



NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
and
EXPLANATORY NOTES

7 August 2008

SPEIRS GROUP LIMITED
(the COMPANY)

Notice of Special Meeting

The Company gives you notice that a special meeting of shareholders will be held at the Convention Centre, 354 Main Street West, Palmerston North, on Monday, 25 August 2008, commencing at the close of the Company's Annual General Meeting of Shareholders which starts at 2.00pm.

The principal business of the meeting will be to consider and approve:

- (i) the sale of the finance business currently carried on by the Company (the "Speirs Finance Business") to a wholly owned subsidiary of the Company, Speirs Finance Limited ("Speirs Finance Limited"), pursuant to an Agreement for Sale and Purchase of Business and Assets of Speirs Finance entered into between the Company and Speirs Finance Limited, dated 23 July 2008 ("Business Sale Agreement"); and
- (ii) the sale of all of the shares in Speirs Finance Limited to Allied Farmers Limited ("Allied Farmers") pursuant to an Agreement for Sale and Purchase of Shares in Speirs Finance Limited entered into between the Company and Allied Farmers, dated 23 July 2008 ("Share Sale Agreement").

The Business Sale Agreement and the Share Sale Agreement are further described in the Explanatory Notes.

Resolutions

To consider, and if thought fit, to pass the following Special Resolution:

"That the Sale Transaction (as defined in the Explanatory Notes) is hereby approved."

Quorum

The constitution of the Company provides that the quorum for a meeting of shareholders is three or more shareholders having the right to vote at the meeting.

Majority required

Under the Companies Act and the NZAX Listing Rules, the resolution must be approved by a majority of 75 percent of the votes of those shareholders entitled to vote and voting on the resolution.

Proxies

You may either exercise the right to vote by being present in person or represented by proxy. A proxy need not be a shareholder of the Company and may be the Chair of the meeting. If you are unable to attend the meeting or any adjournment of that meeting and you would like to vote, please complete and return a proxy form.

All proxy forms which are valid for the meeting are also valid for any adjournment of the meeting. No new proxy forms can be accepted.

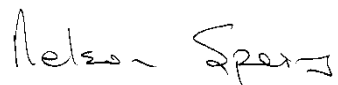
A proxy form is attached to this notice. If you wish to vote by proxy you must complete the form and return it to the Company by 12.00 midday, Saturday 23 August 2008. You can return it to the Company by:

- Delivering it to the Company's registered office at Level 3, Farmers' Mutual House, 55 The Square, Palmerston North; or
- Posting it to the Company's registered office at P O Box 400, Palmerston North 4440; or
- Faxing it to the Company at its facsimile number: 06 350 6020,

in each case, so that it is received by 12.00 midday, Saturday 23 August 2008.

The attached proxy form must be completed if you wish to appoint a proxy for this special meeting. Proxy forms relating to the Annual General Meeting will not validly appoint a proxy to attend and vote at this special meeting.

By order of the Board

A handwritten signature in black ink that reads "Nelson Speirs". The signature is written in a cursive style with a long horizontal stroke at the end.

Nelson Speirs
Chairman

Thursday, 7 August 2008

EXPLANATORY NOTES

The following notes are provided for the purpose of assisting shareholders to determine their voting intentions.

The Requirements for Shareholder Approval

Major Transaction

Section 129 of the Companies Act requires a 75% shareholder approval to be obtained for transactions where a company disposes of assets with a value of more than half the value of the company's assets before the transaction. As at 31 March 2008, the Company's assets had a value of \$133,762,000, as specified in the latest financial statements.

NZAX Listing Rule 9.1.1 requires a 75% shareholder approval to be obtained for transaction where a company:

- (a) changes the essential nature of the business of the company; or
- (b) disposes of assets with a gross value of more than 50% of the company's "Average Market Capitalisation" over the 20 business days before the day the transaction is announced to the market.

The Company requires shareholder approval under both paragraph (a) and paragraph (b). Approval is required under paragraph (a) because, following the sale of the Speirs Finance Business, the Company will no longer operate a finance business and will instead operate as an investment company. Approval is required under paragraph (b) because the Sale Transaction (defined below) would be a disposal of assets in excess of the financial threshold described under that paragraph. The Sale Transaction proposal was announced to the market on 23 July 2008. The Company's Average Market Capitalisation over the 20 business days before that date was \$3,575,410. The assets of the Speirs Finance Business were valued at approximately \$107,884,000 as at 30 June 2008.

