



20 November 2015

ANNOUNCEMENT

Chairman's Script – 2015 AGM

It is my pleasure to declare open the forty-third Annual General Meeting of Capilano Honey Limited, and welcome everyone present.

Also in attendance at this Annual Meeting are members of the Capilano Management team, and John Feddema & Masood Ayoob, of William Buck, Auditors.

At this point I remind shareholders that this meeting is the Annual General Meeting of the company and only matters which are AGM matters may be discussed

- **Financial Statements and Report of the Directors**

Capilano has just completed another very good year with improved sales and a substantial increase in profit. This has been achieved during a year where the supply of quality Australian honey has remained tight with significant competition for the limited supply available.

The acquisition of the Chandlers Honey business during the year and its relocation into our existing Maryborough facility will help to contribute to the continued sales growth we have achieved and importantly strengthen our presence in south-east Australia.

Results

The net profit before tax of \$11,128k for this financial year is a very good result, being an impressive 71% improvement over the previous year.

With tax expense of \$3,283k this financial year leaving a net profit after tax of \$7,845k, a 70% improvement over last years \$4,619k.

Based on these results for the year a fully franked dividend of 37.5 cents per share was declared in June and paid to shareholders on 24 July 2015.

Business Focus

The focus for Capilano continues to be the development of the Capilano brand while maintaining our position as market leader by expanding the honey category and honey usage.

The introduction of more premium branded offerings both locally and overseas and new products like Apple Cider Vinegar along with expansion of health and wellness products such as Manuka honey and Beevital have helped to maintain the momentum achieved in recent years.

We are also determined to be the lowest cost operator in the category by continuing to improve our operational cost structure. The installation of a new processing system and a new retail packing line during the year will contribute to improved efficiency and increased versatility in packaging.

Honey Supply

A good supply of Australian honey remains vital to Capilano's business and future.

The last season has seen another year of mixed fortune for beekeepers in Australia which has resulted in a limited supply of honey overall. This has restricted Capilano's ability to take advantage of all the market opportunities available during the year.

The acquisition of Chandlers Honey in Melbourne and subsequent relocation to Capilano's existing, recommissioned facility in Maryborough, should help to re-establish a stronger presence in that area, improving our ability to source more honey from that important production region.

A great deal of effort has gone into offering enhanced beekeeper services to our suppliers during the year. The production of a Pest Management Pack for Varroa, a potentially serious pest of bees if or when it arrives in Australia, and a Manuka Information Pack are two examples of the initiatives undertaken.

To further secure the future of our honey producers and Capilano it is crucial that we are seen as the best, most reliable option for Australian beekeepers to sell their honey. Particularly with the forecast for another El Nino event coming up that has the potential to significantly reduce rainfall in the eastern and southern region of the country where much of the local honey is normally produced.

Our People

While we can spend a lot of time and effort developing improved facilities and systems for the business the most important asset we have are the people who work in it.

Managing Director, Ben McKee and all his team have done an outstanding job steering the business through the hurdles encountered over the last year with an excellent outcome that has been beneficial to all the stakeholders in the company.

This success has been recognised by the market that has seen a significant increase in the price for Capilano shares over the last year.

My thanks also go to my fellow Directors who have continued to work very well together, offering a diverse range of skills to effectively protect the interests of all stakeholders while building an increasingly stable and profitable business.

Looking Forward

The Board and Management of Capilano will strive to maintain and enhance Capilano's position as market leader in Australia while developing further market opportunities overseas for our great product.

We will also be looking to develop improved mechanisms for building even stronger relationships with our suppliers in an effort to obtain the most consistent and reliable supply of honey possible and to have the strength to offer them the best price available.

We also continue to look at potential merger and acquisition opportunities that can offer improvement or synergistic benefits to our core business.

I now invite shareholders to raise any issues they would like discussed from the CZZ Annual Report.

I will also invite questions to the Auditor, noting that these questions are only to relate to the Conduct of the Audit or the Audit Report.

