

**SPEIRS GROUP LIMITED**  
**REPORT TO SHAREHOLDERS**  
**FOR THE 6 MONTHS ENDED 31 DECEMBER 2010**

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## **Directors' Commentary**

### **Profitability**

A simple breakdown of six months trading results for the Group is:

	<b>\$'000</b>
Speirs Foods profit	251
Our share of costs associated with Speirs Nutritionals (the omega-3 start-up business) amounted to	(513)
Costs associated with corporate governance amounted to	(167)
Financing costs (net)	<u>(205)</u>
Resulting in an overall loss attributable to our shareholders of	<u>(634)</u>

The directors recognise that recent profit performances have been inadequate – and are taking necessary corrective action.

### **Speirs Nutritionals Partners LP (“SNP”)**

In February 2011, following our half yearly balance date, SNP, in which Speirs Group Limited holds a 61% partnership interest, entered into a conditional sale with a subsidiary of a large listed UK company to provide the purchaser with exclusive rights to Intellectual Property, Processing Technology and Knowhow associated with Omega-3 fish oils.

The sale calls for an initial payment of £UK1 million payable immediately conditions are met, probably about 31 March 2011. The sale will immediately recoup significant costs previously written off by SNP and is expected to provide on-going benefits to the SNP limited partnership. Initial revenue achieved from the sale of the SNP Intellectual Property, Processing Technology and Knowhow will be recorded during the second six months of this current financial year.

The loss incurred by Speirs Group Limited for the six months ended 31 December 2010 has been caused substantially by on-going costs associated with the SNP omega-3 project. Future operating costs will be largely eliminated resulting from this sale of the Intellectual Property, Processing Technology and Knowhow.

### **Allied Nationwide Finance Limited (In Receivership) (“ANFL”)**

Speirs Group Limited holds 2 million perpetual bonds in ANFL. While Speirs Group has written off any value previously associated with these bonds, the company holds an option to ‘put’ the bonds to Allied Farmers Limited in September 2013 in return for a payment of \$2 million.

Meanwhile, the company receives no income from these bonds but must meet borrowing associated with them. Those costs amounted to \$85,000 in the period under review. Similar costs will have to be met until the option to ‘put’ the bonds is actioned in September 2013.

### **Speirs Foods Limited**

Speirs Foods Limited has returned to profit of \$251,000 during the six month period, an increase from \$27,000 last year. During the second six month trading period of this current financial year, the directors and management expect to continue to show an improvement over last year’s performance as efficiencies and sales initiatives take effect.

Speirs Foods traditional products have been confined to a wide range of salads supplied to national supermarket chains for sale in their delicatessen sections. Sales of salads flourish in the summer, but are constrained in winter. Speirs Foods plans the introduction of a suitable range of winter products this year, with a view to significantly enhancing our winter volumes.

**Corporate**

Corporate costs have been reduced. It is expected that this pattern will continue.

**Outlook**

Directors believe that the difficulties encountered over the past 3 years, many of them not of our own making, have been absorbed in terms of cost. Much still needs to be accomplished in terms of return to adequate profitability, cash flow and equity. Initiatives currently being undertaken should strengthen the company in all of these areas.

For and on behalf of the Directors



**Nelson Speirs**

Chairman of Directors, Speirs Group Limited

18 February 2011.

## FINANCIAL STATEMENTS

Throughout this report, the Statements of Financial Positions, Statements of Comprehensive Income, Statements of Cash Flows and all accompanying notes referring to:

- The six month period ended, and as at, 31 December 2010 are unaudited;
- The financial statements for the year ended, and as at, 30 June 2010 have been audited; and
- The six month period ended, and as at, 31 December 2009 are unaudited.

## STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

		<i>December</i>	<i>June</i>	<i>December</i>
	<i>Notes</i>	<b>2010</b>	2010	2009
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
				<i>(restated)</i>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	<b>13</b>	<b>375</b>	646	65
Trade and Other Receivables	<b>14</b>	<b>2,754</b>	1,775	4,387
Inventories	<b>15</b>	<b>648</b>	403	576
<b>Total Current Assets</b>		<b>3,777</b>	2,824	5,028
<b>Non Current Assets</b>				
Investment in Associates	<b>16</b>	<b>538</b>	727	427
Loans and Receivables	<b>17</b>	-	-	2,500
Deferred Income Tax Asset	<b>18</b>	-	-	-
Property, Plant & Equipment	<b>19</b>	<b>4,129</b>	4,410	4,612
Intangibles	<b>20</b>	<b>38</b>	10	16
<b>Total Non Current Assets</b>		<b>4,705</b>	5,147	7,555
<b>Total Assets</b>		<b>8,482</b>	7,971	12,583
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and Other Payables	<b>21</b>	<b>2,468</b>	1,823	2,811
Borrowing – Current Portion	<b>22</b>	-	-	350
<b>Total Current Liabilities</b>		<b>2,468</b>	1,823	3,161
<b>Non Current Liabilities</b>				
Borrowing - Non Current Portion	<b>22</b>	<b>4,861</b>	4,361	3,230
<b>Total Non Current Liabilities</b>		<b>4,861</b>	4,361	3,230
<b>Total Liabilities</b>		<b>7,329</b>	6,184	6,391
<b>Equity</b>				
Contributed Capital	<b>23</b>	<b>12,757</b>	12,757	12,507
Accumulated Deficits		<b>(11,604)</b>	(10,970)	(6,315)
<b>Capital &amp; Reserves</b>		<b>1,153</b>	1,787	6,192
<b>Total Equity and Liabilities</b>		<b>8,482</b>	7,971	12,583

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2010

		<b>6 months</b> <b>31 December</b> <b>2010</b> <b>\$'000</b>	<b>12 months</b> <b>30 June</b> <b>2010</b> <b>\$'000</b>	<b>6 months</b> <b>31 December</b> <b>2009</b> <b>\$'000</b> <i>(restated)</i>
	<i>Notes</i>			
Revenue		<b>6,420</b>	11,734	6,232
Movement in Inventory Levels		<b>245</b>	(71)	172
Purchases of Raw Materials		<b>(2,658)</b>	(4,473)	(2,583)
Freight, Packaging & Other		<b>(1,296)</b>	(2,401)	(1,387)
Net Trading Income		<b>2,711</b>	4,789	2,434
Interest Income		<b>44</b>	371	110
Interest Expense		<b>(249)</b>	(395)	(167)
Net Interest Expense	7	<b>(205)</b>	(24)	(57)
Other Income	8	<b>43</b>	347	188
<b>Total Income earned from Financing and Trading Activities</b>		<b>2,549</b>	5,112	2,565
Share of Profit/(Loss) of Associates	16	<b>(490)</b>	(582)	6
Impairment Loss on Associate	16	-	(1,112)	-
Impairment Loss on Loans and Receivables		-	(2,500)	-
Employee Benefits Expense	9	<b>(1,738)</b>	(3,610)	(1,909)
Depreciation and Amortisation	19,20	<b>(299)</b>	(565)	(275)
Other Expenses	10	<b>(656)</b>	(1,843)	(832)
<b>Profit/(Loss) Before Income Tax</b>		<b>(634)</b>	(5,100)	(445)
<b>Income Tax (Expense)/ Benefit</b>	11	-	-	-
<b>Profit/(Loss) After Income Tax</b>		<b>(634)</b>	(5,100)	(445)
<b>Other Comprehensive Income</b>		-	-	-
<b>Total Comprehensive Income Attributable to Equity Holders</b>		<b>(634)</b>	(5,100)	(445)
<b>Total Earnings per Share Attributed to Equity Holders of the Company:</b>				
Basic Earnings per Share (c/share)	12	(5.85)	(47.06)	(4.10)
Diluted Earnings per Share (c/share)	12	(5.85)	(47.06)	(4.10)

The accompanying notes are an integral part of these financial statements

## STATEMENT OF CHANGES IN EQUITY

### *For the six months ended 31 December 2010*

Balance at 1 July 2010

#### Comprehensive Income

Profit/(Loss) for the Period

**Total Comprehensive Income**

#### Transactions with Owners

**Total Transactions with Owners**

**Balance at 31 December 2010**

<i>Contributed Capital \$'000</i>	<i>Accumulated Deficits \$'000</i>	<i>Total Equity \$'000</i>
12,757	(10,970)	<b>1,787</b>
-	(634)	<b>(634)</b>
-	(634)	<b>(634)</b>
-	-	-
-	-	-
12,757	(11,604)	<b>1,153</b>

