



15 November 2018

## **COMPANY ANNOUNCEMENT**

### **Annual General Meeting - Chairman's Address**

Set out in Annexure A of this announcement is a copy of the Chairman's address to be given to the attendees of the Capilano Honey Limited (ASX:CZZ) (**Capilano**) Annual General Meeting which will be held at 11:30am (Brisbane time) this morning at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland.

**For more information contact:**

**Capilano Representative**

Annette Zbasnik  
07 3712 8282

**Annexure A:**



**Chairman's Script – 2018 AGM**

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**WELCOME**

Good morning ladies & gentlemen, it is my pleasure to welcome you to this year's Annual General Meeting.

**QUORUM**

As we have a quorum I declare the meeting open.

**DIRECTORS / COMPANY SECRETARY**

All Directors are present today,

- Mr Phillip McHugh, Independent Non-Executive Director, Deputy Chairman and Chairman of the Honey Supply & Industry Committee;
- Mr Simon Tregoning, Independent Non-Executive Director and Chairman of the Human Resource & Remuneration Committee;
- Mr Robert Newey, Independent Non-Executive Director and Chairman of the Audit & Compliance Committee;
- Mrs Julie Pascoe, Independent Non-Executive Director;
- Mr Brian O'Donnell, Non-Executive Director;
- Ms Valentina Tripp, Independent Non-Executive Director;
- Dr Ben McKee, Managing Director; and
- Mrs Annette Zbasnik, Company Secretary.

**AUDITORS**

Mr Junaide Latif of William Buck, the company's Auditor is also present.

**SCHEME MEETING**

(Outcome of Scheme Meeting to be announced)

**VOTING**

Each Shareholder who registered today would have received a voting card.

In accordance with the company's Constitution, I declare that all resolutions will be the subject of a poll.

## **NOTICE OF MEETING**

The Notice of Meeting was dispatched to all shareholders and will be taken as read.

## **PROCEDURE FOR THE MEETING**

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.

The first item of ordinary business is the tabling of the financial reports and the directors' and auditors' reports.

As is common practice, the reports will be tabled, but will not be the subject of a resolution. I will give a short address and then Shareholders and proxy holders will have the opportunity to comment and ask questions.

We will then go through the formal business of the AGM as per the Notice of Meeting. Shareholders and proxy holders will have the opportunity to ask questions or make comments on each resolution.

## **FINANCIAL REPORTS**

Before I present my chair's address, it is appropriate for me to advise that, under the Corporations Act 2001, the company is obliged to lay before this meeting the last audited financial statements and reports, which were circulated, and which are dated 30 June 2018.

This financial year has seen another successful year for Capilano with a pleasing result.

An improved honey production season has enabled Capilano to increase stock levels to a more acceptable level, which supports the renewed focus on developing profitable and sustainable export sales.

The increased availability of honey, particularly in the first half of the year, has led to increased competition for local sales as competitors seek to regain sales with higher levels of discounting.

Though at the time of writing this report weather conditions have once again turned very dry in many districts so it is comforting to have a little more honey in the yard than has been the case in recent years.

## **Results**

The net operating profit before tax of \$14,046k for this financial year is a significant 19.6% improvement over last year's \$11,739k once the one off non-operating capital gain of \$2.07m, arising from asset sales is removed from that year.

It is also pleasing to note that Capilano achieved a \$1.3m positive cash flow while also increasing stock levels by over \$7m.

These results have allowed the return of profit to shareholders in the form of 42 cents per share fully franked dividend, announced in June and paid on 31 July 2018.

## **Sales and Marketing**

The company has endured a number of years where sales expansion and opportunities were often hampered or restricted by the limited availability of quality Australian honey, leaving us with the only

avenue for growth being to achieve better margins on the sales we make and to develop new higher margin products.

Though our team have been very successful at doing that, it is now very exciting to see the plans our expanded Sales and Marketing team are currently developing to take advantage of the extra Australian honey currently available to grow markets both locally and overseas.

We can also now justify increased expenditure on brand support and marketing in the form of advertising, some of which you may already have seen, with more planned.

## **Board**

During the year the Board was expanded with the addition of Ms. Valentina Tripp, who was appointed on 1 May 2018 after an exhaustive search. Valentina has extensive experience and success in FMCG, agribusiness, consumer products and retail companies both domestically and internationally, with recent executive experience in Asia.

In the short time Valentina has been with us, she has contributed significantly to our Board discussions and decision-making, and we look forward to her ongoing involvement.

It has been heartening to work with all the members of the Board who collectively make a very effective and productive team.