• Resolution 1 – Re-election of Beekeeper Director

In accordance with the Company's Constitution, the Foundation Shareholder, CBL, may appoint two Beekeeper Directors to the Board of CZZ from time to time by written notice to the Company. The Foundation Shareholder may then remove or substitute the Beekeeper Directors appointed under this rule by written notice to the Company. However, once appointed, the Beekeeper Directors are then subject to the rotation provisions detailed in ASX Listing Rule 14.4 on or before the third anniversary of their appointment.

In accordance with ASX Listing Rule 14.4, Mr Phillip McHugh must retire by rotation at this meeting and offers himself for re-election with the support of the Board.

Mr McHugh has been a Director of Capilano Honey since 1993 and Deputy Chairman since 2007. He is well known in the NSW apiculture industry and his family have been Capilano shareholders since 1975. He has successfully completed the Company Director's course of the Australian Institute of Company Directors and is a Member of the Australian Institute of Company Directors. Mr McHugh is active in industry affairs having served as Branch President of the NSW Apiarists Association.

The directors recommend you vote in favour of this resolution.

In accordance with the Corporations Law, approval of the proposed ordinary resolution will require a majority of 50% of the number of votes cast.

• Resolution 2 – Re-election of Independent Director

In accordance with Rule 111 of the CZZ Constitution, Mr Simon Tregoning must retire by rotation at this meeting and offers himself for re-election with the support of the Board.

Mr Tregoning has been a director since 2006. He is also a Director of GrainCorp. He was formerly a director of Australian Co-operative Foods (Dairy Farmers) and was Vice-President of Kimberly-Clark Corporation. He has had broad FMCG experience in Australia and overseas.

The directors recommend you vote in favour of this resolution.

In accordance with the Corporations Law, approval of the proposed ordinary resolution will require a majority of 50% of the number of votes cast.

The resolution is now open for discussion.

There being no further business on the motion to elect the Independent Director, I now declare the matter closed, and ask you to vote on this issue by using the voting slip for Resolution 2 and then pass it to the end of the row for collection.

- **Resolution 3 – Remuneration Report in the CZZ Report**

This year's Report of Directors again contains a separate Remuneration Report on pages 16 to 21. The Corporations Act provides for shareholders to have a vote on the Remuneration report. The vote is non-binding, but provides an opportunity for shareholders to indicate their support or opposition to the Board's Remuneration Policy.

In brief, Capilano endeavours to provide remuneration that is comparable with the salaries for similar positions in other companies. Incentives provide opportunity for some employees to achieve improved remuneration in accord with Company performance and / or key personal performance indicators.

The Board considers the Company's Remuneration Policy developed over many years is tried and tested and best suits the Company's needs to attract the most suitable people. The Board would welcome shareholder support for the Company's Remuneration Report.

Directors and other key management personnel and closely related parties will abstain from voting on this resolution in accordance with sections 250R and 250BD of the Corporations Act 2001. Exceptions may apply to votes cast as a proxy, as detailed in the Notice of Meeting.

In accordance with the Corporations Law, approval of the proposed ordinary resolution will require a majority of 50% of the number of votes cast.

- **Resolution 4 – Renewal of Partial Takeover Rules**

I now move to the Resolution dealing with the Renewal of the Partial Takeover Rules.

The proportional takeover provisions do not change the constitution but rather seeks to maintain existing clauses that are due to expire in November 2015 if not renewed.

For reasons of good corporate governance and to protect the interests of shareholders, the Board seeks to renew Rules 29-36 of the CZZ Constitution for proportional takeover approval provisions for a further 3 year period, and needs to do this by way of a special resolution of members.

The directors recommend you vote in favour of this resolution.

In accordance with the Corporations Law, approval of the proposed special resolution will require at least 75% of the number of votes cast.

- **Closure**

Ladies and Gentlemen, this brings the 2015 Annual General Meeting to a close. I thank you for your attendance here today, and for your participation in the proceedings.