

Speirs Group Limited

Annual Shareholders' Meeting 2006



NEW ZEALAND GROWN : GROWING NEW ZEALAND

Good afternoon and welcome.

Now, we turn to commentary on this year's results – and an outline of the steps being taken to improve our result next year.

Our new general manager of Speirs Finance, Phil Herbert, will outline his division's business growth strategy.

And David Speirs, general manager of Speirs Foods, will take you through his division's development plan.

Then, we will all be open to your questions.

Financial Year (FY) 2006 Result

Operating Revenue	\$44,752,000	- 4.85%
Operating Expenses	\$43,542,000	- 4.72%
	<hr/>	
Surplus pre-tax	\$1,210,000	- 9.43%
Tax	(\$368,000)	+ 0.27%
	<hr/>	
Net Surplus	\$842,000	-13.11%



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The net surplus of \$842,000 represents a 13% decline on the result last year.

The main driver of the Speirs Group result this year is a 4.85% decline in revenue.

Operating expenses were reduced – but not enough to offset the revenue reduction.

Our pre-tax surplus was down 9.43%.

In these circumstances, it might seem strange that our tax payment increased slightly.

The explanation is simple.

Our Group revenue was boosted by proceeds from the sale of the Group's Capital Property shares – income that was not liable to taxation.

Operating Revenue

Finance	\$31,175,000	- 6.09%
Foods	\$13,577,000	- 1.87%
Total	\$44,752,000	- 4.75%



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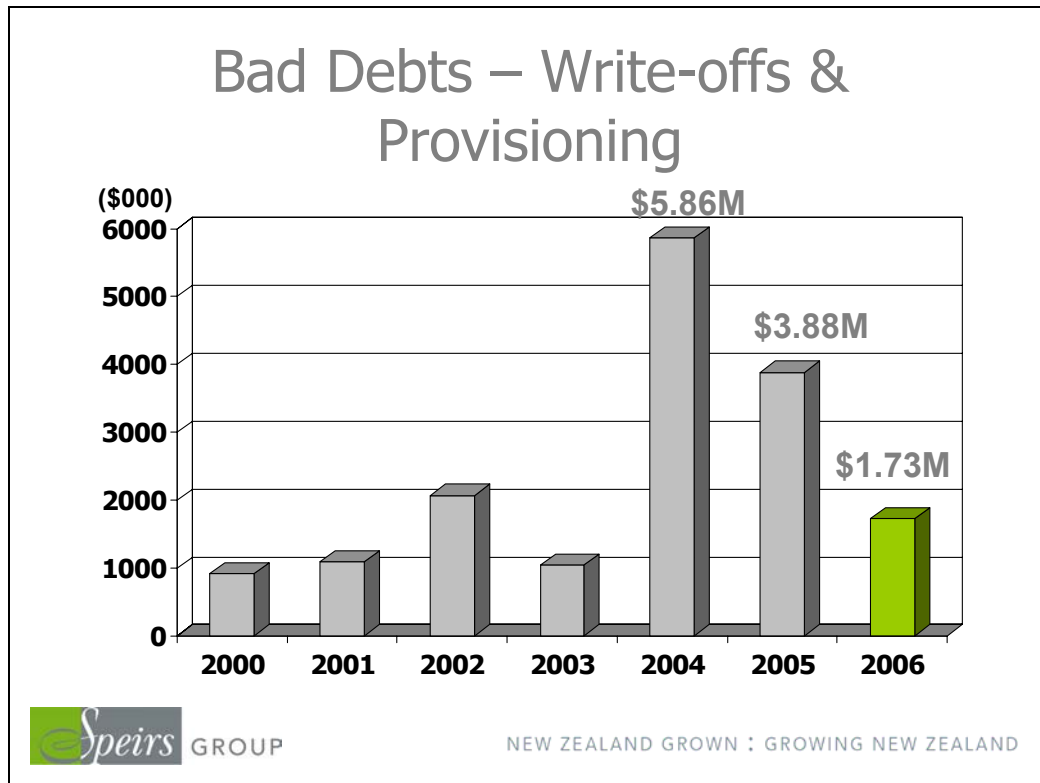
Looking at revenue generation by our two operating divisions, you will see that most of the decline has occurred in the Finance Division.

For Foods, the revenue decline was minor – a factor of increasing competition in the fresh foods market.

The Finance Division's revenue has been affected by the more conservative lending policies that were implemented to address the bad debt problem that arose from poor lending practices in the 2002-2004 years.

We withdrew from almost all lending to finance purchases of second hand cars in the main metropolitan centres, as soon we recognised that this business was generating a bad debts explosion two years ago.

The positive aspect of this change is that our Finance Division does not have exposure to the sector of the market that appears to be creating major problems for other Finance Companies today.



In terms of the tail of bad debts from lending in the 2002-2004 period, you can see that write-offs and provisioning reduced by more than 55% in 2006, compared to last year.