Important Notice

If the Special Resolution is approved by shareholders, a shareholder is entitled to require the Company to purchase their shares in accordance with section 111 of the Companies Act 1993, if that shareholder has cast all the votes attached to the shares registered in their name (and having the same beneficial owner) against the Special Resolution.

The Sale Transaction

On 23 July 2008, the Company entered into a conditional agreement to sell the Speirs Finance Business to Allied Farmers to be executed by a sale of Speirs Finance Limited, as described below.

Allied Farmers is listed on the New Zealand Stock Exchange ("NZSX") and has widespread business activities throughout New Zealand with particular emphasis on servicing the needs of the dairy and other farming interests as well as its finance activities.

The sale transaction consists of:

- Step 1:* the Company selling the Speirs Finance Business to its wholly owned subsidiary Speirs Finance Limited pursuant to the Business Sale Agreement;

Step 2: the Company assigning all rights and obligations that relate to the Speirs Finance Business, including all of the debt securities issued by the Company, to Speirs Finance Limited, once certain conditions are met, including obtaining various approvals; and

Step 3: the Company selling:

(i) all of the shares in Speirs Finance Limited to Allied Farmers.

Consideration comprises cash of \$3,000,000, and 1,851,852 ordinary shares in Allied Farmers (being a value of \$2,500,000 at a strike price of \$1.35 per share). As a result, the Company will become a shareholder in Allied Farmers and will hold approximately 8.85% of the shares of Allied Farmers; and

(ii) certain computer software of the Company to Allied Farmers for \$100,000.

As part of the Sale Transaction, \$2,000,000 of the cash received in the sale will be invested in \$2,000,000 of perpetual bonds in Allied Nationwide Finance Limited ("Allied Nationwide Finance"), a subsidiary of Allied Farmers Limited.

Steps 1, 2 and 3 are hereafter referred to as the "Sale Transaction".

The Sale Transaction is subject to several conditions, all of which must be satisfied for it to proceed. The primary conditions for the completion of the Sale Transaction are:

- approval by the shareholders of the Company of the Sale Transaction in accordance with the Special Resolution contained in this notice;
- approvals and confirmations in relation to the transfer of the securitisation programme from the Company to Allied Nationwide Finance, including confirmation that it will not result in a downgrade of the A-1+ credit rating given by Standard & Poor's in relation to the short term promissory notes issued pursuant to the securitisation programme;
- approval of the Sale Transaction by the debt obligation holders of the Company and the Company's trustee. The subsequent amalgamation of Speirs Finance Limited and Allied Nationwide Finance and the exchange of securities issued under Allied Nationwide Finance's trust deed (the "Amalgamation and Exchange of Securities") will also require approval by the debt obligation holders of the Company and the Company's trustee;
- approval from the Registrar of Companies of the new prospectus to be issued by Allied Nationwide Finance immediately after the Sale Transaction takes effect;
- approval from Allied Nationwide Finance's trustee and NZX in relation to the Amalgamation and Exchange of Securities; and

- transfer of certain employees of the Speirs Finance Business to Speirs Finance Limited.

The sale price of \$5.6 million compares to a book value of the net assets being sold of approximately \$4.3 million (being assets of \$117.4 million less liabilities of \$113.1 million).

For the year ending 31 March 2008, the Speirs Finance Business recorded profit before tax of around \$1.3 million (2007: a pre tax profit of \$219,000). These segment results are as reported in the Company's annual report and are before the allocation of any head office and other administration costs.

Reasons for the Sale Transaction

The board of the Company (the "Board") has been considering the sale of the Speirs Finance Business to another finance business to give it more scale in a consolidating market, given the size of its asset book.

The Speirs Finance Business has performed relatively well given the challenges in the New Zealand finance company sector and presented by global credit market conditions and the flow-on impact of this on the New Zealand market. The Speirs Finance Business has been able to maintain funding from supportive debenture, note and perpetual bond holders and a securitisation programme with the Bank of New Zealand.

However, it has become increasingly apparent to the Board in recent months given the current environment and upcoming Government regulation for finance companies that the future of the Speirs Finance Business is likely to be enhanced by being part of a larger finance business with a broader portfolio of activities and enhanced funding opportunities. The Board has decided that the sale of the Speirs Finance Business will provide a better outcome for the Company as a whole than an alternative of seeking to acquire other finance companies to build scale to compete effectively in the changing borrowing and lending markets.