### *For the year ended 30 June 2010*

Balance at 1 July 2009

#### Comprehensive Income

Profit/(Loss) for the Year

**Total Comprehensive Income**

#### Transactions with Owners

Equity Element arising from Issue of Convertible  
Redeemable Preference Shares

**Total Transactions with Owners**

**Balance at 30 June 2010**

<i>Contributed Capital \$'000</i>	<i>Accumulated Deficits \$'000</i>	<i>Total Equity \$'000</i>
12,168	(5,870)	6,298
-	(5,100)	(5,100)
-	(5,100)	(5,100)
589	-	589
589	-	589
12,757	(10,970)	1,787

### *For the six months ended 31 December 2009 (restated)*

Balance at 1 July 2009

#### Comprehensive Income

Profit/(Loss) for the Period

**Total Comprehensive Income**

#### Transactions with Owners

Equity Element arising from Issue of Convertible  
Redeemable Preference Shares

**Total Transactions with Owners**

**Balance at 31 December 2009**

<i>Contributed Capital \$'000</i>	<i>Accumulated Deficits \$'000</i>	<i>Total Equity \$'000</i>
12,168	(5,870)	6,298
-	(445)	(445)
-	(445)	(445)
339	-	339
339	-	339
12,507	(6,315)	6,192

The accompanying notes are an integral part of these financial statements

## STATEMENT OF CASH FLOWS

for the six months ended 31 December 2010

		<b>6 months</b>	<b>12 months</b>	<b>6 months</b>
		<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
		<b>2010</b>	<b>2010</b>	<b>2009</b>
	<i>Notes</i>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
				<i>(restated)</i>
<b>Cash Flows from Operating Activities</b>				
Interest Received		5	371	110
Dividends Received		5	71	8
Cash Receipts from Customers		5,522	12,159	5,489
Other Income		36	310	180
Interest Expense		(249)	(395)	(167)
Cash Paid to Suppliers and Employees		(5,748)	(12,070)	(5,408)
<b>Net Cash from Operating Activities</b>	<b>24</b>	<b>(429)</b>	<b>446</b>	<b>212</b>
<b>Cash Flows from Investing Activities</b>				
Advance to Speirs Nutritionals		-	(1,238)	(636)
Disposal of Property, Plant & Equipment		22	-	-
Disposal of finance business – transfer of finance business related bank balances and associated payments to purchaser		-	(750)	(750)
Proceeds from Sale of Investments		-	150	150
Additional Investment in Speirs Nutritionals		(298)	-	-
Acquisition of Intangible Assets		(37)	-	-
Acquisition of Property, Plant & Equipment		(29)	(841)	(759)
<b>Net Cash Flows from Investing Activities</b>		<b>(342)</b>	<b>(2,679)</b>	<b>(1,995)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from borrowings		500	4,950	3,919
<b>Net Cash Flows from Financing Activities</b>		<b>500</b>	<b>4,950</b>	<b>3,919</b>
Net Increase / (Decrease) in Cash and Cash Equivalents		(271)	2,717	2,136
Cash and Cash Equivalents at Beginning of Period		646	(2,071)	(2,071)
<b>Cash and Cash Equivalents at Period End</b>	<b>13</b>	<b>375</b>	<b>646</b>	<b>65</b>

The accompanying notes are an integral part of these financial statements



# Notes to the Financial Statements

## 1 GENERAL INFORMATION

Speirs Group Limited operates as a holding company. Speirs Investments Limited is a wholly owned subsidiary of Speirs Group Limited and operates as an investment holding company which has issued secured stock to the public. Speirs Foods Limited was formed on 1 July 2010 and is also a wholly owned subsidiary of Speirs Group Limited and is involved in the production and distribution of fresh food products.

Speirs Group Limited is a limited liability company incorporated and domiciled in New Zealand. The postal address of the head office of Speirs Group Limited is PO Box 318, Palmerston North, New Zealand.

Speirs Group Limited has equity securities listed on the alternative list (NZAX) of New Zealand Exchange Limited.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of Preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practices in New Zealand. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements are presented in New Zealand dollars, and are rounded to the nearest thousand. They are prepared using the historical cost basis.

#### *Compliance with International Financial Reporting Standards*

The financial statements comply with International Financial Reporting Standards ("IFRS").

#### *Entities Reporting*

The consolidated financial statements of the 'Group' are for the economic entity comprising Speirs Group Limited, its wholly owned subsidiaries Speirs Foods Limited and Speirs Investments Limited and its investment in associates Speirs Nutritionals Partners LP and Rosa Foods Limited. All entities within the group registered in New Zealand.

The Parent Company and the Group are designated as profit-oriented entities for financial reporting purposes.

#### *Statutory Base*

Speirs Group Limited is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

#### *Critical Accounting Estimates*

The preparation of financial statements in conformity with NZ IFRS and IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

#### *Application of Accounting Policies*

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

The following new standards and amendments to standards are mandatory for financial years commencing after 1 January 2009 and were adopted in these annual financial statements.

#### **NZ IAS 1 (revised), Presentation of Financial Statements**

This revised standard prohibits the presentation of items of income and expense (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity, all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

#### **NZ IFRS 7, Financial Instruments – Disclosures (amendment)**

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share

#### **NZ IFRS 8, Operating Segments**

NZ IFRS 8 replaces NZ IAS 14, ‘Segment reporting’. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

## **2.2 Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of Speirs Group Limited, its wholly owned subsidiaries Speirs Foods Limited and Speirs Investments Limited and its associates Speirs Nutritionals Partners LP and Rosa Foods Limited as at 31 December 2010. Speirs Group Limited, its wholly owned subsidiaries and its associates together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are those entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Associates are all entities over which the Group has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the Group by using the equity method of accounting and are initially recognised at cost. The Group’s share of its associates’ post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## **2.3 Financial Assets**

The Group classifies its financial assets in the following categories: ‘at fair value through the profit or loss’, ‘loans and receivables’, and ‘available-for-sale’. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition (as determined by their settlement date) and re-evaluates this designation at every reporting date.

#### *Financial Assets at Fair Value Through the Profit or Loss*

This category has two sub-categories: ‘financial assets held for trading’, and those designated ‘at fair value through the profit or loss at initial recognition’. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if designated so by management. All derivatives are also classified as ‘held for trading’.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss component of the statement of comprehensive income.

Financial assets at fair value through profit or loss are subsequently carried at fair value.

Where fair value changes include the accrual of interest, the accrued interest is included in the net interest result.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category, are presented in the statement of comprehensive income within ‘Fair Value Gains / (Losses)’, in the period in which they arise.

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are accounted for at amortised cost using the effective interest method. Loans and receivables are initially recognised at fair value inclusive of transaction costs. Loans and receivables are derecognised when the rights to receive cash flows from them have expired or where the Group has transferred substantially all risks and rewards of ownership.

## **2.4 Compound Financial Instruments**

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## 2.5 Impairment

### *Reversals of impairment*

With respect to receivables carried at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit history, the provision is adjusted and the amount of the reversal is recognised in the statement of comprehensive income.

With respect to an available for sale instrument, if, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss with respect to goodwill is not reversed.

### *Impairment of Non-Financial Assets*

The carrying amounts of the Group's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available to use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit, or group of units, on a pro-rata basis. The cash generating units are Speirs Nutritionals Partners LP and Rosa Foods Limited (associates of Speirs Group Limited), Speirs Investments Limited and Speirs Foods Limited (wholly owned subsidiaries of Speirs Group Limited).

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## 2.6 Property, Plant and Equipment

### *Owned Assets*

Land and buildings are recorded at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition or the construction of the land and buildings.

Plant and equipment, computer equipment and vehicles are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, and only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate assets' costs or revalued amounts less their residual values to their estimated lives, as follows:

• Buildings	2.50 – 2.96%
• Computer Equipment	12.50 – 20.00%
• Vehicles	20.00%
• Other plant and equipment	10.00 – 25.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

## 2.7 Intangible Assets

Acquired computer software and other identifiable intangible assets are capitalised on the basis of the costs incurred to acquire them and bring them to use.

### **Software**

Costs that are directly associated with the production of identifiable and unique software products or intangible assets that are controlled

by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include, where appropriate, employee costs and an appropriate portion of relevant overheads.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including those costs associated with the maintenance of computer software programs are expensed as they are incurred.

Computer software costs and other intangible assets are considered to have a definite life and are amortised over the best estimate of their useful lives (4 – 12 years).

## 2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes any borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2.9 Trade Receivables

Trade receivables are initially recognised at fair value and subsequent to initial recognition are measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

## 2.10 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within liabilities on the statement of financial position.

## 2.11 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.12 Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Interest expense is recognised using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period to which it relates.

Borrowing costs are expensed as incurred.

## 2.14 Employee Benefits

### *Bonus Obligations*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the expected level of payment.

## 2.15 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2.16 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the other comprehensive component in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 2.17 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, and is recognised as follows:

### *Sales of Goods*

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs, the possible return of goods, or continuing management involvement with the goods.