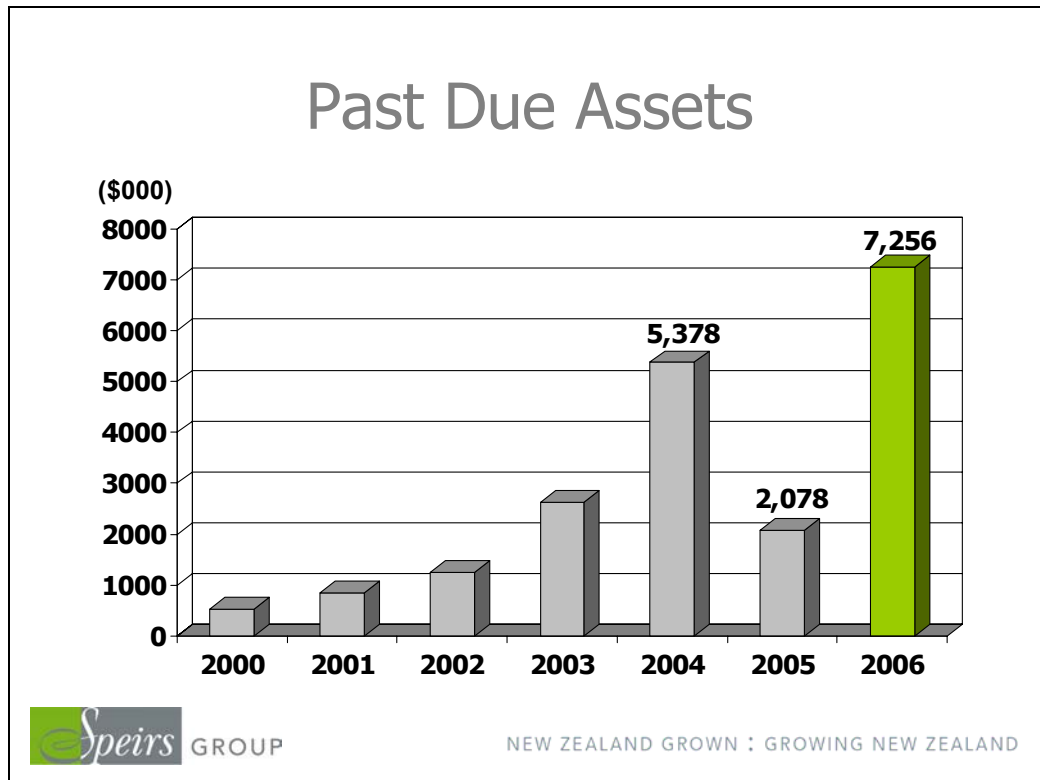
Since most loans are made for 36 month terms, we believe that bad debts will be closer to historic levels from here on.

In the last year, we took special steps to ensure that we were making appropriate provisioning for bad debts.

The Board's Audit committee ordered a rigorous internal audit check of every account where the originating loan was \$300,000 or more, and of every overdue account where the originating advance was \$30,000 or more.

The status of all accounts involving lending to consumers for the purchase of motor vehicles was checked.

We also checked the provisioning practices of all finance companies analysed in the KPMG survey that have a similar business profile to our own.



You may have noted that there has been a significant increase in our past due assets at the year's end.

This is the outcome of credit management policies adopted in the last year to prevent the level of overdue payments on loans being obscured by rollovers and rewrites.

It does not signal the emergence of a new bad debt problem, a growth in doubtful debts, or deterioration in the quality of our lending.

Past due assets are loans where a payment is overdue by 90 days at the end of the year.

The borrower has been checked to ensure that the overdue payment will be made and future payments can be met. Otherwise, specific provisioning would have been raised.

The new approach to tracking overdue payments gives us a clearer view of credit management effectiveness.

Concentration of Credit Risk

Percentage of Equity	2006	
10% - 20%	8	} Registered Banks holding surplus cash at call or up to a maximum of 90 days
20% - 30%	2	
30% - 40%	1	
40% - 90%	-	
90% - 100%	1	
	<hr/> 12	+ 33.3%



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You may also have seen another noteworthy change - in the Group's statement on concentration of significant credit risk.

This statement records the number of borrowers whose debt amounts to more than 10% of the Group's equity.

That number has increased from 9 to 12 in the last year.

I should point out that the 4 large borrowers are registered banks holding the Group's surplus cash on call or up to a maximum of 90 days. This is part of our liquidity policy.

The 50 % increase in the number of borrowers with loans in the 10% - 20% bracket – from 4 to 8 – is a reflection of a deliberate effort to increase our lending to larger, better qualified businesses.

Capital Position Strengthened

Shareholders' Equity	\$11,723,000	+17.52%
Perpetual Bonds	\$13,383,000	+ 6.23%
Permanent Capital	\$25,106,000	+11.22%



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During the year, there was a significant strengthening in the capital permanently available to the Group.

