168	11,628	12,168	11,628
Reserves				
Asset Revaluation Reserve				
Balance at Beginning of the Year	200	200	200	200
Revaluation	-	-	-	-
Balance at End of the Year	200	200	200	200
Investment Property Revaluation Reserve				
Balance at Beginning of the Year	369	324	369	324
Revaluation	180	45	180	45
Balance at End of the Year	549	369	549	369
Total Reserves	749	569	749	569
(Accumulated Deficit)/Retained Earnings				
Balance at Beginning of the Year	(474)	(617)	(474)	(617)
Net (Deficit)/Surplus after Taxation	(1,974)	842	(1,838)	842
Portion of Deficit after Taxation Attributable to Minority Interests	55	-	-	-
Distributions Made on Perpetual Speirs Bonds	(699)	-	(699)	-
Taxation Benefit of Distributions Made on Perpetual Speirs Bonds	231	-	231	-
Dividends Paid in Cash on Ordinary Shares	(262)	(699)	(262)	(699)
Balance at End of the Year	(3,123)	(474)	(3,042)	(474)
Perpetual Speirs Bonds				
Balance at Beginning of Year	-	-	-	-
Reclassification of Perpetual Speirs Bonds from Being Classified as a Liability to Being classified as a Component of Equity	13,456	-	13,456	-
Bonds Issued	55	-	55	-
Balance at End of Year	13,511	-	13,511	-

NOTES TO THE FINANCIAL STATEMENTS

All issued Ordinary Shares are fully paid and rank equally in all matters except for the 540,000 ordinary shares issued on the exercise of options on 27 September 2006, in that these shares do not rank for dividends or other distributions other than for dividends and other distributions paid in respect of financial periods from 1 October 2006.

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 1 October 2006 to 30 September 2007 the interest rate applicable to Perpetual Speirs Bonds is 12.08%. 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 but ahead of ordinary shareholders.

On 27 October 2006, at Special Meeting of Speirs Perpetual Bondholders, a majority of the Bondholders voted on a proposal which allows the interest on the Perpetual Speirs Bonds to be paid at the discretion of the Company's directors. For this reason, from 27 October 2006, Perpetual Speirs Bonds are classified under the "Equity" heading rather than as a liability.

Note 16 FINANCIAL INSTRUMENTS

Credit Risks

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

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at Bank	7,353	3,755	1,678	1,963
Short Term Deposits	11,391	11,092	8,842	8,726
Trade Receivables	2,307	2,024	2,205	1,915
Owing from Speirs Securities Limited	-	-	732	-
Finance Receivables	250,979	238,168	127,749	143,321
Cash at Bank Pledged to Others	382	5,536	382	5,536
Subordinated Debt – Securitised Assets	-	-	14,960	10,909
'Off Balance Sheet' Residual Values/Balloon Payments	-	-	-	21,792

In the prior year the Company's credit risk exposure in respect of 'Off Balance Sheet' Residual Values/Balloon Payments guarantees would have been 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, Conditional Purchase Agreements 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 2007 the Group was exposed to five entities and the Company was exposed to three entities whose indebtedness exceeded ten per cent of the Group's and Company's Equity. Significant borrowers (two in relation to the Group and none in relation to the Company) all fall into the 10-20% concentration range while the balance of exposures are in relation to funds held with Registered Banks (three in relation to the Group and two in relation to the Company), and in the case of the Company, Speirs Securities Limited.

Note 16 FINANCIAL INSTRUMENTS continued

	Group		Company	
	2007	2006	2007	2006
	Number of Clients		Number of Clients	
Percentage of Equity				
10% – 20%	4	8	2	4
20% - 30%	-	2	-	2
30% - 40%	-	1	-	1
40% - 50%	1	-	-	-
60% - 70%	-	-	1	1
90%-100%	-	1	-	1
	5	12	3	9

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.

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 2007 and 2006 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 364 day basis, subject to certain covenants being met. The maturity profiles are set out on pages 25 - 28.