### *Interest Income*

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments, including loans and advances, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

## 2.18 Other Income

### *Dividend Income*

Dividend income is recognised when the right to receive payment is established.

## 2.19 Dividend Distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

## 2.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

## 2.21 Other Approved Financial Reporting Standards

The following new standards, amendments or interpretations to existing standards are not yet effective and have not been early adopted by the Group:

### **NZ IFRS 9 - Financial Instruments**

NZ IFRS 9 (released and approved in December 2009) represents the beginning of re-writing the current financial instruments standard, NZ IAS 39. It reduces the classifications and measurement methods available for financial assets from four to two, being amortised cost or fair value through profit or loss. Further amendments to policies applied under NZ IAS 39 are expected but not yet finalised.

## 2.22 Goods and Services Tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of trade receivables and trade payables, which include GST invoiced.

## 2.23 Functional and Presentational Currency

### *i) Functional and Presentation Currency*

Items included in the financial statements of each of the subsidiary's operations are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The financial statements are presented in New Zealand dollars, which is the Company and all members of the Group's functional and presentation currency.

## ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss component of the statements of comprehensive income, except when deferred in equity as qualifying cash flow hedges in which case, they are recognised in other comprehensive income.

## 2.24 Investment in Subsidiaries and Associates

The Parent Company records its investment in subsidiaries and associates at cost less any accumulated impairment losses.

# 3 FINANCIAL RISK MANAGEMENT

## Introduction and Overview

The Group had exposure to the following risks arising from its use of financial instruments:

- Credit risks
- Liquidity risks
- Market risks

The Group manages raw material price risks through negotiated supply contracts. However, these contracts are for the purpose of receipt in accordance with the Group's expected usage requirements only and, accordingly, are not accounted for as financial instruments.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of Capital.

## Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Risk management is carried out and monitored by the senior management team under policies approved by the Board of Directors. Management identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

## Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

## Management of Credit Risk

The Board of Directors are responsible for the approval of credit risk policy. Senior management is responsible for the management and oversight of the credit risk policy established by the Board of Directors.

Each business unit is required to implement Group credit policies and procedures, with credit approval delegated from senior Management. Each business unit has a General Manager who reports on all credit related matters to the Board of Directors. Each business unit is responsible for the quality and performance of its credit portfolio and for the monitoring and controlling of all credit risks in its portfolios.

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.

## Exposure to Credit Risk

The Group and Company have no 'off-balance sheet' liabilities. The maximum credit risk is the amount represented on the statement of financial position. Financial Assets which subject the Group to credit risks consist of:

	<i>Group</i>		
	<i>December</i>	<i>June</i>	<i>December</i>
	<i>2010</i>	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
			<i>(restated)</i>
Cash and Cash Equivalents	375	646	65
Trade and Other Receivables	2,704	1,767	4,367
Loans and Receivables	-	-	2,500

The following categories are not impaired, contain no past due balances, nor contain any impairment allowances: cash and cash equivalents. A summary of impaired assets, past due assets, and allowances for impairment of loans and advances and trade and other receivables is set out below:

	Loans and Receivables			Trade and Other Receivables		
	<i>December</i>	<i>June</i>	<i>December</i>	<i>December</i>	<i>June</i>	<i>December</i>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
						(restated)
Carrying Amount	-	-	2,500	<b>2,704</b>	1,767	4,367
Past Due but not Impaired	-	-	-	<b>8</b>	6	70
Neither Past Due nor Impaired	-	-	2,500	<b>2,696</b>	1,761	4,297
Total Carrying Amount	-	-	2,500	<b>2,704</b>	1,767	4,367

- Trade and other receivables totalling \$7,651 (30 June 2010: \$6,011; 31 December 2009: \$69,868) are greater than 90 days overdue but are considered collectable and are not impaired.

#### *Concentrations of Credit Risk*

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 manages concentration of credit risk by placing restrictions on the maximum amounts which may be deposited with a Registered Bank.

#### **Liquidity Risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

#### *Management of Liquidity Risk*

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group mitigates its liquidity risk through the holding of liquid cash reserves and by supporting credit lines.

Based on current cash flow projections the Directors expect that the Group will have sufficient liquidity to meet the Group's ongoing requirements. For this reason the Directors consider that the adoption of the going concern assumption is appropriate

#### *Exposure to Liquidity Risk*

The following tables set out the contractual cash flows for all financial assets and liabilities and derivatives that are settled on a gross cash flow basis:

<b>31 December 2010</b>	<b>Carrying Amount</b>	<b>Gross Nominal Cash Flow</b>	<b>On Demand</b>	<b>Less than 3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Non-Derivative Assets</i>								
Cash and Cash Equivalents	375	375	375	-	-	-	-	-
Trade and Other Receivables	2,704	2,704	-	1,896	-	808	-	-
<b>Total</b>	<b>3,079</b>	<b>3,079</b>	<b>375</b>	<b>1,896</b>	<b>-</b>	<b>808</b>	<b>-</b>	<b>-</b>
<b>31 December 2010</b>	<b>Carrying Amount</b>	<b>Gross Nominal Cash Flow</b>	<b>On Demand</b>	<b>Less than 3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Non-Derivative Liabilities</i>								
Trade and Other Payables	2,463	2,463	-	2,463	-	-	-	-
Borrowings	4,861	6,105	-	113	114	227	933	4,718
<b>Total</b>	<b>7,324</b>	<b>8,568</b>	<b>-</b>	<b>2,576</b>	<b>114</b>	<b>227</b>	<b>933</b>	<b>4,718</b>

30 June 2010

	Carrying Amount	Gross Nominal Cash Flow	On Demand	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Derivative Assets</i>								
Cash and Cash Equivalents	646	646	646	-	-	-	-	-
Trade and Other Receivables	1,767	1,767	-	1,767	-	-	-	-
<b>Total</b>	<b>2,413</b>	<b>2,413</b>	<b>646</b>	<b>1,767</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

30 June 2010

	Carrying Amount	Gross Nominal Cash Flow	On Demand	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Derivative Liabilities</i>								
Trade and Other Payables	1,818	1,818	-	1,818	-	-	-	-
Borrowings	4,361	5,743	-	102	102	205	410	4,924
<b>Total</b>	<b>6,179</b>	<b>7,561</b>	<b>-</b>	<b>1,920</b>	<b>102</b>	<b>205</b>	<b>410</b>	<b>4,924</b>

31 December 2009 (restated)

	Carrying Amount	Gross Nominal Cash Flow	On Demand	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Derivative Assets</i>								
Cash and Cash Equivalents	65	65	65	-	-	-	-	-
Trade and Other Receivables	4,367	4,367	-	2,200	-	2,167	-	-
Loans and Receivables	2,500	3,319	-	62	63	125	719	2,350
<b>Total</b>	<b>6,932</b>	<b>7,751</b>	<b>65</b>	<b>2,262</b>	<b>63</b>	<b>2,292</b>	<b>719</b>	<b>2,350</b>

31 December 2009 (restated)

	Carrying Amount	Gross Nominal Cash Flow	On Demand	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Derivative Liabilities</i>								
Trade and Other Payables	2,811	2,811	-	2,811	-	-	-	-
Borrowings	3,580	4,761	-	427	77	154	308	3,795
<b>Total</b>	<b>6,391</b>	<b>7,572</b>	<b>-</b>	<b>3,238</b>	<b>77</b>	<b>154</b>	<b>308</b>	<b>3,795</b>

The Group had no contractual cash flows with respect to financial liabilities going out beyond 5 years.

The above tables show the undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity.

The gross nominal cash flow disclosed in the above tables is the contractual, undiscounted cash flow on the financial liability.

#### Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return on risk.



### Management of Market Risk

The Group undertakes minimal transactions denominated in foreign currencies. At 31 December 2010, 30 June 2010 and 31 December 2009 the Group had no material foreign currency exposures.

Equity price risk and credit spread risk (not relating to the obligor / issuer's credit standing) are not monitored by management as they are not currently significant in relation to the overall results and financial position of the Group.

A summary of the interest rate gap positions is as follows:

#### 31 December 2010

	Carrying Amount \$'000	Non- Interest Bearing \$'000	Less than 3 Months \$'000	3-6 Months \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000
Cash and Cash Equivalents	375	375	-	-	-	-	-
	<b>375</b>	<b>375</b>	-	-	-	-	-
Borrowings	4,861	-	-	-	-	500	4,361
	<b>4,861</b>	-	-	-	-	<b>500</b>	<b>4,361</b>
	<b>(4,486)</b>	<b>375</b>	-	-	-	<b>(500)</b>	<b>(4,361)</b>

The Directors intend to renegotiate funding lines when the above liabilities arise in 2013.