Shareholders' equity was increased by more than 17% as a result of the decisions by directors to exercise rights to purchase shares under the options available to them.

The other strengthening factor is the continuing increase in investment in Speirs Perpetual Bonds – up more than 6% in the last year.

While Generally Accepted Accounting Practice requires that perpetual bonds are carried on the balance sheet as a liability, it is a fact that these bonds increase the capital permanently available to the company.

Securitisation & Funding of Lending

	2006	Change
Commercial Paper	\$88,712,000	+ 16.78%
Secured Stock	\$160,131,000	- 5.26%



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Another step to strengthen the Group's position is reflected in the change in the balance between funding of Speirs Finance lending by way of securitised commercial paper or public funded secured stock.

Securitisation by way of commercial paper issued to the wholesale money markets has increased nearly 17% - while funding by secured stock has decreased more than 5%.

The benefit of this change arises from the fact that Speirs commercial paper has an A-1+ rating from Standard & Poor's.

We are able to use commercial paper to raise funds for the funding of specific assets as and when required and at lower cost than via the issue of public secured stock.

By using this mechanism, we also achieve more certainty about the matching in the timing of the funding and lending transactions.

This constitutes another significant improvement in our business management processes.

Outlook

Adverse market conditions

- Slower economic growth
- Lower exchange rates
- Rising oil prices

Mitigated in second half by

- Improved business processes
- Business development initiatives
- Commitment to new growth plan

Producing: A better result for FY 07



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Looking ahead:

Our businesses are prepared for trading in more difficult economic conditions – where growth is slowing, the NZ dollar exchange rate is softening, oil prices are rising, and consumers face increasing price and interest rate pressures.

We are expecting all this to have an adverse effect on our result for the first half of the 2007 financial year.

In the second half, we expect to see our own performance lifted as improvements in business processes, new products and services, and other business growth plans start having an impact.

Your Directors believe the outlook for our position at the end of Financial Year 2007 is for a better result.

I'm now going to ask Phil Herbert to address you on developments in the Speirs Group Finance business.

Finance

Phil Herbert



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Phil joined us just after last year's annual meeting.

He brings to the Group 35 years of senior level experience in banking, finance and leasing businesses – 19 of them at UDC Finance and 8 at Esanda Fleet Partners.

You will all be aware that, like almost all participants in the New Zealand finance industry, UDC Finance has experienced its share of turbulence over the years.

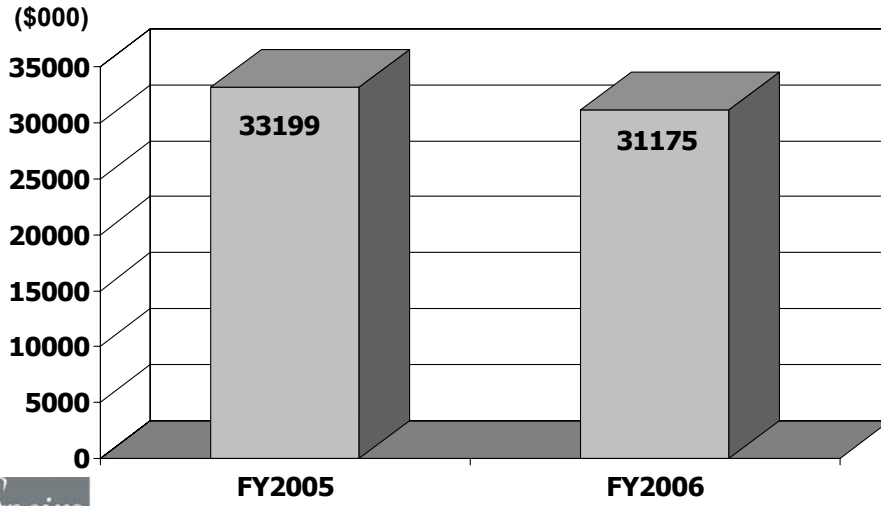
As a senior executive in UDC, Phil and others were instrumental in adopting a different approach to reviewing bad debts and provisioned accounts by customer and asset types. The business was restructured into specialist divisions and that led to an improvement in performance and a return to sound profits by UDC.

In 1997 Phil was appointed by the MD of UDC Finance to assume control of its subsidiary, Truck Leasing Limited. Phil turned that operation around – and was ready for a new challenge when he took up his position with Speirs as General Manager Speirs Finance.

Please join me in welcoming Phil Herbert.