Foreign Currency

At 31 March 2007 and 2006 the Group and Company had no significant 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 2007 and 2006 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 16 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>
Group 2007						
Net Monetary Assets						
Cash on Hand and at Bank	-	7,353	7,353	-	-	-
Short Term Deposits - Call	7.50	8,842	8,842	-	-	-
Short Term Deposits – Ninety Days	7.68	2,549	-	2,549	-	-
Trade Receivables	-	2,307	-	2,307	-	-
GST Refund Due	-	343	-	343	-	-
Tax refund due	-	400	-	400	-	-
Cash at Bank Pledged to Others	7.50	382	-	-	-	382
Finance Receivables	10.78	250,979	-	97,025	72,368	81,586
Total Monetary Assets		273,155	16,195	102,624	72,368	81,968

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

Liabilities

Trade Accounts Payable and Other Sundry Liabilities	-	3,939	-	3,939	-	-
Accrued Employee Entitlements	-	275	-	275	-	-
Commercial Paper	7.14	115,880	-	37,060	34,435	44,385
Secured Stock	8.23	151,061	17,569	88,801	42,778	1,913
Subordinated Notes	10.00	2,741	-	447	2,060	234
Total Liabilities		273,896	17,569	130,522	79,273	46,532

Asset and liability interest rate repricing dates are the same as maturity dates.

At 31 March 2007 the Company had immediate unused credit facilities available from a Registered Bank amounting to \$14,000,000, comprising a bank overdraft of up to \$1,000,000 and a Committed Cash Advance Facility of up to \$13,000,000. The Committed Cash Advance Facility allows the company to draw down up to \$13,000,000 for a term not exceeding 364 days, subject to certain covenants being met.

Note 16 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 '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. Perpetual Speirs Bonds are issued in perpetuity but may be redeemed by the Company at some future date. At 31 March 2006 the Company had no intention to redeem the Perpetual Speirs Bonds in the foreseeable future.

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

	<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>
Company 2007						
Net Monetary Assets						
Cash on Hand and at Bank	-	1,678	1,678	-	-	-
Short Term Deposits	7.50	8,842	8,842	-	-	-
Trade Receivables	-	2,205	-	2,205	-	-
Tax refund due	-	400	-	400	-	-
GST Refund Due	-	343	-	343	-	-
Owing from Speirs Securities Limited	-	732	732	-	-	-
Cash at Bank Pledged to Others	7.50	382	-	-	-	382
Finance Receivables	10.76	127,749	-	64,393	32,788	30,568
Subordinated Debt – Securitised Assets	16.00	14,960	-	3,518	4,999	6,443
Total Monetary Assets		157,291	11,252	70,859	37,787	37,393

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

NOTES TO THE FINANCIAL STATEMENTS

Note 16 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>
Company 2007						
Liabilities						
Trade Accounts Payable and Other Sundry Liabilities	-	3,860	-	3,860	-	-
Accrued Employee Entitlements	-	326	-	326	-	-
Owing to Speirs Nutritionals Limited	-	14	14	-	-	-
Secured Stock	8.23	151,061	17,569	88,801	42,778	1,913
Subordinated Notes	10.00	2,741	-	447	2,060	234
Total Liabilities		158,002	17,583	93,434	44,838	2,147

Asset and liability interest rate repricing dates are the same as maturity dates. At 31 March 2007 the Company had immediate unused credit facilities available from a Registered Bank amounting to \$14,000,000, comprising a bank overdraft of up to \$1,000,000 and a Committed Cash Advance Facility of up to \$13,000,000. The Committed Cash Advance Facility allows the company to draw down up to \$13,000,000 for a term not exceeding 364 days, subject to certain covenants being met.

	<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 2006							
Net Monetary Assets							
Cash on Hand and at Bank	-	1,963	1,963	-	-	-	-
Short Tem 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 –							
Securitized 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 'monetary assets'.