As part of this process, the Board retained Cameron Partners Limited, an investment bank, to help assess its options and to manage a sales process involving a number of potential acquirers of the Speirs Finance Business.

The Board, with the assistance of Cameron Partners Limited, has explored several sale options for the Speirs Finance Business and is pleased to announce that this process has culminated in the proposed sale of Speirs Finance Limited to Allied Farmers. The Sale Transaction is now being put to the Company's shareholders for approval.

The Speirs Finance Business is a provider of asset financing to the plant, machinery and light & heavy business vehicle sectors in New Zealand. There is a good fit between the activities of the Speirs Finance Business and the wider rural, commercial and other financing activities of Allied Nationwide Finance (as discussed below).

As noted above, part of the consideration under the Sale Transaction will comprise the Company taking a shareholding in Allied Farmers of 8.85% of the issued ordinary share capital of Allied Farmers and in that manner retain an interest in the finance sector in New Zealand.

Information on Allied Farmers and Allied Nationwide Finance

Allied Farmers is listed on the NZSX and has widespread activities throughout New Zealand. It is a diversified rural servicing and finance group. Its activities include offering its clients:

- rural merchandising and bulk farm supplies through its stores in Taranaki and King Country;
- advice and trading in livestock, particularly dairy livestock;
- crop advice; and
- specialised rural real estate services.

Allied Nationwide Finance is a 100% subsidiary of Allied Farmers. It is a diversified finance company principally providing rural, commercial and property finance to borrowers throughout New Zealand. Its lending policies and focus are similar to those applied by the Speirs Finance Business. Allied Nationwide Finance has a strategy to be a leading provider of non bank finance to the rural, commercial and other sectors in New Zealand.

The proposal to acquire Speirs Finance Limited will position Allied Farmers with a finance company with a combined asset book of around \$370 million and equity of around \$34 million. It will have the size, scale, lending and funding diversification to be a strong competitor in the New Zealand finance sector.

Allied Farmers has a market capitalisation of around \$24 million. For the year ended 30 June 2007, Allied Farmers recorded revenue of \$107.8 million (2006: \$85.2 million) and profit before tax and interest from continuing activities of \$5.7 million (2006: \$3.5 million). It had shareholders equity of \$24.3 million as at 30 June 2007.

There is a strong compatibility between the Speirs Finance Business and the business carried on by Allied Nationwide Finance. Both have solid roots in "provincial" New Zealand.

The Company's chairman, Nelson Speirs will be invited to join the Board of Directors of Allied Nationwide Finance. He is currently the sole director of Speirs Finance Limited.

Further information relating to the Sale Transaction

The Sale Transaction is conditional upon, amongst other things, the Company obtaining all required approvals from its shareholders and debt obligation holders, as well as confirmation that its securitisation programme will retain its A-1+ rating from Standard & Poor's following the separation and transfer (these conditions are described in more detail above, under the heading "The Sale Transaction"). Should the Company not obtain the requisite approvals, then the Company will continue to own and manage the Speirs Finance Business.

Under the Sale Transaction, the Company would separate and transfer to a wholly-owned subsidiary, "Speirs Finance Limited", all of the Speirs Finance Business's assets, liabilities (including all secured stock, subordinated notes and perpetual bonds), its business and the Company's Palmerston North investment property. Allied Farmers would purchase the shares in Speirs Finance Limited. Allied Farmers' finance subsidiary, Allied Nationwide Finance, and Speirs Finance Limited would then be amalgamated into a single company, Allied Nationwide Finance, which would owe all the contractual obligations of Speirs Finance Limited, including the obligations under the secured stock, subordinated notes, perpetual bonds, employment contracts and leases.

In return, the Company would realise cash amounting to \$3,100,000, and 1,851,852 shares in Allied Farmers (being a value of \$2,500,000 at a strike price of \$1.35 per share, which was the market value of the shares at the time the purchase price was negotiated and agreed by the Company and Allied Farmers). \$2,000,000 of the cash received would be invested in \$2,000,000 of perpetual bonds in Allied Nationwide Finance (the "Bonds"). These Bonds would be perpetual and carry an interest rate of 13.16% p.a. payable quarterly. The interest rate will be reset on 30 September each year at 4.5% above the then one year swap rate.