Revenue

\$31,175,000 - 6.09%

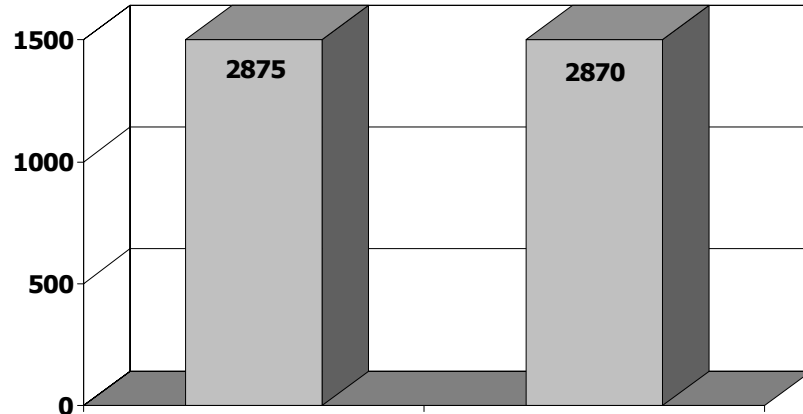


For the year ended 31 March 2006, we generated revenue of \$31.17 million – down by 6.1% on last year.

Profit – pre-tax &... Corporate charges

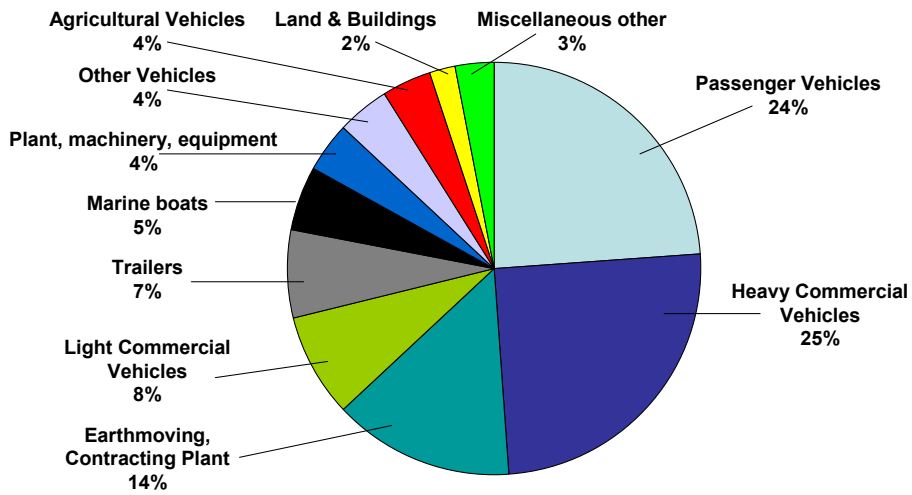
\$2,870,000 - 0.17%

(\$000)



Through effective cost control, our profit before tax and corporate charges – our contribution to the Group – was pretty well steady at \$2.87 million

Lending by Assets

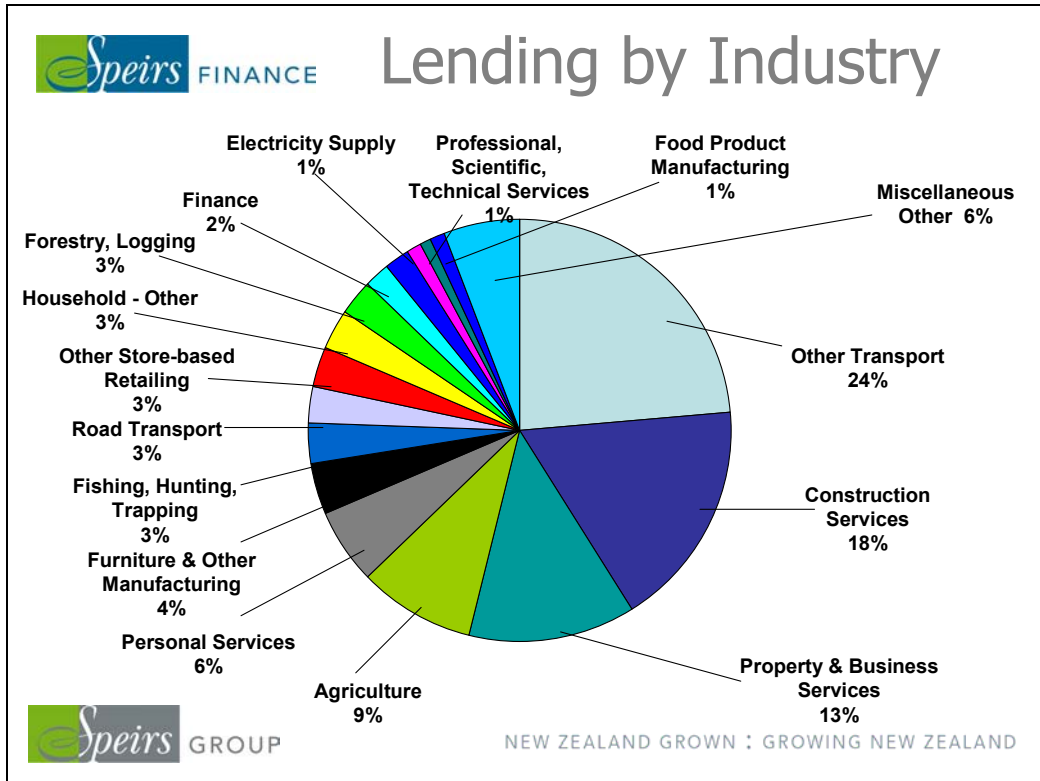


Our split of lending by assets shows our focus on business-related lending.