#### 30 June 2010

	Carrying Amount \$'000	Non- Interest Bearing \$'000	Less than 3 Months \$'000	3-6 Months \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000
Cash and Cash Equivalents	646	382	264	-	-	-	-
	<b>646</b>	<b>382</b>	<b>264</b>	-	-	-	-
Borrowings	4,361	-	-	-	-	-	4,361
	<b>4,361</b>	-	-	-	-	-	<b>4,361</b>
	<b>(3,715)</b>	<b>382</b>	<b>264</b>	-	-	-	<b>(4,361)</b>

The Directors intend to renegotiate funding lines when the above liabilities arise in 2013.

#### 31 December 2009 (restated)

	Carrying Amount \$'000	Non- Interest Bearing \$'000	Less than 3 Months \$'000	3-6 Months \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000
Cash and Cash Equivalents	65	65	-	-	-	-	-
Loans and Receivables	2,500	-	-	-	-	500	2,000
	<b>2,565</b>	<b>65</b>	-	-	-	<b>500</b>	<b>2,000</b>
Borrowings	3,580	-	350	-	-	-	3,230
	<b>3,580</b>	-	<b>350</b>	-	-	-	<b>3,230</b>
	<b>(1,015)</b>	<b>65</b>	<b>(350)</b>	-	-	<b>500</b>	<b>(1,230)</b>

The Group had no contractual cash flows with respect to financial assets going out beyond 5 years.

### Capital Management

The Group's capital includes share capital and accumulated deficits. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. To achieve this the Directors and management monitor such matters as profitability and capital held on a monthly basis.

The Group's equity at the reporting dates comprises:

	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<i>(restated)</i>
Contributed Equity	<b>12,757</b>	12,757	12,507
Accumulated Deficits	<b>(11,604)</b>	(10,970)	(6,315)
<b>Total Equity Balance at Period End</b>	<b>1,153</b>	1,787	6,192

There have been no material changes in the Group's management of capital during the period.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes assumptions and estimates that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting policies deemed critical to the Group's results and financial position, based upon materiality and significant judgements and estimates, are discussed below:

### Key Sources of Estimation Uncertainty

#### *Recoverability of Intangible Assets*

The recoverability of intangible assets associated with Speirs Nutritionals Partners LP (an associate entity) is a key source of estimation uncertainty.

The recoverable amount of these intangible assets is assessed at least annually for indicators of impairment. Where such indicators are detected the recoverability of these balances is subject to an impairment test.

An impairment loss is recognised if the carrying amount of the intangible assets, or their cash-generating unit, exceeds its recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The recoverability of these assets is conditional on Speirs Nutritionals Limited successfully establishing a market for the Omega-3 emulsion.

### Critical Accounting Judgements Made in Applying the Group's Accounting Policies

#### *Financial Asset and Liability Classification*

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into differing accounting categories. In classifying assets and liabilities the Group has determined that the financial assets or liabilities meet the description of the classification as set out in the accounting policies.

#### *Recovery of Goodwill in Rosa Foods Limited*

The recoverability of the goodwill purchased as part of the acquisition of shares in Rosa Foods Limited (an associate company) is dependent upon the future trading profitability of Rosa Foods Limited. The Group has conducted impairment tests over this cash generating unit using cash flow projections based on financial forecasts approved by senior management covering a five year period and an assumed terminal real growth rate of 0%. The Group has applied a discount rate of 18.80% to pre tax cash flows. Management believe no reasonably possible changes in the key assumptions would cause the carrying value of the unit to materially exceed the carrying amount.

## 5 SEGMENT REPORTING

For the purposes of this note, the chief operating decision-maker has been identified as the Board of Directors of Speirs Group Limited. The Board reviews the Group's internal reporting pack on a monthly basis to assess performance and to allocate resources. Within the pack, operating segments have primarily been determined with reference to differences in products and services.

The Board of Directors assesses the performance of the operating segments based on a measure of net profit after tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

A summarised description of each business unit is shown below:

**Speirs Foods** The supply of salad and fresh cut vegetables to retailers and caterers.

**Corporate** The Group has some central operations and corporate costs which are not allocated to business segments. This includes the operations of Speirs Investments Limited.

The Group operates predominantly within New Zealand.

<b>Group 6 months 31 December 2010</b>	<b>Speirs Foods \$'000</b>	<b>Corporate \$'000</b>	<b>Consolidated \$'000</b>
External Revenue			
Interest Income	3	41	44
Trading Income	6,420	-	6,420
Other Income	37	6	43
Intersegment Revenue/(Eliminations)	-	-	-
Total Segment Revenue/(Eliminations)	6,460	47	6,507
Share of Loss of Associates	-	(490)	(490)
Overall Segment Result	251	(885)	(634)
Income Tax Expense			-
Profit/(Loss) for the 6 Month Period			(634)
Segment Assets	7,111	1,371	8,482
Segment Liabilities	2,934	4,395	7,329
Depreciation and Amortisation	299	-	299
Capital Expenditure	65	-	65

The Group receives Trading Income from two customers who account for 94% of total Trading Income

<b>Group 12 months June 2010</b>	<b>Speirs Foods \$'000</b>	<b>Corporate \$'000</b>	<b>Consolidated \$'000</b>
External Revenue			
Interest Income	1	370	371
Trading Income	11,734	-	11,734
Other Income	-	347	347
Intersegment Revenue / (Eliminations)	-	-	-
<b>Total Segment Revenue</b>	<b>11,735</b>	<b>717</b>	<b>12,452</b>
Share of Loss of Associates	-	(582)	(582)
Impairment Loss on Associates	-	(1,112)	(1,112)
Impairment Loss on Loans and Receivables	-	(2,500)	(2,500)
<b>Overall Segment Result</b>	<b>137</b>	<b>(5,237)</b>	<b>(5,100)</b>
Income Tax Expense			-
<b>Profit/(Loss) for the Year</b>			<b>(5,100)</b>
 Segment Assets	 6,144	 1,827	 7,971
 Segment Liabilities	 1,653	 4,531	 6,184
Depreciation and Amortisation	565	-	565
Capital Expenditure	995	-	995

The Group receives Trading Income from two customers who account for 95% of total Trading Income

<b>Group 6 months 31 December 2009 (restated)</b>	<b>Speirs Foods \$'000</b>	<b>Corporate \$'000</b>	<b>Consolidated \$'000</b>
External Revenue			
Interest Income	-	110	110
Trading Income	6,232	-	6,232
Other Income	150	38	188
Intersegment Revenue/(Eliminations)	-	-	-
<b>Total Segment Revenue/(Eliminations)</b>	<b>6,382</b>	<b>148</b>	<b>6,530</b>
 Overall Segment Result	 27	 (472)	 (445)
Income Tax Expense			-
<b>Profit/(Loss) for the 6 Month Period</b>			<b>(445)</b>
 Segment Assets	 10,587	 1,996	 12,583
 Segment Liabilities	 3,281	 3,110	 6,391
Depreciation and Amortisation	275	-	275
Capital Expenditure	759	-	759

The Group receives Trading Income from two customers who account for 94% of total Trading Income

## 6 FINANCIAL ASSETS AND LIABILITIES

### *Accounting Classifications and Fair Values*

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

#### **31 December 2010**

	<b>Loans and Receivables \$'000</b>	<b>Other Amortised Cost \$'000</b>	<b>Total Carrying Value \$'000</b>	<b>Fair Value \$'000</b>
Cash and Cash Equivalents	375	-	375	375
Trade and Other Receivables	2,704	-	2,704	2,704
	<b>3,079</b>	<b>-</b>	<b>3,079</b>	<b>3,079</b>
Trade and Other Payables	-	2,463	2,463	2,463
Borrowings	-	4,861	4,861	4,861
	<b>-</b>	<b>7,324</b>	<b>7,324</b>	<b>7,324</b>

#### **30 June 2010**

	<b>Loans and Receivables \$'000</b>	<b>Other Amortised Cost \$'000</b>	<b>Total Carrying Value \$'000</b>	<b>Fair Value \$'000</b>
Trade and Other Receivables	1,767	-	1,767	1,767
Cash and Cash Equivalents	646	-	646	646
	<b>2,413</b>	<b>-</b>	<b>2,413</b>	<b>2,413</b>
Trade and Other Payables	-	1,818	1,818	1,818
Borrowings	-	4,361	4,361	4,361
	<b>-</b>	<b>6,179</b>	<b>6,179</b>	<b>6,179</b>

#### **Group 31 December 2009 (restated)**

	<b>Loans and Receivables \$'000</b>	<b>Other Amortised Cost \$'000</b>	<b>Total Carrying Value \$'000</b>	<b>Fair Value \$'000</b>
Trade and Other Receivables	4,367	-	4,367	4,367
Cash and Cash Equivalents	65	-	65	65
Loans and Receivables	2,500	-	2,500	2,500
	<b>6,932</b>	<b>-</b>	<b>6,932</b>	<b>6,932</b>
Trade and Other Payables	-	2,811	2,811	2,811
Borrowing	-	3,580	3,580	3,580
	<b>-</b>	<b>6,391</b>	<b>6,391</b>	<b>6,391</b>

### *Determination of Fair Values*

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

Cash and Cash Equivalents – at face value.