Note 16 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
Company 2006							
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. Perpetual Speirs Bonds are issued in perpetuity but may be redeemed by the Company at some future date. At 31 March 2006 the Company had no intention to redeem the Perpetual Speirs Bonds in the foreseeable future.

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

Note 17 MINORITY INTEREST (Group Only)

	Group	
	2007 \$'000	2006 \$'000
Balance at Beginning of the Year	-	-
Minority Capital Introduced	800	-
Minority Share of Loss	(55)	-
Balance at End of the Year	745	-

Note 18 CAPITALISED DEVELOPMENT COSTS (Group Only)

	Group	
	2007 \$'000	2006 \$'000
Balance at Beginning of the Year	-	-
Capitalised During the Year	355	-
Amortised During the Year	-	-
Balance at End of the Year	355	-

Direct costs related to the post research development phase of the Speirs Nutritionals Omega-3 process have been capitalised at cost. Also included as a component of development costs capitalised above are market research activities which have been undertaken prior to the commencement of commercial production to establish the usefulness of the product or the existence of potential markets.

NOTES TO THE FINANCIAL STATEMENTS

Note 19 SEGMENTS

	<i>Speirs Nutritionals</i>		<i>Speirs Foods</i>		<i>Speirs Finance</i>		<i>Total</i>	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Group								
Interest Earned	-	-	-	-	27,740	26,920	27,740	26,920
Operating Lease Rentals	-	-	-	-	1,378	1,016	1,378	1,016
Sales to Customers	-	-	12,120	13,575	-	-	12,120	13,575
Other Income	-	-	64	2	2,533	3,239	2,597	3,241
Total Revenue	-	-	12,184	13,577	31,651	31,175	43,835	44,752
Segment Result	(138)	-	1,052	1,254	(1,453)	2,870	(539)	4,124
Interest on Subordinated Notes							(248)	(349)
Interest on Perpetual Speirs Bonds							(906)	(1,512)
Corporate Costs							(1,180)	(1,053)
Taxation							899	(368)
Net (Deficit)/ Surplus after Taxation							(1,974)	842
Segment Assets	3,057	-	7,998	5,824	286,891	274,241	297,946	280,065
Company								
Interest Earned			-	-	17,342	18,725	17,342	18,725
Operating Lease Rentals			-	-	1,378	1,016	1,378	1,016
Sales to Customers			12,120	13,575	-	-	12,120	13,575
Other Income			162	2	5,554	6,011	5,716	6,013
Total Revenue			12,282	13,577	24,274	25,752	36,556	39,329
Segment Result			1,052	1,254	(1,453)	2,870	(401)	4,124
Interest on Subordinated Notes							(248)	(349)
Interest on Perpetual Speirs Bonds							(906)	(1,512)
Corporate Costs							(1,180)	(1,053)
Taxation							897	(368)
Net (Deficit)/Surplus after Taxation							(1,838)	842
Segment Assets			7,998	5,824	173,390	186,007	181,388	191,831

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

The Omega-3 operations comprise:

- the manufacture and supply of Omega-3 emulsion .

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 20 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 2007, funding totalled:

	\$	<i>Dividend/Interest Rate</i>
Non-voting, Redeemable Preference Shares	150,000	16.00%
Consumer Credit Advances Funding Facility	6,585,279	11.04%
Floor Plan Advances by way of Secured Debenture	1,450,000	11.34%

In addition, the Company leases real estate to MMM Holdings Limited with a value of \$1,623,000 and a rental yield of 8.37%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 \$5,694,392 (2006:\$5,968,247).

NZAX has, under Listing Rule B4.1 (now Listing Rule 9.2.1), granted a waiver to allow the Company to continue this business relationship with MMM Holdings Limited.

Note 21 EVENTS SUBSEQUENT TO BALANCE DATE

On 17 May 2007 the Minister of Finance announced a reduction in the company tax rate from 33% to 30% to be effective from 1 April 2008. For the year ending 31 March 2008 this change in tax rates will affect the carrying value of the Company and Group's Future Taxation Benefit. As an indication of the likely adjustment, if the affect of the change in tax rates was applied to the Future Taxation Benefit as at 31 March 2007 an expense of \$451,000 would be reported along with a corresponding reduction in the carrying value of the Future Taxation Benefit.