Lending on heavy commercial vehicles and earthmoving and contracting plant and light commercial vehicles makes up 47% of our spread.

24% of our lending is on passenger vehicles, the majority of which is to either business customers or direct to existing consumer customers.

Trailers - plant, machinery & equipment – agricultural and other specialised vehicles account for 19% of our lending.



Our lending by industry group shows that it is spread across a diverse range of activity.

Transport, construction, property & business services and agriculture account for 64% of Speirs Finance lending in 2006.

Risk Management

Company's prudent funding policy

- Strengthened Capital base
- Perpetual Bonds protection
- Loyal investor base
- Diverse business base

The business risk is well spread and the Company follows prudent, well-established funding policies and practices.

As Nelson mentioned, the Speirs Group capital base has been strengthened by injection of additional equity by Directors this year, and the sale of additional Speirs Perpetual Bonds.

Investors in the Group's funding programme have demonstrated their strength and loyalty when the business faced its significant bad debt problem two years ago.

The company has recovered and has gained new strength. It maintains its reputation of being a responsible, long-term operator in the Finance Industry.

Finally, Speirs has an almost unique advantage over others in the Finance Sectors where we operate – a second string to our bow - in our association with the Group's profitable foods business.

Risk Management

Strengthened credit management team



Ken Allan



Alan Robinson



David Parr

Nelson has referred to some of the changes we've made in credit management practices. I'll add to that by pointing out the steps we've taken to strengthen the Speirs Finance credit management team.

Ken Allan is our Senior Manager – Credit. Ken has nearly 37 years experience in the banking industry. He's been the head of The National Bank's Debt Management unit and its Chief Manager of Corporate and Commercial Banking Debt Management in 2001. He left them to complete a Law Degree at Victoria University in 2004. He joined us in September 2005 as a Recoveries Manager, and took up his new post in February.

Alan Robinson will join us in July. He'll be our Credit Manager, reporting directly to Ken. Alan has also had over 37 years experience in banking – mainly with Westpac Bank. His most recent senior positions there were as Manager Quality Assurance and Senior Manager Business Credit. Currently Alan is completing a contract with ANZ National Bank Ltd, which involves completing a capital adequacy project for reporting to the Reserve Bank of NZ under the terms of the Basle Committee on Banking Supervision.

David Parr joined us last month, as Securities Manager. He's had a 40-year career in banking and finance. He was Manager Credit Policy and Education for Westpac, before he joined the Medical Assurance Society of New Zealand Ltd in 2002 as their Lending Manager. He took a break overseas in 2004-5 and spent 12 months working in the UK as a relationship manager for a boutique bank dealing solely with the charitable sector. He rejoined Medical Assurance Society back in New Zealand late last year, on contract, primarily looking after credit approvals.

As you can see, we've attracted some strong new talents.

Risk Management

New customer assessment process

- **More than - ability to make deposits**
- **Capacity to meet repayments**
- **Cash flow strength – not just equity**
- **Emphasis on quality of borrower**
- **Potential for long-term relationship**

The next significant change is the introduction of a new customer assessment process.

We take a deeper interest in our borrowing customer's capabilities – deeper than their basic ability to make deposits.

We carefully assess their ability to make the repayments,

Their business development plans,

The sustainability of their cash flows...

Not just the amount of equity they have in the business.

In short, we are taking a deeper measure of the quality of our borrowers because we are looking to develop a mutually profitable long-term relationship with them.

Asset Management

Total Asset Management overhaul

- True book values determined at entry
- Appropriate depreciation rates
- Effective maintenance regimes
- Improved disposal of recovered assets
- Outsourcing collections

Our asset management activities are another area that we have overhauled in the last year.

We now have in-house personnel with the specialist knowledge required to improve our ability to determine true book values on assets when we enter into funding arrangements.

They have expanded our ability to determine whether borrowers are applying appropriate depreciation rates, and applying effective maintenance regimes.

We have also improved our in-house capacity to dispose of recovered assets.

At the same time, we have moved to out-source bad debt collections to specialists in collection.

As a result, we are now gaining additional value out of recoveries on bad debts that we had not been able to generate through our own collections operation.

Growth Strategy

Develop existing customer services

Expand customer base

Create new revenue streams

Now, I'll turn to our new lending business growth strategy.

There are three main strands to the strategy

The development of existing customer services

Expansion of our customer base

And the creation of new revenue streams from new products and services.

Customer Services

Develop existing customer services

- Customer needs analysis
- Customised product & service offerings
- Streamline processing operations
- Expand agency support mechanisms
- New agent benefits for achieving and exceeding lending targets.