Trade and Other Receivables – at face value, after allowance for any assessed impairment.

Loans and Receivables – at net present value after allowance for any assessed impairment.

## 7 NET INTEREST EXPENSE

	<i>6 months 31 December 2010 \$'000</i>	<i>12 months 30 June 2010 \$'000</i>	<i>6 months 31 December 2009 \$'000 (restated)</i>
<b>Interest Income</b>			
Cash and Cash Equivalents	5	8	2
Loans and Advances	39	363	108
<b>Total Interest Income</b>	<b>44</b>	<b>371</b>	<b>110</b>
<b>Interest Expense</b>			
Bank Overdraft	-	94	93
Borrowings			
Convertible Redeemable Preference Shares	143	143	7
Secured Stock	85	144	59
Mortgage	15	-	-
On all other borrowings	6	14	8
<b>Total Interest Expense</b>	<b>249</b>	<b>395</b>	<b>167</b>
<b>Net Interest Expense</b>	<b>(205)</b>	<b>(24)</b>	<b>(57)</b>

## 8 OTHER INCOME

	<i>6 months 31 December 2010 \$'000</i>	<i>12 months 30 June 2010 \$'000</i>	<i>6 months 31 December 2009 \$'000 (restated)</i>
Dividends from Available-for-Sale Equity Securities	-	8	8
Rental Income	34	67	34
Gain on Sale of Property, Plant and Equipment	2	-	-
Other Income	7	272	146
<b>Total Other Income</b>	<b>43</b>	<b>347</b>	<b>188</b>

## 9 EMPLOYEE BENEFITS EXPENSE

	<i>6 months 31 December 2009 \$'000</i>	<i>12 months 30 June 2010 \$'000</i>	<i>6 months 31 December 2009 \$'000 (restated)</i>
Wages and Salaries	1,655	3,450	1,841
Other Personnel Expenses	83	160	68
<b>Total Personnel Expenses</b>	<b>1,738</b>	<b>3,610</b>	<b>1,909</b>

## 10 OTHER EXPENSES

	<i>6 months 31 December 2010 \$'000</i>	<i>12 months 30 June 2010 \$'000</i>	<i>6 months 31 December 2009 \$'000 (restated)</i>
Fees Paid to Auditors			
Statutory Audit of Financial Statements	32	53	23
Other Assurance Services	-	-	-
Taxation Compliance Services	7	38	24
Directors Fees	60	150	60
Rental Expenditure	1	15	8
Other Expenses	556	1,587	717
<b>Total Other Expenses</b>	<b>656</b>	<b>1,843</b>	<b>832</b>

## 11 INCOME TAX EXPENSE

	<b>6 months</b> <b>31 December</b> <b>2010</b> <b>\$'000</b>	<b>12 months</b> <b>30 June</b> <b>2010</b> <b>\$'000</b>	<b>6 months</b> <b>31 December</b> <b>2009</b> <b>\$'000</b> <i>(restated)</i>
<b>Tax Expense</b>			
Current Tax	-	-	-
Deferred Tax	-	-	-
<b>Income Tax Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>

	<b>6 months</b> <b>31 December 2010</b> <b>\$'000</b>	<b>12 months</b> <b>30 June 2010</b> <b>\$'000</b>	<b>6 months</b> <b>31 December 2009</b> <b>\$'000</b> <i>(restated)</i>
<b>Reconciliation of Effective Tax Rate</b>			
Profit/(Loss) Before Income Tax	<b>(634)</b>	(5,100)	(445)
Income Tax at 30%	<b>(190)</b>	(1,530)	(134)
Loss on Associates	<b>147</b>	253	-
Non-deductible Expenses	<b>54</b>	77	34
Unrecognised Future Income Tax Benefit	<b>(11)</b>	1,200	100
	<b>-</b>	<b>-</b>	<b>-</b>

During the 2010 year a change in the NZ corporate tax rate from 30% to 28% was enacted on 27 May 2010 which will be effective from 1 July 2011. This change has had no effect on deferred tax balances as no deferred tax has been recognised in the current period.

	<b>6 months</b> <b>31 December</b> <b>2010</b> <b>\$'000</b>	<b>12 months</b> <b>30 June</b> <b>2010</b> <b>\$'000</b>	<b>6 months</b> <b>31 December</b> <b>2009</b> <b>\$'000</b>
<b>Imputation Credits</b>			
Imputation Credits at Start of Period	<b>4,070</b>	4,132	4,132
Income Tax Paid/(Refunds Received)	-	-	-
Imputation Credits Attached to Dividends Received	-	3	3
Imputation Credits Attached to Convertible Redeemable Preference Share Dividends Paid	<b>(63)</b>	(65)	-
<b>Imputation Credits at Period End</b>	<b>4,007</b>	4,070	4,135

The imputation credits are available to shareholders of the Company through their shareholdings in the Company.

## 12 EARNINGS PER SHARE

*Basic and Diluted Earnings per Share*

	<b>6 months</b> <b>31 December</b> <b>2010</b> <b>\$'000</b>	<b>12 months</b> <b>30 June</b> <b>2010</b> <b>\$'000</b>	<b>6 months</b> <b>31 December</b> <b>2009</b> <b>\$'000</b> <i>(restated)</i>
<b>Profit/(Loss) Attributable to Ordinary Shareholders</b>			
Profit/(Loss) for the Period	<b>(634)</b>	(5,100)	(445)
<b>Profit/(Loss) for the Period Attributable to Ordinary Shareholders</b>	<b>(634)</b>	(5,100)	(445)

	<b>6 months</b> <b>31 December</b> <b>2010</b> <b>'000</b>	<b>12 months</b> <b>30 June</b> <b>2010</b> <b>'000</b>	<b>6 months</b> <b>31 December</b> <b>2009</b> <b>'000</b>
<b>Weighted Average Number of Ordinary Shares</b>			
Issued Ordinary Shares at beginning of period	<b>10,835</b>	10,835	10,835
<b>Weighted Average Number of Ordinary Shares at Period End</b>	<b>10,835</b>	10,835	10,835

## 13 CASH AND CASH EQUIVALENTS

	<b>31 December</b> <b>2010</b> <b>\$'000</b>	<b>30 June</b> <b>2010</b> <b>\$'000</b>	<b>31 December</b> <b>2009</b> <b>\$'000</b> <i>(restated)</i>
Cash at Bank	<b>375</b>	382	65
Short Term Deposits – Call	-	264	-
<b>Total Cash &amp; Cash Equivalents</b>	<b>375</b>	646	65

All cash and cash equivalents are held in registered banks.

At 31 December 2010 and 30 June 2010 the Company has no overdraft facility. The Company has positive cash balances at bank. At 31 December 2009 the Company's Bank Overdraft facility was secured by way of a floating charge over all of the Company's assets and undertakings

## 14 TRADE AND OTHER RECEIVABLES

### 31 December 2010

	<i>Gross Amount</i> <b>\$'000</b>	<i>Impairment Allowance</i> <b>\$'000</b>	<i>Carrying Amount</i> <b>\$'000</b>
<b>Trade and Other Receivables</b>			
Trade Receivables	1,896	-	1,896
Receivable from Speirs Nutritionals	808	-	808
Prepayments	50	-	50
<b>Total Trade and Other Receivables</b>	<b>2,754</b>	-	<b>2,754</b>

Trade and Other Receivables are considered to be collectable in full. Accordingly, no allowance for impairment has been made.

### 30 June 2010

	<i>Gross Amount</i> <b>\$'000</b>	<i>Impairment Allowance</i> <b>\$'000</b>	<i>Carrying Amount</i> <b>\$'000</b>
<b>Trade and Other Receivables</b>			
Trade Receivables	998	-	998
Receivable from Speirs Nutritionals	769	-	769
Prepayments	8	-	8
<b>Total Trade and Other Receivables</b>	<b>1,775</b>	-	<b>1,775</b>

Trade and Other Receivables are considered to be collectable in full. Accordingly, no allowance for impairment has been made.

### 31 December 2009 (restated)

	<i>Gross Amount</i> <b>\$'000</b>	<i>Impairment Allowance</i> <b>\$'000</b>	<i>Carrying Amount</i> <b>\$'000</b>
<b>Trade and Other Receivables</b>			
Trade Receivables	2,200	-	2,200
Receivable from Speirs Nutritionals	2,167	-	2,167
Prepayments	20	-	20
<b>Total Trade and Other Receivables</b>	<b>4,387</b>	-	<b>4,387</b>

Trade and Other Receivables are considered to be collectable in full. Accordingly, no allowance for impairment has been made.