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

Note 22 COMMITMENTS

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

	<i>Property Rentals</i>	<i>Capital Expenditure</i>	<i>2007 Total</i>	<i>2006 Total</i>
	\$'000	\$'000	\$'000	\$'000
Within One Year	168	259	427	124
Between One and Two Years	168	-	168	25
Between Two and Five Years	160	-	160	-
Over Five Years	-	-	-	-
Total Commitments	496	259	755	149

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

	<i>Property Rentals</i>	<i>Capital Expenditure</i>	<i>2007 Total</i>	<i>2006 Total</i>
	\$'000	\$'000	\$'000	\$'000
Within One Year	168	1,434	1,602	124
Between One and Two Years	168	-	168	25
Between Two and Five Years	160	-	160	-
Over Five Years	-	-	-	-
Total Commitments	496	1,434	1,930	149

Note 23 CONTINGENT LIABILITIES

At 31 March 2007 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 \$Nil (2006 \$21,792,429).

Note 24 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 1 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 NZ IFRS credit establishment fees will need to be recognised on a yield to maturity basis over the life of the related advance. For the year ended 31 March 2007 the financial impact of this issue would be to increase the deficit before taxation by \$233,433.

- **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 NZ IFRS losses expected as a result of future events are no longer recognised. A further change is that estimated future recoveries of funds from defaulting borrowers must be discounted back to present day values at the end of each reporting period. This discounted value must then be compared to the receivable's carrying value at the reporting date to determine the quantum of the specific impairment loss that will be recognised. The financial impact of these changes have not been estimated.

- **Reclassification of Software**

Currently software used by the Company is classified as a component of "Property, Plant and Equipment" Under NZ IFRS software must be classified as an Intangible Asset. At 31 March 2007 the financial impact of this issue on the financial statements had they been prepared using NZ IFRS would be to increase Intangible Assets by \$2,548,191 and decrease Property Plant and Equipment by \$2,548,191.

- **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. At 31 March 2007 the financial impact of this issue on the financial statements had they been prepared using NZ IFRS would be to increase income by \$1,159,174 to reflect the recognition of the notional gain on interest rate swaps.

- **Accounting for Capitalised Development Costs (in relation to the Group only)**

During the year ended 31 March 2007 the company capitalised \$355,000 of development costs. Included as a component of the capitalised development costs are market research activities which have been undertaken prior to the commencement of commercial production to establish the usefulness of the product or the existence of potential markets. Under NZ IFRS there is a tighter definition of development costs which can be capitalised, particularly in relation to market research activities. Accordingly when the Group prepares NZ IFRS compliant financial statements it is likely that some capitalised development costs will need to be written off immediately. The financial impact of this change has not been estimated.

- **De - Recognition Issues (in relation to the Company only)**

Currently Speirs Group Limited derecognises the finance receivables in their financial statements when the cash flows inherent in those contracts are sold to Speirs Securities Limited. Speirs Securities Limited then recognises the cash flows as finance receivables in their financial statements when the sale takes place. Under NZ IFRS Speirs Group Limited will be unable to derecognise the finance receivables upon sale to Speirs Securities Limited and must therefore continue to reflect these finance receivables in their financial statements. Offsetting this asset in Speirs Group Limited's financial statements will be a liability to Speirs Securities Limited which will equal the value of the cash flows sold to Speirs Securities Limited but not derecognised from the financial statements of Speirs Group Limited. At 31 March 2007 the financial impact of this issue on the financial statements had they been prepared using NZ IFRS would be to increase both assets and liabilities by \$123,669,232.

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



PricewaterhouseCoopers
113-119 The Terrace
PO Box 243
Wellington, New Zealand
www.pwc.com/nz
Telephone +64 4 462 7000
Facsimile +64 4 462 7001

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 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 13 to 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 2007 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.



