



## CAPILANO HONEY LIMITED

### Minutes of Annual General Meeting – 18 November 2016

Venue: Springlake Function Centre, Brisbane, Queensland

#### (AGM564) OPENING / QUORUM

The Chairman opened the meeting at 11.00am and welcomed those present:

**Directors:** Trevor Morgan (Chairman), Phillip McHugh (Deputy Chairman), Simon Tregoning, Robert Newey, Julie Pascoe, Ben McKee; and Company Secretary: Annette Zbasnik.

**Staff by Invitation:** Dirk Kemp (GM - Finance), Peter McDonald (Sales Director), Bill Winner (Beekeeper Relations Officer), Lynne De-Roule (Beekeeper Customer Service Officer) and Colleen Telfer (Accounts Payable Officer).

**Auditors:** John Feddema, Junaide Latif and Masood Ayoob (William Buck).

**Shareholders:** 64 members & partners, as per attendance register.

#### (AGM565) DECLARATION OF POLL

The Chairman referred to the explanatory note accompanying the proxy forms forwarded to shareholders and declared that voting on all resolutions would be by poll.

#### (AGM566) NOTICE OF MEETING

The Chairman declared that the Notice of Meeting had been dispatched to all shareholders and was taken as read.

#### (AGM567) FINANCIAL & STATUTORY REPORTS

The Chairman then moved to the Directors' Report, Financial Statements and the Report of the Auditor for the year ended 30 June 2016.

Following is an extract of his Report tabled to the meeting:

*'Capilano continues to grow.*

*We began the financial year with a little apprehension about the forecast El Niño event and its possible effect on honey production in Australia. While not all production areas escaped the consequences, most producers were able to harvest a worthwhile crop and this has allowed Capilano an improved ability to meet its sales requirements.*

##### **Results**

*The net profit before tax of \$13,443k for this financial year is a very good result, giving a substantial 21% improvement over the previous year.*

*With a tax expense of \$3,959k paid this financial year leaving a net profit after tax of \$9,483k, a 20.9% improvement over last year's \$7,845k.*

*Based on these results for the year a fully franked dividend of 40 cents per share was declared in May and paid to shareholders on 29 July 2016.*

##### **Capital Raising**

*During the year Capilano conducted a fully underwritten 1 for 10 pro-rata non-renounceable Rights Issue which resulted in the issue of 860,360 additional new ordinary shares with gross proceeds of \$16,777k.*

*These funds will be used to accelerate growth by strengthening both the financial and competitive position of Capilano and will:*

- *strengthen the balance sheet by reducing debt and provide flexibility for funding further growth;*
- *help fund the acquisition of beekeeping enterprises;*
- *increase working capital to support business growth and new export sales;*
- *allow capital investment in selected production efficiency upgrades and new product capabilities;*
- *provide a dedicated marketing budget to support new product development and export growth.*

*I would like to thank shareholders for their outstanding support of this Rights Issue.*

##### **Beekeeping Enterprises and Medibee Joint Venture**

*In a significant departure from our previous dependence on the purchase of honey and bee products from other beekeeping enterprises, Capilano has begun to vertically integrate by investing in selected beekeeping enterprises, primarily in the production of high value Leptospermum honey used in our premium range of medical and natural health products. These operations will be managed by Medibee, a 50/50 Joint Venture with Comvita who are a New Zealand company that have extensive production and marketing expertise from their own operations in New Zealand and who currently operate in Australia in a sales and marketing capacity.*

*We expect this new joint venture to assist our business by increasing the security of supply and by expanding our involvement in the international value chain for Leptospermum or Manuka honeys.*

*In addition, Capilano has entered a joint venture with an existing contracted honey supplier in Western Australia to assist the expansion of this already large honey producing enterprise.*

*While these enterprises will help to secure Capilano's supply base they will also give us a platform to train and assist potential new entrants into honey production either as employees or ultimately in their own right.*

*We will endeavour to use them to assist rather than compete with our existing contracted supplier base who are mostly very efficient family based businesses.*

#### **Our People**

*Once again I cannot stress enough how important the people who work at Capilano are in achieving the outstanding results we have had in recent years, and with the addition of some new faces in the operations, sales and marketing departments I am confident we have a team that can deliver the best possible outcomes going forward.*

*I would also like to thank my fellow Directors for their continuing dedication and skill at achieving the best outcomes for all our stakeholders. It is a pleasure to work with them.*

#### **Looking Forward**

*The Board and Management of Capilano will continue to strive to preserve and extend Capilano's position as market leader in Australia while developing further market opportunities both locally and overseas for our great product. We look forward to the continuing growth of the business.'*

The Chairman invited shareholders to raise any issues they would like discussed from the CZZ Annual Report and any questions to the Auditor, noting that these questions are only to relate to the conduct of the Audit or the Audit Report.