## 15 INVENTORIES

	<b>31 December 2010 \$'000</b>	<b>30 June 2010 \$'000</b>	<b>31 December 2009 \$'000 (restated)</b>
<b>Inventories</b>			
Raw Materials and Consumables	493	329	418
Finished Goods	155	74	158
	<b>648</b>	<b>403</b>	<b>576</b>
Inventories stated at Net Realisable Value	<b>648</b>	<b>403</b>	<b>576</b>
Carrying Amount of Inventories Subject to Retention of Title Clauses	-	-	-

## 16 ASSOCIATE COMPANY

### Overall Summary

#### Investments Equity Accounted

	<b>31 December 2010 \$'000</b>	<b>30 June 2010 \$'000</b>	<b>31 December 2009 \$'000 (restated)</b>
Share of Rosa Foods Limited	439	416	427
Share of Speirs Nutritionals Limited	-	-	-
Share of Speirs Nutritionals Partners LP	99	311	-
	<b>538</b>	<b>727</b>	<b>427</b>

#### Share of Profit/(Loss) of Associates

	<b>6 months 31 December 2010 \$'000</b>	<b>12 months 30 June 2010 \$'000</b>	<b>6 months 31 December 2009 \$'000 (restated)</b>
Share of Profit/(Loss) of Rosa Foods Limited	23	(5)	6
Share of Loss of Speirs Nutritionals Limited	-	-	-
Share of Loss of Speirs Nutritionals Partners LP	(513)	(577)	-
	<b>(490)</b>	<b>(582)</b>	<b>6</b>

#### (a) Rosa Foods Limited

On 1 April 2008 the Company purchased 40% of the ordinary shares of Rosa Foods Limited ("Rosa"). Rosa is a Wellington based food manufacturer providing prepared meal products to the supermarket chains. Rosa has a reporting date of 31 March. Financial information for Rosa has been extracted from management accounts for the period ended 31 December 2010. The Company did not receive a dividend from Rosa during the period ended 31 December 2010.

	<b>6 months 31 December 2010 \$'000</b>	<b>12 months 30 June 2010 \$'000</b>	<b>6 months 31 December 2009 \$'000</b>
Share of profit/(loss) of associate	23	(5)	6
Taxation expense	-	-	-
Share of profit/(loss) after tax of associate	23	(5)	6
Less share of dividends received	-	-	-
Less Provision for impairment	-	-	-
Net addition/(deletion) to the investment carrying value	23	(5)	6
Share of associate's equity at the beginning of the period	(84)	(79)	(79)
Cost of investment in associate – ordinary shares	400	400	400
Cost of investment in associate – 10 % preference shares	100	100	100
	<b>439</b>	<b>416</b>	<b>427</b>

At period end the statement of financial position of Rosa was as follows:

	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current Assets	346	293	341
Goodwill	550	550	550
Property Plant and Equipment	503	535	595
Total Assets	1,399	1,378	1,486
Current Liabilities	276	299	369
Non Current Liabilities	134	147	158
Total Liabilities	410	446	527
Net Assets	989	932	959

#### **(b) Speirs Nutritionals Limited**

The Company owned 63.38% of the ordinary shares of Speirs Nutritionals Limited ("Speirs Nutritionals"). Speirs Nutritionals principal activity is the processing and marketing of omega-3 oil. Speirs Nutritionals has a reporting date of 30 June. On 31 January 2010 Speirs Nutritionals trading entity was changed from that of a company to that of a Limited Partnership. (see note (c) below). Financial information for Speirs Nutritionals has been extracted from management accounts for the period ended 31 January 2010. The Company did not receive a dividend from Speirs Nutritionals during the period ended 31 January 2010. Speirs Nutritionals is not accounted for as a subsidiary as Speirs Group does not have control of Speirs Nutritionals. It does, however, have significant influence.

	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<i>(restated)</i>
Share of deficit of associate	-	-	-
Taxation expense	-	-	-
Share of deficit after tax of associate	-	-	-
Less share of dividends received	-	-	-
Net addition/(deletion) to the investment carrying value	-	-	-
Share of associate's equity at the beginning of the period	-	-	(1,800)
Cost of investment in associate – ordinary shares	-	-	1,800
	-	-	-

At period end the statement of financial position of Speirs Nutritionals was as follows:

	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<i>(restated)</i>
Current Assets	-	-	80
Intangibles	-	-	1,149
Property Plant and Equipment	-	-	1,302
Total Assets	-	-	2,531
Current Liabilities	-	-	2,893
Non Current Liabilities	-	-	1,341
Total Liabilities	-	-	4,234
Net Liabilities	-	-	(1,703)

#### **(c) Speirs Nutritionals Partners LP**

On 1 February 2010 the Company acquired a 59.61% interest in Speirs Nutritionals Partners LP ("SNPLP") in return for selling the Company's shares in Speirs Nutritionals Limited following a restructuring of the entities within the Group. SNPLP is a Limited Partnership which was formed when Speirs Nutritionals trading entity was changed from that of a company to that of a Limited Partnership. (see note (b) above). Financial information for SNPLP has been extracted from audited financial statements for the period ended 30 June 2010 and from the unaudited financial statements for the period ended 31 December 2010. Speirs Nutritionals is not accounted for as a subsidiary as Speirs Group does not have control of Speirs Nutritionals. It does, however, have significant influence.

	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<i>(restated)</i>
Share of deficit of associate	<b>(513)</b>	(577)	-
Taxation expense	-	-	-
Share of deficit after tax of associate	<b>(513)</b>	(577)	-
Less share of dividends received	-	-	-
Net addition/(deletion) to the investment carrying value	<b>(513)</b>	(577)	-
Share of associate's equity at the beginning of the period	<b>311</b>	-	-
Additional Investment from Speirs Group Limited	<b>298</b>	-	-
Adjustment for change of ownership share	<b>3</b>	-	-
Conversion of loan into equity in SNPLP	-	2,000	-
	<b>99</b>	1,423	-
Impairment on Acquisition	-	(1,112)	-
	<b>99</b>	311	-

The impairment on acquisition in the year ended 30 June 2010 relates to the recognition of previously unrecognised losses due to the accounting policy which ceased recognising the trading losses of an associate when the net value of the investment in the associate declined to nil.

At period end the statement of financial position of SNPLP was as follows:

	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<i>(restated)</i>
Current Assets	<b>162</b>	488	-
Intangibles	<b>990</b>	1,068	-
Property Plant and Equipment	<b>1,199</b>	1,266	-
Total Assets	<b>2,351</b>	2,822	-
Current Liabilities	<b>244</b>	1,278	-
Non Current Liabilities	<b>1,944</b>	1,022	-
Total Liabilities	<b>2,188</b>	2,300	-
Net Assets	<b>163</b>	522	-
Speirs Group Share (60.657% 30 June 2010: 59.61%)	<b>99</b>	311	-

## 17 LOANS AND RECEIVABLES

	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Allied Capital Convertible Redeemable Preference Shares	500	500	500
Allied Nationwide Finance Limited Perpetual Bonds	2,000	2,000	2,000
	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>
Provision for Impairment	(2,500)	(2,500)	-
Carrying Value	-	-	2,500
Current	-	-	-
Non Current	-	-	2,500
Total	-	-	2,500

### Allied Capital Convertible Redeemable Preference Shares

As part of the sale of the Company's shareholding in Allied Farmers Limited to Allied Capital Limited on 22 May 2009 the Company received 500,000 \$1 Convertible Redeemable Preference Shares in Allied Capital Limited. The main terms of issue are that the Convertible Redeemable Preference shares have a coupon rate of 10% per annum. The Convertible Redeemable Preference shares can be converted (at Speirs' option) to either cash or ordinary shares in Allied Capital Limited in the period from 30 May 2011 to 30 May 2012. As the prior ranking liabilities of Allied Capital Limited are likely to exceed the value of Allied Capital Limited's assets the directors of Speirs Group Limited decided to fully impair this receivable.

### Allied Nationwide Finance Limited Perpetual Bonds

As part of the sale of the finance division of Speirs Group Limited on 30 September 2008, the Company received, as part of the consideration 2,000,000 \$1 Subordinated Perpetual Bonds in Allied Nationwide Finance Limited. The Allied Nationwide Finance Limited Perpetual Bonds ("The Bonds") have a par value of \$1.00 per bond.

The interest rate on The Bonds is reset annually on the 30th of September at the greater of 10.00% or the one year swap rate plus 4.50%. For the period ended 30 June 2009 the interest rate applicable to The Bonds was 11.52%.

The Bonds are a component of Subordinated Debt of Allied Nationwide Finance Limited.