**Auditors' Report
Speirs Group Limited**

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 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 June 2007 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Wellington

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

In addition, the company has a 60% shareholding in Speirs Nutritionals Limited which is engaged in the development and manufacture of Omega-3 emulsion.

DIRECTORS' SHAREHOLDINGS

The number of shares held by Directors of the Company:

	Beneficial Holdings	Non-Beneficial Holdings
David Speirs *	100,000	171,388
Nelson Speirs	1,072,679	-
John Wilson	40,600	30,000
Robert Speirs	33,787	-
Donald Speirs *	1,011,524	-
Trevor Roberts	17,600	-
Linda Robertson	-	-
Donald Speirs and John Wilson (as Co-Trustees)	-	642,273
Nelson Speirs and Brian Ogden (as Co-Trustees)	-	705,489
Donald Speirs, Nelson Speirs and John Wilson (as Co-Trustees)	-	678,996
Nelson Speirs and Donald Speirs (as Co-Trustees)	-	704,149

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.

* 500,000 of the shares held by Donald Speirs and 40,000 of the shares held by David Speirs were acquired by the exercise on 27 September 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 October 2006.

DISCLOSURE OF INTERESTS BY DIRECTORS

Trevor Roberts

- purchased 5,000 ordinary shares in the Company, at a cost of \$1.40 per share on 29 November 2006.

Donald Speirs

- exercised 500,000 options to purchase ordinary shares in the Company, at a cost of \$1 per share on 27 September 2006.

Robert Speirs

- borrowed \$35,670 from the company in the ordinary course of business to fund the purchase of a motor vehicle on 22 December 2006.

David Speirs

- exercised 40,000 options to purchase ordinary shares in the Company, at a cost of \$1 per share on 27 September 2006.

DIRECTORS' REMUNERATION

Directors' and former director's remuneration (including an allowance for the use of Company vehicles) received, or due and receivable during the year ended 31 March 2007, is as follows:

Name	Salary/Consultants Fees and Use of Company Motor Vehicle	Directors Fees	Total Remuneration	
Nelson Speirs	\$191,000	\$Nil	\$191,000	Non Independent Director
Donald Speirs *	\$58,000	\$48,000	\$106,000	Non Independent Director
Brian Ogden **	\$17,500	\$Nil	\$17,500	Independent Director
Trevor Roberts	\$Nil	\$40,000	\$40,000	Independent Director
Robert Speirs	\$Nil	\$30,000	\$30,000	Non Independent Director
John Wilson	\$Nil	\$37,500	\$37,500	Independent Director
Linda Robertson	\$Nil	\$35,000	\$35,000	Independent Director
David Speirs	\$210,000	\$Nil	\$210,000	Non Independent Director

* Donald Speirs worked for and consulted to the Company on a "part time" and "as required" basis.

** Brian Ogden retired on 30 June 2006. Up until his retirement he worked for and consulted to the Company on a "part time" and "as required" basis.

Directors are reimbursed for travel and accommodation expenses and any other costs properly incurred by them in connection with the business of the Company

MATERIAL PARTICULARS OF EXECUTIVE DIRECTORS' EMPLOYMENT CONTRACTS

In prior years the Company was required to obtain shareholder approval in relation to Executive Directors employment contracts as they exceeded 1.5% of the Company's average market capitalisation. During the year the Listing Rules were amended so that, pursuant to Listing Rule 9.2.4(c), shareholder approval is no longer required provided that the Independent Directors of the Board certify that the Executive Directors employment contracts are set on an arm's length, commercial basis and have been approved by the Independent Directors of the Company and the material particulars of the employment contracts are disclosed in the Annual Report. Accordingly the material particulars of the Executive Directors employment contracts for the period 1 April 2007 to 31 March 2008 are set out below:

Nelson Speirs: Nelson Speirs continues his role as Executive Chairman of the Company. This role is approximately 80% of a full time role. The remuneration payable to Nelson Speirs has been reviewed by the Remuneration Committee. The terms (in brief) of Nelson Speirs' employment contract are as follows:

Base Salary	\$178,000, per annum
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 Speirs' employment contract are as follows:

Base Salary	\$195,000, per annum
Use of Company Car	\$25,000 per annum (estimated)

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.