Our goal is to build more focus on our customer – the borrower – into all our business processes, starting with much more specific customer needs analysis on each of our clients.

One of our advantages is that we can move more rapidly than “branch-office” foreign-owned businesses to customise, even personalise – our product and service offerings. We’re going to build on that advantage.

We’re developing our information technology to reduce the time it takes Speirs staff to complete transactions by using clear and complete documentation templates that make it easier for borrowers and agents to produce proposals and for our team to process them.

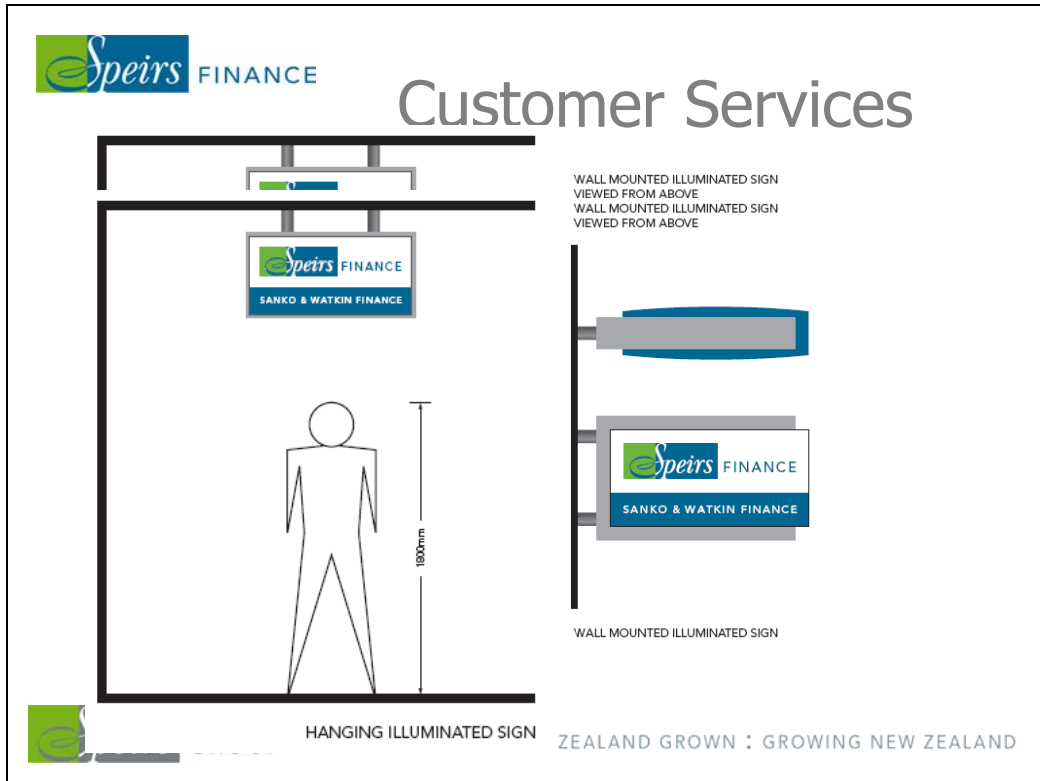
We’re expanding the support we provide to our agents in the field through training programmes that upgrade their knowledge and skills to assist customers with their forward planning.

They are also able to obtain specialist help from us to develop both growth and recovery plans for clients.

We now have structured plans in place for each of our agent’s territories – identifying the segments of the market to be targeted and detailing the operating plan to build the targeted business.

We have new formal service level agreements in place with the agents that spell out our mutual responsibilities.

Agents who achieve growth targets now gain benefits for their efforts, by way of more competitive pricing on additional approved lending.



We are lifting our visibility in the community with better office and agency branding and signage, so customers know where our products and services can be found.

In many areas of New Zealand, our agents are better known than we are. That's good.

But, if we're to develop our services to existing customers successfully, we need our brand to be just as strong as our agents' – and we need to signal that they have something new to offer.

Customer Services

Expand customer base

- Improve accessibility – expand outlets
- Crediflex joins distribution
- Increase representation in Auckland

In terms of expanding our customer base, we'll be taking a number of new steps this year.

We will be expanding the number of outlets we have around the country, either directly or indirectly through formal channel management arrangements with business referral networks, by the end of the financial year in March 2007.

Through arrangements concluded with Crediflex, we will be expanding our reach to new customers in the upper North Island.

In particular, we're stepping up our representation in the Auckland region, where we currently have just two agencies that are stationed on the North Shore and at Mount Wellington.

Customer Services

Develop new revenue streams

- Activity based fees
- Fleet management
- Maintenance management
- Asset valuation, storage & disposals
- Backup vehicle & equipment rentals

We have also reviewed the range of our existing activities to see where we could develop new sources of revenue.

We are introducing an activity-based fee structure – that will see customers who require high frequency servicing by the company pay for the privilege.

We have plans to enter a number of joint ventures in areas that are allied to our own core business - with partners who have the specialist expertise required.