During the year ended 30 June 2010 the Bonds were transferred to a wholly owned subsidiary of Speirs Group Limited, Speirs Investments Limited. On 20 August 2010 Allied Nationwide Finance Limited went into receivership. For this reason the directors have decided to fully impair this receivable.

The Bonds are a component of Subordinated Debt of Allied Nationwide Finance Limited.

## 18 DEFERRED INCOME TAX ASSET

### Unrecognised Deferred Tax Assets

The Group has a deferred tax asset of \$8,673,148 (30 June 2010: \$8,684,840; 31 December 2009: \$7,568,169) which has not been recognised. The asset not recognised is composed of tax losses arising from start up costs relating to a subsidiary and other tax losses which would require taxable profit to realise them in excess of that which can be reliably estimated in the medium term.

### Unrecognised Deferred Tax Liabilities

All deferred tax liabilities have been recognised. (30 June 2010: same; 31 December 2009: same)

### Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

31 December 2010

	<b>Balance at</b>	<b>Recognised in</b>	<b>Balance at</b>
	<b>Start of Period</b>	<b>Profit or Loss</b>	<b>End of Period</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net Tax (Assets) / Liabilities	-	-	-

**30 June 2010**

	Balance at 30 June 2009 \$'000 (restated)	Recognised in Profit or Loss \$'000	Balance at 30 June 2010 \$'000
Intangible Assets	1	(1)	-
Tax Loss Carry-Forwards	(1)	1	-
<b>Net Tax (Assets) / Liabilities</b>	-	-	-

**31 December 2009 (restated)**

	Balance at 30 June 2009 \$'000 (restated)	Recognised in Profit or Loss \$'000	Balance at 31 December 2009 \$'000
Intangible Assets	1	(1)	-
Tax Loss Carry-Forwards	(1)	1	-
<b>Net Tax (Assets) / Liabilities</b>	-	-	-

## 19 PROPERTY, PLANT AND EQUIPMENT

**31 December 2010**

	Land \$'000	Buildings \$'000	Computer Equipment \$'000	Vehicles \$'000	Other Plant & Equipment \$'000	Capital Work in Progress \$'000	Total \$'000
<b>Cost or Valuation</b>							
Balance at Start of Period	80	2,787	911	399	4,850	48	9,075
Additions	-	3	4	21	37	-	65
Disposals	-	-	-	(49)	-	(36)	(85)
<b>Balance at Period End</b>	<b>80</b>	<b>2,790</b>	<b>915</b>	<b>371</b>	<b>4,887</b>	<b>12</b>	<b>9,055</b>
<b>Depreciation and Impairment Losses</b>							
Balance at Start of Period	-	366	611	307	3,381	-	4,665
Depreciation for the Period	-	59	37	13	181	-	290
Disposals	-	-	-	(29)	-	-	(29)
<b>Balance at Period End</b>	<b>-</b>	<b>425</b>	<b>648</b>	<b>291</b>	<b>3,562</b>	<b>-</b>	<b>4,926</b>
<b>Carrying Amounts</b>							
At Start of Period	80	2,421	300	92	1,469	48	4,410
<b>At Period End</b>	<b>80</b>	<b>2,365</b>	<b>267</b>	<b>80</b>	<b>1,325</b>	<b>12</b>	<b>4,129</b>

30 June 2010

	Land \$'000	Buildings \$'000	Computer Equipment \$'000	Vehicles \$'000	Other Plant & Equipment \$'000	Capital Work in Progress \$'000	Total \$'000
<b>Cost or Valuation</b>							
Balance at Start of Period	80	2,375	759	361	4,585	202	8,362
Additions	-	412	280	38	265	-	995
Disposals / Transfers	-	-	(128)	-	-	(154)	(282)
<b>Balance at Period End</b>	<b>80</b>	<b>2,787</b>	<b>911</b>	<b>399</b>	<b>4,850</b>	<b>48</b>	<b>9,075</b>
<b>Depreciation and Impairment Losses</b>							
Balance at Start of Period	-	279	684	266	3,012	-	4,241
Depreciation for the Year	-	87	55	41	369	-	552
Disposals	-	-	(128)	-	-	-	(128)
<b>Balance at Period End</b>	<b>-</b>	<b>366</b>	<b>611</b>	<b>307</b>	<b>3,381</b>	<b>-</b>	<b>4,665</b>
<b>Carrying Amounts</b>							
At Start of Period	80	2,096	75	95	1,573	202	4,121
<b>At Period End</b>	<b>80</b>	<b>2,421</b>	<b>300</b>	<b>92</b>	<b>1,469</b>	<b>48</b>	<b>4,410</b>

31 December 2009

	Land \$'000 (restated)	Buildings \$'000 (restated)	Computer Equipment \$'000 (restated)	Vehicles \$'000 (restated)	Other Plant & Equipment \$'000 (restated)	Capital Work in Progress \$'000 (restated)	Total \$'000 (restated)
<b>Cost or Valuation</b>							
Balance at Start of Period	80	2,375	759	361	4,585	202	8,362
Additions	-	-	-	-	-	759	759
Disposals / Transfers	-	-	(128)	-	-	-	(128)
<b>Balance at Period End</b>	<b>80</b>	<b>2,375</b>	<b>631</b>	<b>361</b>	<b>4,585</b>	<b>961</b>	<b>8,993</b>
<b>Depreciation and Impairment Losses</b>							
Balance at Start of Period	-	279	684	266	3,012	-	4,241
Depreciation for the Period	-	39	18	25	186	-	268
Impairment Loss	-	-	-	-	-	-	-
Disposals	-	-	(128)	-	-	-	(128)
<b>Balance at Period End</b>	<b>-</b>	<b>318</b>	<b>574</b>	<b>291</b>	<b>3,198</b>	<b>-</b>	<b>4,381</b>
<b>Carrying Amounts</b>							
At Start of Period	80	2,096	75	95	1,573	202	4,121
<b>At Period End</b>	<b>80</b>	<b>2,057</b>	<b>57</b>	<b>70</b>	<b>1,387</b>	<b>961</b>	<b>4,612</b>

## 20 INTANGIBLES

	<b>31 December 2010</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>Purchased Software</b>	<b>Purchased Software</b>	<b>Purchased Software</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<b>(restated)</b>
<b>Cost</b>			
Balance at Start of Period	<b>126</b>	126	126
Additions	<b>37</b>	-	-
Disposals	-	-	-
<b>Balance at Period End</b>	<b>163</b>	126	126
<b>Amortisation and Impairment Losses</b>			
Balance at Start of Period	<b>116</b>	103	103
Amortisation for the Period	<b>9</b>	13	7
Impairment Loss	-	-	-
<b>Balance at Period End</b>	<b>125</b>	116	110
<b>Carrying Amounts</b>			
At Start of Period	<b>10</b>	23	23
<b>At Period End</b>	<b>38</b>	10	16

## 21 TRADE AND OTHER PAYABLES

	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<b>(restated)</b>
<b>Trade and Other Payables</b>			
Other Trade Payables	<b>1,938</b>	1,598	2,470
Provisions	<b>5</b>	5	5
Non-Trade Payables and Accrued Expenses	<b>525</b>	220	336
	<b>2,468</b>	1,823	2,811

## 22 BORROWINGS

	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<b>(restated)</b>
<b>Borrowings</b>			
Secured Stock – Speirs Investments	<b>1,700</b>	1,700	1,700
Fixed Term Loan	-	-	350
Convertible Redeemable Preference Shares	<b>2,661</b>	2,661	1,530
Mortgage	<b>500</b>	-	-
	<b>4,861</b>	4,361	3,580
Current	-	-	350
Non-Current	<b>4,861</b>	4,361	3,230
	<b>4,861</b>	4,361	3,580

The weighted average effective interest rates with respect to borrowings are set out in the table below:

	<b>31 December 2010</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Borrowings</b>			
Secured Stock – Speirs Investments Limited	<b>10.00%</b>	10.00%	10.00%
Convertible Redeemable Preference Shares	<b>9.00%</b>	9.00%	9.00%
Fixed Term Loan	<b>Not Applicable</b>	Not Applicable	14.00%
Mortgage	<b>8.95%</b>	Not Applicable	Not Applicable

The secured stock is secured under the Terms of the Trust Deed dated 20 July 2009 between Speirs Investments Limited and Perpetual Trust Limited. The secured stock matures on 2 October 2013. The interest rate on the secured stock is reset annually on the 30th of September at the greater of 10.00% or the one year swap rate plus 4.50%.

During the year ended 30 June 2010 3,250,000 convertible redeemable preference shares were issued at \$1 each. At 31 December 2009 1,869,169 convertible redeemable preference shares had been issued at \$1 each. The convertible redeemable preference shares have a redemption date of 14 December 2013. At the redemption date the holders of the convertible redeemable preference shares have the option in redeeming their shares in cash (on a \$ for \$ basis) or converting the convertible redeemable preference shares to ordinary shares in the company at a ratio of 3 ordinary shares for every 2 convertible redeemable preference shares held. The convertible redeemable preference shares rank behind all other liabilities of the company but ahead of ordinary shareholders.