The Independent Directors have certified that the terms of the Executive Directors' Employment Contracts, are set on an arm's length, commercial basis and have been approved by the Independent Directors 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

Robert Speirs borrowed \$35,670 from the company in the ordinary course of business to fund the purchase of a motor vehicle.

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:

\$100,000 - \$109,999	2	\$150,000 - \$159,999	1
\$120,000 - \$129,999	1	\$180,000 - \$189,999	1
\$130,000 - \$139,999	1	\$210,000 - \$219,999	1
\$140,000 - \$149,999	1		

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 2007

	<i>Fully Paid Ordinary Shares</i>	<i>Percentage of Issued Voting Capital</i>
Nelson Speirs	1,072,679	9.90%
Donald Speirs	1,011,524	9.34%
Nelson Speirs, Brian Ogden	705,489	6.51%
ANZ Nominees Limited	644,668	5.95%
Donald Speirs, John Wilson	642,273	5.93%
Nelson Speirs, Donald Speirs	521,222	4.81%
Donald Speirs, Nelson Speirs, John Wilson	421,790	3.89%
Donald Speirs, Nelson Speirs, John Wilson	257,206	2.37%
David Speirs, Rebecca Speirs	171,388	1.58%
T A Morgan, S Grauert	149,399	1.38%
M Le Moigne	109,385	1.01%
Nelson Speirs, Donald Speirs	100,000	0.92%
David Speirs	100,000	0.92%
NZ Commercial Finance Brokers Limited	95,830	0.88%
Nelson Speirs, Donald Speirs and Mary Speirs	82,927	0.77%
M W Speirs	80,727	0.75%
E D Fogarty	78,889	0.73%
Brian Ogden, Eila Ogden	77,230	0.71%
E A Wallace	73,787	0.68%
R G Myers	70,459	0.65%
	6,466,872	59.68%

SHAREHOLDER STATISTICS AT 31 MARCH 2007

<i>Ordinary Shares</i>	<i> Holders</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
1 to 1,000	65	9.67	43,442	0.40
1,001 to 5,000	357	53.12	940,094	8.68
5,001 to 10,000	115	17.11	907,988	8.38
10,001 to 100,000	124	18.45	3,215,391	29.68
100,001 and over	11	1.65	5,727,661	52.86
	672	100.00	10,834,576	100.00

SUBSTANTIAL SECURITY HOLDERS AT 31 MARCH 2007

The following information is provided in compliance with Section 26 of the Securities Markets Act 1988 and is stated as at 31 March 2007. The total number of voting securities of Speirs Group Limited at that date was 10,834,576.

<i>Substantial Security Holder</i>	<i>Number of Shares in Which Relevant Interest is Held</i>	<i>Percentage of Voting Securities</i>
Nelson Speirs	3,161,313	29.18%
Donald Speirs	3,036,942	28.03%
John Wilson	1,391,869	12.85%
Brian Ogden	782,719	7.22%
Port Stafford Limited*	644,668	5.95%

