

District Visits September 2008





THE CHANGING FACE OF CAPILANO

Factors Forcing Change



.....external conditions did not improve over 2008

- ECONOMIC – FX rates, fuel prices
- CLIMATIC – Drought increased our costs
- MARKET – Consolidation of competition

Our Economy & Climate



RISK MANAGEMENT

- FX Hedging
- Capilano Argentina

Foreign Exchange



....What's happened?

- USD RATE increased 13% in 2008 (Now 28% higher since 2006)
- DROPS our EXPORT REVENUES which comes straight off PROFITS
- At year end also affects PROFITS when we TRANSLATE ASSETS VALUED IN FOREIGN CURRENCY INTO \$A

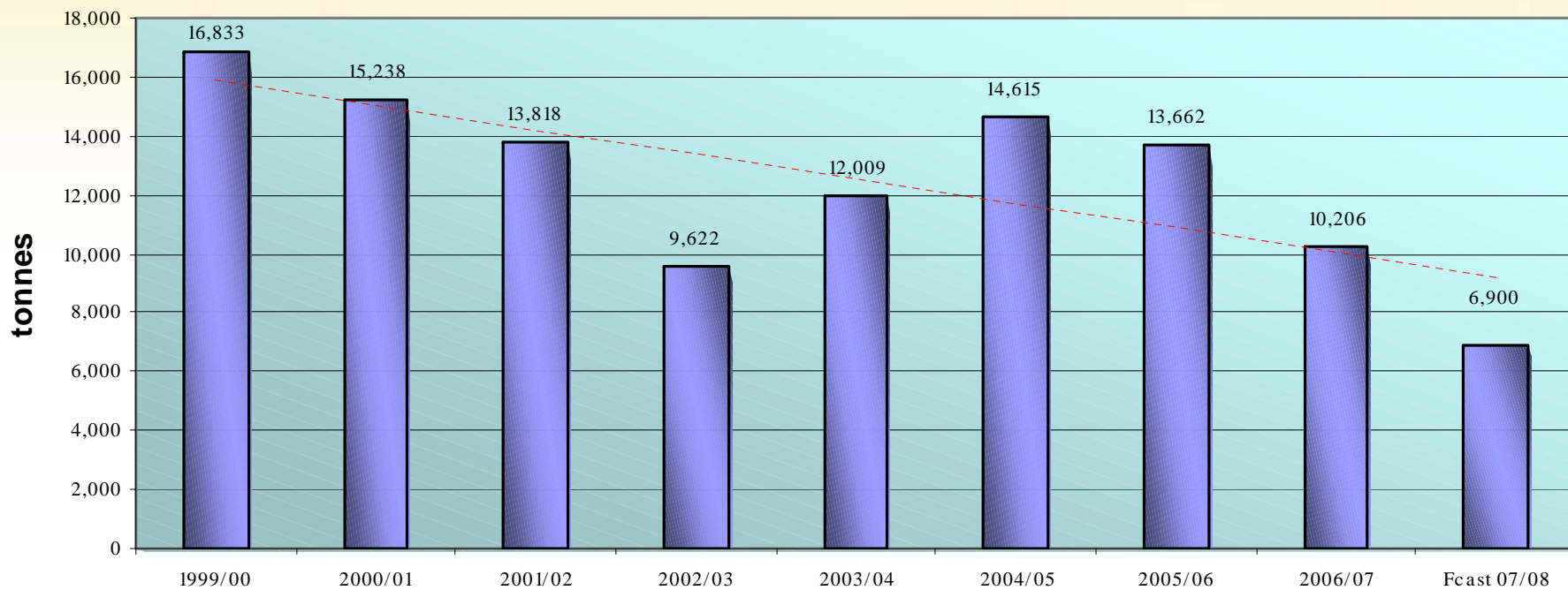
Capilano Argentina



- Lowest Australian crop ever 2008 (A\$2.62/KG)
- Domestic Receipts 6,900 tonnes LEFT US SHORT
- Sales were 10,500 TONNES to preserve markets WE NEED FOR THE FUTURE
- CAPILANO ARGENTINA was the BUFFER
- **HIGHER HONEY COSTS REDUCE COMPANY PROFIT**

Honey Supply

- Australian supply over time



2008 Results



	A\$000's
EBITDA & FX	2,985
Foreign exchange loss – translation of assets	(845)
Redundancies	(289)
Depreciation	(2,353)
Interest	(2,104)
	(2,606)
Write-down of Comvita shares	(3,641)
Accelerated depreciation of IBC containers	(1,100)
Accelerated depreciation of surplus plant and equipment at Maryborough	(720)
Provision for redundancies	(405)
Other	(623)
Tax credit	1,647
NPAT	(7,448)

\$2.6m underlying loss includes:

- \$2.4m non-cash depreciation
- \$4m increase in honey costs
- \$845k non cash adjustment for asset FX revaluation at balance date

(\$7.5m) NPAT includes:

- \$1.8m more non-cash depreciation
- \$3.6m non cash adjustment for shares valuation at balance date

Consolidation of Competition



.... December 2005 Half Year Report

The introduction of electronic auctions over the Internet for private label business and participation by the new competitors has slashed millions of dollars in contribution from these segments.