The fixed term loan was secured by way of a second ranking floating charge over all of the Company's assets and undertakings. The loan matured on 31 March 2010.

On 31 July 2010 Speirs Foods Limited received a two year mortgage funding facility for up to \$800,000. The facility is secured by a first mortgage over the properties owned by Speirs Foods Limited, along with a charge over the assets and undertakings of Speirs Foods Limited and an unsecured guarantee from Speirs Group Limited.

## 23 CONTRIBUTED CAPITAL

	<b>31 December 2010</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<i>(restated)</i>
Balance at Beginning of Period	<b>12,757</b>	12,168	12,168
Equity Element of Convertible Redeemable Preference Shares	-	589	339
<b>Balance at Period End</b>	<b>12,757</b>	<b>12,757</b>	<b>12,507</b>

The Company has issued Convertible Redeemable Preference Shares (see Note 22). Under NZ IFRS such instruments are required to be discounted using an appropriate discount rate for instruments of similar risk. Any variance between the discounted cash flow calculation and the carrying value is accounted for as a component of Contributed Capital.

	<b>Ordinary Shares</b>		
	<b>31 December 2010</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>
Number of Shares on issue at Start of Period	<b>10,835</b>	10,835	10,835
<b>Number of Shares on issue at Period End</b>	<b>10,835</b>	<b>10,835</b>	<b>10,835</b>

The total authorised number of ordinary shares is 10,834,576 (30 June 2010: 10,834,576; 31 December 2009 10,834,576). All issued shares were fully paid. There are no preferences or restrictions attached to this class of share.

### Dividends

The following dividends were declared and paid by the Company:

	<b>31 December 2010</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>
\$0.00 per Qualifying Ordinary Share (30 June 2010: \$0.00; 31 December 2009: \$0.00)	-	-	-

The Directors have not proposed the payment of any dividend at 31 December 2010.



## 24 RECONILIATION OF PROFIT/ (LOSS) FOR THE PERIOD TO NET CASH FROM OPERATING ACTIVITIES

	<b>6 months 31 December 2010 \$'000</b>	<b>12 months 30 June 2010 \$'000</b>	<b>6 months 31 December 2009 \$'000 (restated)</b>
<b>Reconciliation of Profit/(Loss) for the Period to Net Cash from Operating Activities</b>			
Profit/(Loss) for the Period	(634)	(5,100)	(445)
<b>Adjustments for Non-Cash Items:</b>			
Depreciation	290	552	268
Amortisation of Intangible Assets	9	13	7
Gain on Disposal of Property, Plant and Equipment	(2)	-	-
Impairment Loss on Loans and Receivables	-	2,500	-
Share of Associate Losses	490	582	(6)
Impairment Loss on Associate Company	-	1,112	-
	<b>153</b>	<b>(341)</b>	<b>(176)</b>
<b>Movement in Other Working Capital Items:</b>			
Change in Inventories	(245)	70	(103)
Change in Trade and Other Receivables	(979)	459	(751)
Change in Other Assets	(3)	4	-
Change in Trade and Other Payables	645	254	1,242
<b>Net Cash From Operating Activities</b>	<b>(429)</b>	<b>446</b>	<b>212</b>

## 25 RELATED PARTIES

### Transactions with Key Management Personnel

Key management personnel are considered to be the Directors of the Company and executives with the greatest authority for the strategic direction and management of the company.

#### Loans to Key Management Personnel

There were no loans to key management personnel

#### Key Management Personnel Compensation

	<b>6 Months 31 December 2010 \$'000</b>	<b>12 Months 30 June 2010 \$'000</b>	<b>6 Months 31 December 2009 \$'000 (restated)</b>
Short-Term Employee Benefits	175	394	196
Termination Benefits	-	81	-
	<b>175</b>	<b>475</b>	<b>196</b>

#### Other Transactions with Key Management Personnel

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or for which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

There were no material transactions or outstanding balances relating to key management personnel.

Transactions with related parties are summarised below:

- Speirs Group Limited provided funding to Speirs Nutritionals by way of a term loan facility. The interest charge on the credit facility for the period was \$38,698. At 31 December 2010 the outstanding balance of the credit facility was \$808,047.
- Speirs Foods Limited provided goods and services and charged rental during the period to Speirs Nutritionals. The fees charged for goods and services provided were \$4,864. The rental charged was \$33,500. At 31 December 2010 accounts receivable balance was \$18,278.

- Speirs Nutritionals charged Speirs Foods Limited for services provided and charged \$66,215. At 31 December 2010 accounts payable balance was \$33,948.
- Speirs Foods charged Rosa Foods Limited \$98,583 for services provided. At 31 December 2010 accounts receivable balance was \$33,219.

All interest and fees charged Partnership by related parties have been charged at fair market rates

From time to time directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

## 26 CAPITAL COMMITMENTS AND CONTINGENCIES

### Commitments

The Group was committed to the following at year end:

#### 31 December 2010

	Property Rentals \$'000	Capital Expenditure \$'000	Total \$'000
Less than One Year	-	-	-
Between One and Five Years	-	-	-
More than Five Years	-	-	-
	-	-	-

#### 30 June 2010

	Property Rentals \$'000	Capital Expenditure \$'000	Total \$'000
Less than One Year	-	150	150
Between One and Five Years	-	-	-
More than Five Years	-	-	-
	-	150	150

#### 31 December 2009

	Property Rentals \$'000	Capital Expenditure \$'000	Total \$'000
Less than One Year	-	291	291
Between One and Five Years	-	-	-
More than Five Years	-	-	-
	-	291	291

### Contingent Liabilities

The Company and Group have no contingent liabilities.

## 27 EVENTS AFTER THE REPORTING PERIOD

In February 2011, following our half yearly balance date, Speirs Nutritionals Partners LP ("SNP"), in which Speirs Group Limited holds a 61% partnership interest, entered into a conditional sale with a subsidiary of a large listed UK company to provide the purchaser with exclusive rights to Intellectual Property, Processing Technology and Knowhow associated with Omega-3 fish oils.

The sale calls for an initial payment of £UK1 million payable immediately conditions are met, probably about 31 March 2011. The sale will immediately recoup significant costs previously written off by SNP and is expected to provide on-going benefits to the SNP limited partnership.

Initial revenue achieved from the sale of the SNP Intellectual Property, Processing Technology and Knowhow will be recorded during the second six months of this current financial year.

## 28 DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS

The Group has no such plans in place.

## 29 NET TANGIBLE ASSETS PER SECURITY

	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
			<i>(restated)</i>
Net Tangible Assets Per Security	<b>0.10</b>	0.16	0.57

## 30 ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

With the exception of Speirs Foods being established as a wholly owned subsidiary of Speirs Group Limited on 1 July 2010, there have been no entities over which the Group or Company has gained or lost control during the period.

## 31 ASSOCIATES AND JOINT VENTURES

The Group has no joint ventures. The Company has Associate entities – see note 16 for full details.

## 32 INVESTMENT IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance accounting policy 2.2.

All subsidiaries are incorporated in New Zealand.

<b>Name of Entity</b>	<b>Principal Activity</b>	<b>Equity Holding</b>
		<b>December</b>
		<b>2010</b>
Speirs Investments Limited	Investment holding company	100%
Speirs Foods Limited	Food processing company	100%

On 1 July 2010, Speirs Foods Limited was established as a seaparte wholly owned subsidiary of Speirs Group Limited. Prior to that date it had been a trading division of Speirs Group Limited.

At the date of transfer (1 July 2010) the financial position of Speirs Foods Limited was:

<b><u>Assets</u></b>	<b>\$'000</b>
Property, Plant and Equipment	4,410
Intangibles (Software)	10
Cash	316
Accounts Receivable	998
Inventory	403
Other Assets	8
<b>Total Assets</b>	<b>6,145</b>
<b><u>Liabilities</u></b>	
Accounts Payable	(1,285)
Accruals and Provisions	(366)
Funding from Speirs Group Limited	(494)
<b>Total Liabilities</b>	<b>(2,145)</b>
Share Capital Issued to Speirs Group Limited	(4,000)
<b>Total of Equity and Liabilities</b>	<b>(6,145)</b>

### 33 RESTATEMENT

As a result of the change in structure of Speirs Nutritionals from that of a limited company to that of a limited partnership in February 2010, a review was made as to the appropriateness of accounting for Speirs Nutritionals as a subsidiary. As a result it was established that it was more correct to treat Speirs Nutritionals as an associate entity rather than as a subsidiary. The 31 December 2009 balances have been corrected to reflect the correction of this error.