



NEW ZEALAND GROWN : GROWING NEW ZEALAND

24 August 2007

Elaine Campbell

Head of Market Services
New Zealand Exchange Limited
Wellington

Dear Elaine

Thank you for your letter of 23 August 2007 inviting Speirs to accept an opportunity to provide information to the market and to demonstrate that it is complying with its obligations under Rule 10.1.1.

Introduction

Speirs Group Limited recognises its obligation to comply with Rule 10.1 by issuing notices whenever there are material changes in the state of its businesses.

Speirs does not consider it has new information that it needs to disclose since the company last reported to NZX. Nevertheless, we respond positively to the opportunity that you have provided.

Prior to the recent failure of two finance companies, and completely unrelated to their failure, the Speirs Board had reassessed, and will continue to assess, the company's likely forward position.

Finance business

- Since 2005, Speirs has changed the emphasis of its lending to commercial clientele and away from consumer clientele. This transition is almost complete. Commercial and Industrial clients now represent more than 90% by value of our 'book'.
- In a competitive market, the value propositions offered by our company, coupled with personalised service from our national agent network, continue to allow our 'book' to grow in both quality and volume. The total 'book' currently stands at a little over \$250M.
- Overdues and the value of impaired accounts continue to drop in number and value on a monthly basis. Overdues are within industry benchmarks.
- The Speirs 'book' profile has:
 - A reasonably even geographic spread throughout NZ
 - No offshore loans
 - No loans to any single customer group that exceeds 1.4% of the total Speirs 'book'
 - No loans to any groupings in any way associated with Speirs - other than to one long-standing client (limited to \$2.1M) and to the Omega-3

- venture with Massey University interests and disclosed below (limited to \$3M)
- No loans supporting property development of any kind. With minor exceptions, all loans are supported by first ranking securities over vehicles, plant and equipment that we have funded for our clientele, very often with supporting personal guarantees and/or General Security Agreements.

Foods business

Speirs is not a stand-alone finance business. Of equal importance to the company is the industrial/commercial/distribution arm of the company – Speirs Foods.

- Speirs Foods primarily provides fresh salads and processed vegetables to the supermarket industry, nationwide. This is a 'summer' business. We have 'wintered' through during this first half of our financial year. All profits from Speirs Foods are earned in the second half.
- In the first half of this financial year to date, volumes are on a par with last year.

Nutritionals business

This new venture (60% owned by Speirs) is in partnership with Massey University interests. It is well advanced. The plant was opened on 31 July 2007 by the Minister for Science & Technology, Hon Steve Maharey. The immediate purpose of the venture is to produce and market micro-encapsulated omega-3 oil for supply to food manufacturers around the world, using leading edge technology developed and patented by Massey's Riddet Centre.

The product is drawing interest from significant food industry participants in New Zealand, Australia, North America, Europe and Asia.

While start-up costs must be absorbed in this early development phase, we expect modest revenue in the second half of this financial year, and profitability in the 2009 financial year.

Profit Expectations

As previously reported to NZX, Speirs will likely be impacted this year by a loss of value on tax credits available to the company due to the up-coming reduction in company tax rates commencing 1 April 2008. The company has significant tax credits available that may not be realised until a period subsequent to the introduction of the reduced tax rates. As a result the tax credits currently available to the company will lose some 9.1% of their future value.

While the finance business is returning reasonable profits, seasonal issues associated with the foods business, Nutritional's omega-3 commencement costs and the loss of value to tax credits will likely result in a modest company-wide loss for the first half of this financial year. We expect a profitable second half year.

External Events

In July and August 2007, two significant events have clearly impacted upon both the banking and finance industries:

- The failure of two large finance companies in NZ.
- The disarray of the debt and share markets worldwide – impacting upon the NZ financial scene.

Apart from its own share price, Speirs is not directly impacted by movements in the share market.

Speirs has two major funding lines:

- Secured Stock issued to the investing public; and
- a portfolio of securitised assets (rated A-1+ by Standard & Poor's) funded by a Speirs in-substance subsidiary issuing commercial paper to the NZ wholesale money markets. This arrangement has provided Speirs, and continues to provide Speirs, with funding that is perfectly matched to the inwards cash flow profiles of our securitised loan book. The programme is capped at \$130m. Certainty for the funding is provided by a standby facility from a major New Zealand bank, a support facility that has never yet been called upon during the ten year life of the programme. The standby facility is available to the in-substance subsidiary only.

Each of these major funding lines supplies Speirs with its funding needs, in very nearly equal proportions.

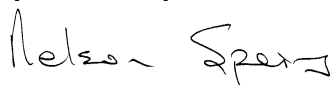
As part of its risk management process, the Speirs Directors some years ago established a credit line from a major bank. The credit line is capped at \$13m and may be accessed, subject to adherence to terms and conditions agreed with the bank and trustee, when unforeseen circumstances arise, similar to those that have currently arisen in the financial marketplace. This credit line, currently used to a modest extent, is stable and secure.

While there was a minor hesitation by Secured Stock investors following the first recent finance company failure, consequent withdrawals quickly abated. During that period, maturity re-investments dropped from the usual average of 78% to 71%. The second finance company failure again caused some concern amongst a small number of Secured Stockholders, resulting to date in only a few very modest withdrawal requests.

Attached is a more detailed 'fact sheet' covering some critical business data. This data has been posted on our website at www.speirs.co.nz.

Yours sincerely

Speirs Group Limited



Nelson Speirs

Executive Chairman