Three questions were raised regarding Manuka sales, earnings per share and risk factors, which were answered to the satisfaction of the meeting.

The Chairman moved to the next item of business.

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#### **(AGM568) RESOLUTION 1 – RE-ELECTION OF BEEKEEPER DIRECTOR – MR TREVOR MORGAN**

The Chairman moved that Resolution 1 as follows, and as set out in the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution – that Mr Trevor Morgan, standing for re-election in accordance with ASX Listing Rule 14.4, and being eligible for re-election, be re-elected as a Beekeeper Director.

The Chairman opened the motion for discussion.

There being no questions or comments the Chairman asked shareholders to vote on Resolution 1.

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#### **(AGM569) RESOLUTION 2 – RE-ELECTION OF INDEPENDENT DIRECTOR – MR ROBERT NEWHEY**

The Chairman moved that Resolution 2 as follows, and as set out in the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution – that Mr Robert Newey who retires in accordance with the Company's Constitution, and being eligible for re-election, be re-elected as an Independent Director of the Company under Rule 111 of the Company Constitution.

The Chairman opened the motion for discussion.

There being no questions or comments the Chairman asked shareholders to vote on Resolution 2.

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#### **(AGM570) RESOLUTION 3 – INCREASE TOTAL AGGREGATE REMUNERATION OF NON-EXECUTIVE DIRECTORS' FEES**

The Chairman moved that Resolution 3 as follows, and as set out in the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution - that in accordance with Rule 114 of the Constitution and for the purpose of ASX Listing Rule 10.17 and for all other purposes, approval be given to the company to increase the total aggregate remuneration of non-executive directors' fees to \$545,000, excluding the Managing Director, Superannuation Guarantee Contribution and Insurance Premiums.

The Chairman opened the motion for discussion.

One question was raised to confirm the current level of Directors' Fees of \$341,885.

There being no further questions the Chairman asked Shareholders to vote on Resolution 3, noting that votes cast on this resolution by Directors or their associates will be disregarded.

#### **Adjournment - Counting of votes:**

As Resolution 4 is dependent on the outcome of Resolution 3, the Chairman adjourned the meeting for approximately 5 minutes to calculate voting for Resolution 3.

### Results of Poll – Resolution 3:

At the invitation of the Chairman, the Company Secretary reported the results of Resolution 3 as follows:

	FOR	%	AGAINST	ABSTAIN
3. Increase Total Aggregate Remuneration of Non-Executive Directors' Fees	2,289,266	97.26	64,573	36,462

The Company Secretary then formally declared the motion had passed.

### (AGM571) RESOLUTION 4 – ELECTION OF INDEPENDENT DIRECTOR – MRS JULIE PASCOE

The Chairman moved that Resolution 4 as follows, and as set out in the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution – that Mrs Julie Pascoe who stands for election in accordance with Rule 112 of the Company's Constitution and ASX Listing Rule 14.4, and being eligible, be elected as an Independent Director of the Company.

The Chairman opened the motion for discussion.

One question was raised regarding Mrs Pascoe experience in the honey industry. The meeting was advised that whilst Julie is new to the Honey Industry she comes with experience in retail and export markets and governance, which are also important aspects of the business.

There being no further questions the Chairman asked shareholders to vote on Resolution 4.

### (AGM572) RESOLUTION 5 – REMUNERATION REPORT

The Chairman moved that Resolution 5, as follows, and as set out in the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution – that the Remuneration Report included in the Report of Directors on pages 16-21 of the Company's Annual Report for the financial year ended 30 June 2016 be adopted.

This resolution of Shareholders is advisory only and does not bind either the Directors or the Company, though provides an opportunity for shareholders to indicate their support or opposition to the Board's Remuneration Policy.