Fleet and vehicle maintenance management are an obvious step for us.

Asset valuation, storage, and disposals on behalf of clients are others.

A vehicle and equipment hire business to provide clients with back-up when their own assets are being serviced or when they need temporary overload relief, and using our recovered stocks that are waiting for disposal.

That's just the taste of things to come in a five-year growth strategy that we are developing.

Vision

Five Year Vision

Speirs Finance will be the benchmark for achievement in the New Zealand finance industry.

Long term, our vision is to be the “benchmark for achievement in the New Zealand finance industry”.

Thanks very much. I'll be happy to take any questions at the end of this presentation.

Foods

David Speirs



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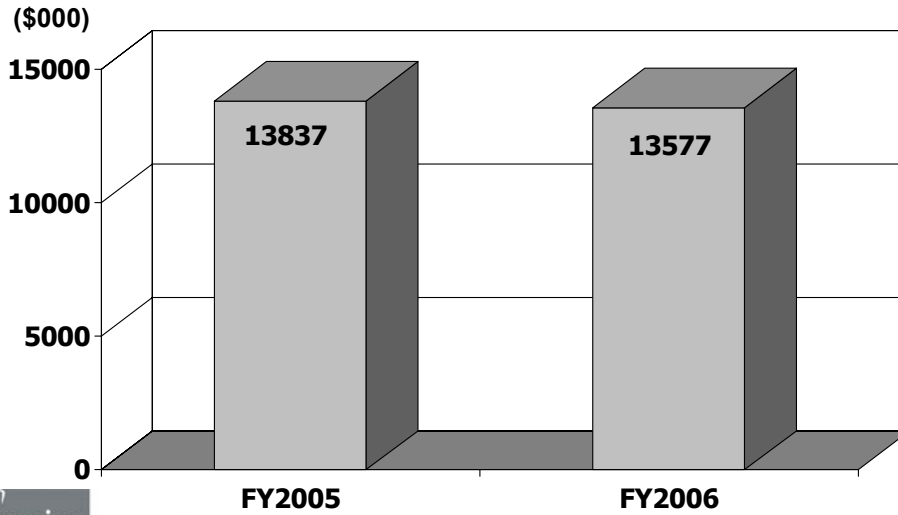
Nelson:

Thanks, Phil.

It's now my pleasure to call on David Speirs, general manager of Speirs Foods, and a director of the Group, to comment on his division's performance and plans.

Revenue

\$13,577,000 - 1.88%



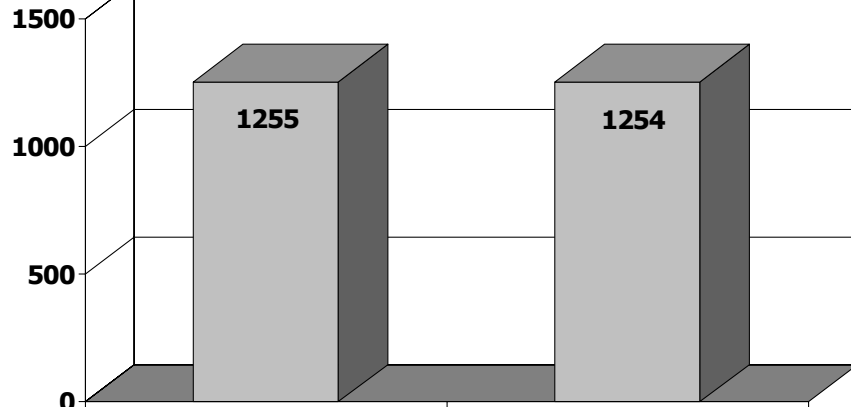
For the year ended 31 March 2006, we generated sales revenue of \$13.57 million – down by just under 2% on last year.



Profit – pre-tax &... Corporate Charges

\$1,254,000 - 0.08%

(\$000)



FY2005

FY2006

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By compensating cost control, our profit before tax and corporate charges – our contribution to the Group – was steady at \$1.25 million.

Environment

- **Competition will grow**
- **Potential for climatic / biosecurity threats will increase**
- **Consumers will become more value conscious, selective, discriminating**
- **Demand for healthy, hygienic, convenient foods will grow**

In developing a five-year growth strategy for Foods, we took a hard look at trends in our operating environment.

Competition will continue to grow.

The potential for climatic or major biosecurity threats is increasing.

Consumers will become more value conscious, selective and discriminating.

And the demand for healthy, hygienic and convenient foods will grow.

Growth Strategy

- Improve services to core customers
- Expand customer base
- Build branded product range
- Grow distribution business
- Commercialise intellectual property
- Develop new revenue streams

There are six key strands to our strategy for profitable growth.

Improving services to core customers.

Expanding our customer base.

Build our branded product range.

Grow our distribution business – with other fresh food producers.

Commercialise our developing bank of intellectual property, and

Develop new revenue streams – from new products and services.