Allied Farmers would also provide a put option to the Company, to be exercised on the fifth anniversary of the perpetual bonds, requiring Allied Farmers to purchase the Bonds in cash for face value, or to transfer the Palmerston North investment property back to the Company, at the option of the Company. Under the terms of the Sale Transaction, the Palmerston North investment property forms part of the assets that are being sold by the Company to Allied Farmers.

As part of the transaction, the Company will warrant that for a period of five years from the completion of the Sale Transaction, the Company will not establish, operate or acquire a finance business.

The Company will provide certain warranties to Allied Farmers in relation to the Speirs Finance Business. Providing warranties to a purchaser is very common when selling a business. The warranties provided by the Company will cover the usual matters found in a business sale agreement, including warranties as to the quality of the assets of the Speirs Finance Business and the liabilities owed. The Company's maximum liability under these warranties will be capped at \$5,600,000.

Pro forma balance sheet of Speirs Group Limited following the Sale Transaction

Following completion of the Sale Transaction, the Company will remain listed on the New Zealand Alternative Exchange ("NZAX") and will primarily have investments in Speirs Nutritionals Limited, Speirs Foods and its 1,851,852 ordinary shares in Allied Farmers and the Bonds in Allied Nationwide Finance of \$2.0 million.

After the restructure and transfer, the Company's balance sheet would comprise total assets with a book value of approximately \$19.6 million. The Company would have no significant external bank debt balances. The Company would have sold all of its interest bearing liabilities in respect of the Speirs Finance Business.

Set out below is a pro forma balance sheet of the Company, assuming the Sale Transaction had taken place on 31 March 2008. The numbers have been sourced from the audited balance sheet of the Company as at 31 March 2008, along with the Bonds in Allied Nationwide Finance, the shares in Allied Farmers and the net cash proceeds (after costs) resulting from the Sale Transaction:

Pro forma balance sheet	As at 31 March 2008
	NZ\$'000
Assets	
Cash and cash equivalents	1,287
Inventories	557
Trade and other receivables and prepayments	1,677
Taxation refund due	400
Investment in subsidiary	1,800
Investment securities available for sale	150
Future taxation benefit	4,656
Property, plant and equipment	4,554
Intangible assets	28
Investment in Perpetual Bonds in Allied Nationwide Finance	2,000
Investment in shares in Allied Farmers Limited	2,500
Total assets	19,609
Trade and other payables	(2,276)
Net assets	17,333

As at 31 March 2008, the Company had shareholders' equity of \$5.458 million and Perpetual Speirs Bonds of \$13.525 million, aggregating to net assets of \$18.983 million. The overall impact of the Sale Transaction will be to transfer the Perpetual Speirs Bonds to Allied Nationwide Finance and to increase the Speirs shareholders' equity by \$11.875 million.

The net assets being sold as part of the Sale Transaction of approximately \$4.3 million and the transfer of the Speirs Perpetual Bonds are being replaced by the investment in Perpetual Bonds in Allied Nationwide Finance of approximately \$2.0 million, the investment in shares in Allied Farmers of around \$2.5 million and the receipt of a cash payment from Allied Farmers of \$1.1 million. In addition,

- the Company will be required to write-off around \$2.0 million in relation to its investment in software related to the Speirs Finance Business; and
- the other change to net assets is primarily the result of current year trading result, less the costs of the Sale Transaction.

Prospects and plans for the Company

The Sale Transaction is part of the Company's strategic goal of becoming an investment company with a spread of business interests. In addition, the Sale Transaction would significantly strengthen the equity base of the Company.

The Company will continue to manage Speirs Foods and Speirs Nutritionals Limited. It would also receive interest payments generated from the Bonds it holds in Allied Nationwide Finance and will receive its share of any dividend payments made by Allied Farmers in respect of the Company's shareholding in Allied Farmers.

Accordingly, the Directors have concluded that the Sale Transaction merits favourable consideration by the shareholders of the Company and have entered into the conditional agreement to sell Speirs Finance Limited to Allied Farmers.

Recommendation

The Directors of the Company consider that the Sale Transaction is in the best interests of the Company's shareholders.

Accordingly, the Directors of the Company will recommend that the Company's shareholders vote in favour of the Sale Transaction, as they intend to do in respect of their respective shareholdings in the Company. The Directors and associates of the Company currently hold 46.87% of the voting securities of the Company.