The Chairman opened the motion for discussion.

There being no questions or comments the Chairman asked shareholders to vote on Resolution 5, noting that Directors and other key management personnel and closely related parties will abstain from voting on this resolution.

### (AGM573) RESOLUTION 6 – APPROVAL OF LONG TERM INCENTIVE PLAN

The Chairman moved that Resolution 6 as follows, and as set out the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution - that for the purposes of ASX Listing Rule 7.2 (exemption 9) and for all other purposes, the issue and transfer of securities under the Company's Long Term Incentive Plan be approved as an exception to ASX Listing Rule 7.1.

The Chairman opened the motion for discussion.

There being no questions or comments the Chairman asked shareholders to vote on Resolution 6, noting that votes cast on this resolution by Ben McKee or any of his associates will be disregarded.

### Adjournment - Counting of votes:

As Resolution 7 is dependent on the outcome of Resolution 6, the Chairman adjourned the meeting for approximately 5 minutes to calculate voting for Resolution 6.

### Results of Poll – Resolution 6:

At the invitation of the Chairman, the Company Secretary reported the results of Resolution 6 as follows:

	FOR	%	AGAINST	ABSTAIN
6. Approve Long Term Incentive Plan	2,275,733	97.60	56,073	114,312

The Company Secretary then formally declared the motion had passed.

### (AGM574) RESOLUTION 7 – APPROVAL OF ISSUE OF 30,000 OPTIONS TO THE MANAGING DIRECTOR

The Chairman moved that Resolution 7 as follows, and as set out in the Notice of Meeting and Explanatory Memorandum, be passed as an ordinary resolution - that for the purpose of ASX Listing Rule 10.14 and for all other purposes, shareholders approve the grant to Dr Ben McKee, the Company's Managing Director, of 30,000 options together with the issue of 30,000 fully paid ordinary shares upon exercise of any such options for the financial year ending 30 June 2017, under the Company's Long Term Incentive Plan and on the terms and conditions described in the Explanatory Memorandum.

The Chairman opened the motion for discussion.

There being no questions or comments the Chairman asked shareholders to vote on Resolution 7, noting that votes cast on this resolution by Ben McKee or any of his associates will be disregarded.

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**(AGM575) ADJOURNMENT / RESUMPTION**

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The Chairman formally adjourned the meeting at 11.45am for the counting of votes and Managing Directors' Presentation and reconvened the meeting at 12.10pm.

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**(AGM576) RESULTS OF POLL**

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At the invitation of the Chairman, the Company Secretary reported the results of the polls as follows:

	<b>FOR</b>	<b>%</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
1. Re-elect Beekeeper Director – Trevor Morgan	2,437,395	99.72	6,787	1,159

The Company Secretary formally declared the motion had passed and Mr Trevor Morgan re-elected as a Beekeeper Director.

	<b>FOR</b>	<b>%</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
2. Re-elect Independent Director – Robert Newey	2,436,813	99.96	1,016	8,289

The Company Secretary formally declared the motion had passed and Mr Robert Newey re-elected as an Independent Director.

	<b>FOR</b>	<b>%</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
3. Increase Total Aggregate Remuneration of Non-Executive Directors' Fees	2,289,266	97.26	64,573	36,462

*As detailed on page 3, the Company Secretary formally declared this motion had passed.*

	<b>FOR</b>	<b>%</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
4. Elect Independent Director – Julie Pascoe	2,434,599	99.97	788	8,931

The Company Secretary formally declared the motion had passed and Mrs Julie Pascoe elected as an Independent Director.

	<b>FOR</b>	<b>%</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
5. Adopt Remuneration Report	2,236,787	99.59	9,248	101,998

The Company Secretary formally declared the motion had passed.

	<b>FOR</b>	<b>%</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
6. Approve Long Term Incentive Plan	2,275,733	97.60	56,073	114,312

*As detailed on page 3, the Company Secretary formally declared this motion had passed.*

	<b>FOR</b>	<b>%</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
7. Approve issue of Options to Capilano's Managing Director	2,210,772	94.85	120,111	115,235

The Company Secretary formally declared the motion had passed.

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**(AGM577) CLOSURE**

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There being no other business relating to the Annual General Meeting, the Chairman thanked shareholders for their attendance and attention to business and closed the meeting at 12.15pm.