Improve Services

- Procurement & Standards upgrade
- Upgraded customer response system
- Management & Staff training
- Performance measurement & recognition
- Quality Assurance & Internal audit process

Our core business is the manufacture of dressed salads - coleslaw, potato salads, pasta salads, and so on - for sale to New Zealand's major supermarket chains.

We have initiated an "operational excellence" project across the business to improve service to these important core customers.

This project involves upgrading our produce procurement and standards, our customer response system, increasing management and staff training, performance measurement and recognition, and more sophisticated quality assurance and internal audit processes.



Expand Customer Base

- **Strengthen sales & marketing capacity**
- **Build Auckland presence**
- **Expand South Island position**
- **Enter Food Service Industry market**
- **Fast food chain supply**
- **Explore off-shore market entry**



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To expand our customer base, we are strengthening our sales and marketing capacity, building up our representation in the Auckland market, expanding our product distribution in the South Island.

We plan to enter the Food Service Industry markets – supplying caterers, restaurants, institutional kitchens and fast food chains.

We are also exploring the potential for entering off-shore markets – not head-on, but in carefully selected areas where we have clear advantage over local manufacturers, or specialist niche products to offer.



Build Branded Range

Pacific Gourmet



Country Choice



Develop seasonal offerings: Winter–Summer



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We will continue the development of our own branded products – as well as our unbranded bulk supply items.

Our Pacific Gourmet and Country Choice ranges packed in colourfully branded film to protect their freshness are, in sales terms, in their infancy and are ranges we are determined to grow.



Given growing global interest in health and nutrition, it is critical we position ourselves strongly to take full advantage of our ability to meet increases in demand for fresh vegetable products – and new “functional” foods.

Our corporate partnership with the Bio Commerce Centre is proving invaluable. It is bringing our name forward to the research and science community as strong partners for the commercialisation of food related intellectual property.

Speirs Foods is also working on a project with Massey University, which if successful will lead to commercialisation of a leading edge and patented food ingredient to markets outside New Zealand.

We are hopeful that we can make a more specific announcement in the weeks ahead.

Speirs Foods has had a productive relationship with French technology partners, Scalime Nutrition.

Scalime continue to provide us with support relating to our fresh cut products, however in the future we will be looking for opportunities beyond fresh cut vegetables.

We are currently negotiating with them to extend our licence agreement.



Vision

Five Year Vision

Speirs Foods will be the recognised New Zealand market leader in the procurement, development, production & distribution of fresh foods and innovative food developments for quality and value-seeking customers, and an innovative entrant in selected offshore markets.



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The vision we've developed to give focus to our strategy sets out our targets for achievement over the next five years.

Speirs Foods will be the recognised New Zealand market leader in the procurement, development, production & distribution of fresh foods and innovative food developments for quality and value-seeking customers, and an innovative entrant in selected offshore markets.

I'm happy to take any questions after Nelson concludes this presentation.



Thank you, David and Phil.

There are obviously some exciting developments ahead.

But I want to assure shareholders that your Directors are determined to maintain the disciplines required to ensure that growth is well planned, steady, affordable and profitable.

Development Disciplines

- **Grow SGL profitability & SGL share price**
- **Diversify product range, seasonality & risk**
- **Increase market share and presence**
- **Bolster volumes through existing businesses**
- **Spread group overhead & fixed costs**
- **Gain intellectual property & competences**
- **Add value to & from acquisitions & joint ventures**



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Our disciplines and objectives for the Group have been clearly stated to the operating businesses.

Our prime goal is to grow Speirs Group profitability and our share price.

It makes commonsense to diversify our product range to reduce the seasonality of earnings and business risk.

Increasing our market share and presence increases our competitive strength.

We have advised the businesses that we are looking for projects that bolster volume through their existing business activities.

In particular, we are looking to them to develop projects that leverage each other's strengths.

For example, the Foods division's extensive supply and distribution network can be used to identify new funding opportunities for Finance - while the business development and recovery services, provided by Finance, can be used to lift the productivity of Food's suppliers and the sales capacity of Food's customers.

We are looking for synergies between the businesses that spread Group overheads and fixed costs. A current example of the kind of project that supports this objective is the development of a new capability to conduct e-commerce transactions for both Finance and Foods via our Group website and the Internet.

We are also asking for proposals from them that expand the Group's intellectual property and the business competence at our disposal. Here, we are looking for solid joint ventures or acquisitions with third parties that are relevant to our existing core businesses but expand the diversity of our commercial activities.

Group Vision

Five Year Vision

Speirs Group Limited will be recognised as a market-leading New Zealand investment company in its chosen fields of competence:

- **Maximising returns to investors**
- **Enhancing the well-being of all stakeholders**



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Over the next five years, we are looking for well-measured, steady profitable growth – and developments that will provide only pleasant surprises for shareholders and our other stakeholders.

Finally, I'd like to thank you all for your attention – and invite your questions.