## **Looking Forward**

The focus going forward will be to build on the strength of our brand in the local market, offering consumers the quality and reliability they have come to expect from Capilano; further expand our export retail sales by using innovative packaging; and by promoting the health and wellness attributes of the great products we market.

To help fast track achieving our goals, we have the support of an expanded, innovative and exciting Sales and Marketing team and a larger marketing budget.

Weather conditions permitting, we are hopeful that our beekeeper suppliers will continue to have success in producing the great Australian honeys they supply us.

In support of the Australian beekeeping industry, Capilano continues to invest significantly in a range of initiatives to promote bee health, effective biosecurity and to support beekeeper education and development.

Finally, I would like to thank all those involved at Capilano for their dedication and hard work in achieving the continued success of the Company and to recognise the importance of the beekeepers who supply the honey.

I now invite shareholders and proxy holders to comment or ask questions on the financial reports of the company. I would ask that questions on any of the other items of business be deferred until we come to that

particular item. I ask shareholders and proxy holders, who may have more than one question or comment, to initially ask one question only and allow others to ask questions, before you ask further questions.

Questions may also be asked of the auditors in relation to the conduct of the audit, content of the audit report, accounting policies adopted by the company and the independence of the auditor in carrying out the audit. Could you please address all questions to the chair and, if you wish to speak, please raise your hand. When I direct, please state your name before speaking and hold up your voting card so that I can see that you are a shareholder or proxy holders.

Are there any comments or questions?

### **DIRECTOR RETIREMENT**

Mr Phillip McHugh, Beekeeper Director, retires by rotation at this Meeting though will not be standing for re-election. The Board wishes to thank Mr McHugh for his extensive service to the Company since 1993.

Given the Scheme of Arrangement currently underway the Foundation Shareholder, Capilano Beekeepers Ltd (CBL) has resolved not to appoint a replacement Beekeeper Director under Rule 101A at this time.

### **DIRECTOR RESIGNATION**

Mr Simon Tregoning, Independent Non-executive Director will resign from the Board following the 2018 AGM, in-line with the Board's succession planning schedule. The Board wishes to thank Mr Tregoning for his service to the Company since 2006.

We will now move to the next item of business – Resolution 1: Re-election of Independent Director.

#### **1. RESOLUTION 1 – RE-ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR – ROBERT NEWEY**

It is my pleasure in moving that Robert Newey, who retires by rotation in accordance with the company's constitution, and being eligible, be re-elected as a director of the company.

Mr Newey has been a director since 2012. He is also a director of Bakers Delight Holdings Ltd and Foodbank Queensland Limited. Mr Newey is a graduate of the Australian Institute of Company Directors and has over 30 years' experience in business with skills in managing change, developing strategic plans, organising people, operational due diligence in merger and acquisitions and leading entrepreneurial teams. Previously, Mr Newey was a retail advisor with private equity investment firm TPG Capital, a consultant to the department store Myer Pty Ltd Management Board, director of a Myer Family Company retail subsidiary, and member of the senior manager group of Woolworths.

The directors (other than Mr Newey) recommend you vote in favour of this resolution.

The resolution is now open for discussion.

Discussion on Resolution 1 is now complete.

Proxy Votes received for this resolution are set-out on the screen.

Votes for	3,056,655
Discretionary open Votes held by the Chairman which will be voted in favour of the Resolution	185,312
Votes against	49,616
Abstentions	12,043

There being no further business on this motion, I now declare the matter closed, and ask you to vote on Resolution 1 on your voting slip.

## **2. RESOLUTION 2 – RE-ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR – JULIE PASCOE**

It is my pleasure in moving that Julie Pascoe, who retires by rotation in accordance with the company's constitution, and being eligible, be re-elected as a director of the company.

Mrs Pascoe has been a director since 2016. She is also Chair of RT Health Fund, Chair of Transport Health Pty Limited and a Director of Corporate Property Group.

Julie has held Executive roles in marketing, marketing strategy and business management over a range of fast moving consumer goods and manufacturing based companies including S.C. Johnson, Kellogg and Unilever. Julie has lived in Australia, Asia and the United States and brings with her 25 years' experience in senior management, with emphasis on building strong brands and ensuring high levels of organisational performance and competence.

The directors (other than Mr Pascoe) recommend you vote in favour of this resolution.

The resolution is now open for discussion.

Discussion on Resolution 2 is now complete.

Proxy Votes received for this resolution are set-out on the screen.

Votes for	3,054,824
Discretionary open Votes held by the Chairman which will be voted in favour of the Resolution	184,762
Votes against	52,997
Abstentions	11,043

There being no further business on this motion, I now declare the matter closed, and ask you to vote on Resolution 2 on your voting slip.