* Held by ANZ Nominees Limited

20 LARGEST PERPETUAL SPEIRS BONDHOLDERS AT 31 MARCH 2007

	<i>Bonds Held</i>	<i>Percentage of Bonds on Issue</i>
B R Mathieson	682,000	5.05%
M H Allan	681,500	5.04%
M J Allan	590,000	4.37%
FNZ Custodians Limited	220,000	1.63%
E M & I W Faulkner	200,000	1.48%
B B Harford	200,000	1.48%
Estate D K Harford	200,000	1.48%
I R Liddington	125,000	0.93%
F H Cockrell, A J Cockrell & J A Fluker	120,000	0.89%
C W Henderson	112,000	0.83%
C A Tapsell	110,000	0.81%
J G Clapham	100,000	0.74%
P M Wilson	100,000	0.74%
G B Goffin	100,000	0.74%
J H Bibby and V C Bibby	100,000	0.74%
P J & W H Stevens	100,000	0.74%
P G Edmonds and S M Edmonds	100,000	0.74%
M E Luckin & P E Jones	100,000	0.74%
Waiapu Board of Diocesan Trustees Incorporated	100,000	0.74%
Te Whiti Nominees Limited	85,000	0.63%
	4,125,500	30.54%

PERPETUAL SPEIRS BONDHOLDER STATISTICS AT 31 MARCH 2007

Perpetual Speirs Bonds	Holders	%	Bonds	%
1,000 to 5,000	287	37.71	1,007,500	7.46
5,001 to 10,000	183	24.05	1,580,000	11.69
10,001 to 100,000	280	36.79	7,683,500	56.87
100,001 and over	11	1.45	3,240,500	23.98
	761	100.00	13,511,500	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 ended 31 March 2007 with the exception of Brian Ogden who retired on 30 June 2006.

On 14 June 2007 Derek Walker was appointed to the Board.

NON-EXECUTIVE DIRECTORS

Donald Speirs, *Deputy Chairman*

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

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

Robert Speirs

Linda Robertson, B Com, Dip Bank.

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

EXECUTIVE DIRECTORS

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

David Speirs, Executive Director

REGISTERED OFFICE

Level 3, Farmers' Mutual House

55 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

55 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

Gibson Sheat

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 9.45 a.m. on Tuesday, 31 July 2007 at the Marton Club, 3 Lower High Street, Marton.

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 2007, 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 Derek Walker, appointed by the Board on 14 June 2007, must retire from the Board at the Annual Meeting, while John Wilson, David Speirs and Trevor Roberts retire from the Board by rotation. As they are eligible Derek Walker offers himself for election and David Speirs and Trevor Roberts offer themselves for re-election. Each of these appointments will be voted on separately. John Wilson is not seeking to be re-elected.
- 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 **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 5 as an ordinary resolution:
 “That the Board be authorised to fix the auditors’ fees and expenses from time to time.”
- 5 **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
 26 June 2007

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. 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 9.45am on Tuesday 31 July 2007.
 The Registered Office of the Company is on Level 3, Farmers’ Mutual House, 55 The Square, Palmerston North (P O Box 400).
- 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 Derek Walker, appointed by the Board on 14 June 2007, must retire from the Board at the Annual Meeting while John Wilson, David Speirs and Trevor Roberts retire from the Board by rotation. As they are eligible Derek Walker offers himself for election, and David Speirs and Trevor Roberts offer themselves for re-election, to the Board:-

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

With over 30 years' experience in senior management and governance positions within the New Zealand corporate sector, Derek has gained a wide range of business experience and knowledge at a most senior level. Currently, Derek holds the position of chairman of NZ Windfarms Limited, The Bio Commerce Centre Limited and Palmerston North Airport Limited, and is a director of Quotable Value Limited and Third Bearing Limited. Past directorships and management positions include a wide range of positions within the electricity sector.

David Speirs

David was appointed a director of Speirs Group Limited in 1996.

He has been General Manager of Speirs Foods since 2001 and was appointed as a director of Speirs Nutritionals Limited, a venture between Speirs Group Limited and Massey University interests which will commercialise micro-encapsulated Omega-3 technologies.

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

Trevor was appointed as a Director of the company in 1990.

Trevor is a Barrister and Solicitor in practice in Wellington, and has had considerable experience as a director of public companies, Crown entities and charitable organisations including Medical Assurance Society and its subsidiaries, the Earthquake Commission and Presbyterian Support Central. Trevor is a member of the New Zealand Institute of Directors, and pursues an interest in business and Government ethics through Transparency International.