The full impact of the electronic auctions and private label market positioning is yet to be felt by industry.

.... June 2008

The structural change referred to has occurred. We have fragmentation of the industry with more buyers of honey (packers) and but few sellers (supermarkets), as beekeepers chased the smaller gains in honey price offered.

We now have low margins in a significant part of the business.

The Market



MAT TO 29/06/2008									
	VOL ACTUAL Dec 2005	PRICE PER KILO (\$) Dec 2005	VOL ACTUAL June 2008	PRICE PER KILO (\$) June 2008	VOL +/-	VOL % CHG	VOL % SHARE Dec 2005	VOL % SHARE June 2008	
CAPILANO HONEY LTD	4,046.6	10.23	3,318.7	10.1	-727.9	-18%	43.4	36.3	
BEECHWORTH HONEY P/L	789.0	10.38	759.5	9.6	-29.5	-4%	8.5	8.3	
LEABROOKS FOODS	731.9	9.80	686.1	10.1	-45.8	-6%	7.9	7.5	
WESCOBEE LTD	458.8	9.98	444.4	10.2	-14.4	-3%	4.9	4.9	
PRIVATE LABEL	2,632.0	8.09	3,055.7	8.5	423.7	16%	28.2	33.4	
AUSTRALIAN RAINFOREST OTHER MFRS	659.5	9.71	483.0	9.5	-176.5	-27%	7.1	5.3	
TOTAL HONEY	9,317.8	9.55	9,146.1	9.4	-171.7	-1.8%	100.0	100.0	

SOURCE: ACNielsen Australia ScanTrack (SHONCAP)

Capilano had deletions in Allowrie, Barnes and some SKU's in Capilano brand.

The retail pricing of private label is attractive to consumers. All brands have been affected, but particularly the market leader.

Changing the Business



- ✓ **Private label now occupies more than an estimated 37% of the market.**
- ✓ **Reposition our company as a much more cost effective business without excess capacity and overheads to operate in the low margin sales environment that now exists**

Changing the Business



1. Keep increasing export markets
2. Meet changing consumer demands
3. Get more competitive



Changing the Business



1. Keep increasing export markets

Canada

- now 2nd largest market share
- Capilano is now a national brand in Canada

USA

- Listed in 2nd largest retailer



Changing the Business



2. Meet changing consumer demands

Snap n Squeeze

- Finalised product development
- Launching now in Australia and USA

New Products that meet criteria

- Learn from Medihoney
- Ready to market
- Meet financial return criteria
- Consider competitor reaction

Innovations to work with supermarket needs



Changing the Business



3. Get more competitive

- Reduce surplus capacity
- Cut costs
- Make lazy assets work or sell them

Changing the Business



Reduce surplus capacity

Now done in:

- Maryborough (Victoria)
- Victoriaville (Canada)
 - Cuts labour
 - Cuts overheads
- Write-off surplus equipment in depreciation charge

Staff numbers cut

- at all levels including management, in both Richlands and Maryborough
- Includes Medihoney sale

154 employees three years ago to 85 currently

Changing the Business



Cut costs

- a 30% expense reduction was targeted, effective by beginning of the 2009 financial year
- AHBIC contributions become voluntary at beekeepers discretion
- reduce Board costs
- Make 'lazy' assets work or sell them



Changing the Business



Make 'lazy' assets work or sell them

- Comvita shares
- Maryborough facility
- Sell or reduce any surplus equipment
- IBC's
 1. Can Capilano afford to keep them and compete with packers who don't have that cost?
 2. Why should Capilano cover the cost of other packers who use our containers for delivery?
- Richlands
 1. Ensure utilisation of site or release of capital from excess land

Annual General Meeting



Annual General Meeting



- The Annual General Meetings for Capilano Honey Limited (“CHL”) and Capilano Beekeepers Ltd (“CBL”) will be held on Friday, 3 October at the Springlake Function Centre (*1 Springfield Lakes Boulevard, Springfield Lakes Q 4300*).
 - 9.00am Management Presentation to Shareholders
 - 11.00am Annual General Meeting of CBL
 - 1.00pm Annual General Meeting of CHL

Special Resolution



To Amend Constitution regarding Directors

The Board believes a reduction to four directors - comprising two Beekeeper Directors, an Independent Director and a Managing Director, with the Chairman holding a casting vote in the event of a deadlock, is both possible and desirable, whilst still ensuring that the Board can continue to provide strategic direction to the Company.

Subsequently, proposed Resolutions to amend the Constitutions of both CBL & CHL are set out in the Notice of Meetings accompanying the Annual Reports.

The above changes are in line with our commitment in reducing expenses to ensure a cost effective business and the Directors recommend you vote in favour of the Resolution.

Question Time?