### **3. RESOLUTION 3 – ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR – VALENTINA TRIPP**

I now move to Resolution 3: Election of Independent Non-executive Director.

It is my pleasure in moving that Valentina Tripp, who is required to stand for election in accordance with the company's constitution and ASX Listing Rules, be elected as a director of the company.

Ms Tripp was appointed an Independent Non-Executive Director on 1 May 2018. She is also Chair of Fairtrade Australia & New Zealand, Non-Executive Director of Fairtrade International based in Bonn, Germany and Managing Director of Murray River Organics Limited. Valentina brings over 20 years experience in executive management and professional services in FMCG, agribusiness, consumer products and retail companies including as Executive Director Simplot Australia, Executive Director Top Cut Foods and Senior Director KPMG where she led the Consumer & Retail consulting business working with a range of Australian and global multinational clients. In her executive roles, she has led Australian branded food businesses in offshore markets including China, Japan and South Korea, with export coverage across 20 other major trading partners.

The directors (other than Ms Tripp) recommend you vote in favour of this resolution.

The resolution is now open for discussion.

Discussion on Resolution 3 is now complete.

Proxy Votes received for this resolution are set-out on the screen.

Votes for	3,036,270
Discretionary open Votes held by the Chairman which will be voted in favour of the Resolution	184,762
Votes against	68,000
Abstentions	14,594

There being no further business on this motion, I now declare the matter closed, and ask you to vote on Resolution 3 on your voting slip.

### **4. RESOLUTION 4 - REMUNERATION REPORT**

I now move to Resolution 4: Remuneration Report.

This year's Report of Directors again contains a separate Remuneration Report. 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.

I now move that Resolution 4 as follows, and as set out in the Notice of meeting, be passed as an ordinary resolution - That the Remuneration Report included in the Report of the Directors in the Company's Annual Report for the financial year ended 30 June 2018 be adopted.

As this Resolution relates to matters including the Remuneration of the Directors, the Board, as a matter of good corporate governance and in accordance with the spirit of the Corporations Act, make no recommendation regarding this Resolution.

The resolution is now open for discussion.

Discussion on Resolution 4 is now complete.

Proxy Votes received for this resolution are set-out on the screen.

Votes for	2,962,066
Discretionary open Votes held by the Chairman which will be voted in favour of the Resolution	181,658
Votes against	78,376
Abstentions	8,207

The Company will disregard any votes cast on this Resolution by Directors and other key management personnel and closely related parties as detailed in the Explanatory Memorandum's voting exclusion statement for this resolution.

There being no further business on this motion, I now declare the matter closed, and ask you to vote on Resolution 4 on your voting slip.

## **5. RESOLUTION 5 – APPROVAL OF ISSUE OF 30,000 OPTIONS TO THE MANAGING DIRECTOR**

I now move to Resolution 4: Approval of issue of 30,000 Options to the Managing Director, Dr Ben McKee.

The Notice of Meeting and Explanatory Memorandum set out in detail relevant information regarding the Issue of 30,000 Options to the Managing Director.

The purpose of this resolution is to seek shareholder approval of the issue of these options. I do not proposed to go into any further detail as the arrangement is fully detailed in the Notice of Meeting. Rather I will move the resolution and allow comments and questions.



I now move that Resolution 5, as follows, and as set out in the Notice of Meeting be passed as an ordinary resolution – That for the purposes of ASX Listing Rules and Corporations Act 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 2019, under the Company's Long Term Incentive Plan and on the terms set out in the Explanatory Memorandum.

**Issue of Options under Resolution 5 depends on whether the Scheme is implemented**

The Board will only issue the 2019 Options to Dr McKee if the Scheme is **not** implemented in accordance with the scheme implementation agreement dated 13 August 2018. This means that if the scheme is approved by shareholders and is subsequently implemented, no options will be granted to Dr McKee even if this resolution is approved by shareholders.

The directors (other than Dr McKee) recommend you vote in favour of this resolution.

The resolution is now open for discussion.

Discussion on Resolution 5 is now complete.

Proxy Votes received for this resolution are set-out on the screen.

Votes for	2,849,368
Discretionary open Votes held by the Chairman which will be voted in favour of the Resolution	186,458
Votes against	131,797
Abstentions	62,684

The Company will disregard any votes cast on this Resolution by Ben McKee or any of his associates as detailed in the Explanatory Memorandum's voting exclusion statement for this resolution.

There being no further business on this motion I now declare the matter closed, and ask you to vote on Resolution 5 on your voting slip.

Voting Slips will now be collected.

**CLOSURE**

Ladies and Gentlemen, this brings the 2018 Annual General Meeting to a close. I thank you for your attendance here today, and for your participation in the proceedings and now declare the meeting closed.