



3 October 2008

## ANNOUNCEMENT

### Chairman's Script - 2008 AGM

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#### Opening

Ladies & Gentlemen

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

During the course of the meeting I will refer to this company as CHL, and to Capilano Beekeepers Ltd as CBL.

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

The next item on the Agenda is to receive the Report of the Directors, the Financial Statements and the Reports of the Auditor for the year ended 30 June 2008 which I will take as having been read. I propose to simply highlight some key points and then open the floor to questions.

The Company reported a Net Loss before Tax of \$(2.6) million for the year, before one off adjustments. Strategically, the Board has been and is working towards a business model that will respond to the significant changes to the commercial environment in which we operate. Consequently an exhaustive review of our business assets and cost structures has been undertaken and is ongoing. As part of this process the Board resolved to make additional provisions for write downs including:

- \$1.1 million which relates to accelerated depreciation on IBCs (containers);
- \$720,000 relates to accelerated depreciation of surplus plant and equipment at Maryborough;
- redundancies of \$405,000; and
- \$3.6 million in the value of the Comvita Ltd shareholding. The operating loss and provisions result in a total reported net loss after tax of \$(7.4) million.

There is no denying that these results are less than acceptable and the Board and Management are well advanced in their endeavors to improve sales, reduce operating expenses and to dispose of underutilised assets with the aim of a significant reduction of our overall debt level and improvement in profitability.

We are committed to 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.

Employee costs have been reduced by \$2.5m for the group this year and we can expect the full year impact to grow by a further \$1m in 2009.

I now invite shareholders to raise any issues they would like discussed from the CHL 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 – Amendments to constitution in relation to directors

The Company is working towards the previously declared objective of significantly reducing general costs with all areas of costs under review, including the size of the Board of Directors.

Accordingly:

- Mr Brett Heading, Independent Director, has resigned from the Board effective 2 October 2008.
- Mrs Rosemary Doherty, Beekeeper Director, will not stand for re-election at this AGM .

These resignations have been given for the sole purpose of reducing the number of paid Directors on the Board and do not breach the current rules of the Constitution.

However, the Board believes a further reduction to four directors is both possible and desirable, whilst still ensuring that the Board can continue to provide strategic direction to the Company. A Constitutional change is required for this to take effect.

Should the proposed Resolution to amend the Constitution be passed, it is Peter Barnes' intention to resign from the Board effective 31 December 2008. However, should the Resolution not be successful Peter Barnes will remain on the Board to ensure compliance with the existing Constitution.

On approval of the Resolution and following the resignation of Peter Barnes, the Board would then consist of four directors, comprising two Beekeeper Directors, an Independent Director and a Managing Director with the Beekeeper Chairman holding a casting vote.

The overall reduction in Directors would cut directors' fees, travel and accommodation expenses by a significant amount.

Accordingly, it is proposed that the Company's Constitution be amended, by adopting the changes set out in Annexure A to the Explanatory Memorandum included with this notice of general meeting.

A summary of the changes are:

- a) The change to rule 102 will result in the current range in size for the Board (between 5 and 8) being reduced to between 3 and 5.
- b) Under Rule 102 the Board is currently required to have a minimum of three Beekeeper Directors. The rule change proposes that the number of Beekeeper Directors is not to be less than two, nor more than three.
- c) Rule 142 currently imposes no restraints on who is elected Chairman of Board meetings. The proposed rule change requires that a Beekeeper Director be elected to the position of Chairman.
- d) The quorum, in Rule 140 is currently three directors, two of who are Beekeeper Directors. The proposed rule change remains at three but with at least one Beekeeper Director.

The motion is now open for discussion.

There being no further business on the motion to amend the Constitution, I now declare the matter closed, and ask you to vote on this issue by using the voting slip for Resolution 1.

### **Resolution 2 – Remuneration Report in the CHL Report**

I now move to the Resolution dealing with the Remuneration Report.

This year's Report of Directors again contains a separate Remuneration Report– on pages 13 to 16. The Corporations Law 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 mid to upper quartile range of 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 uses independent reviews to compare salaries and retains the services of remuneration advisors RPC for further advice on remuneration matters.

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.

The motion is now open for discussion.

There being no further business on the motion to adopt the Remuneration Report, I now declare the matter closed, and ask you to vote on this issue by using the voting slip for Resolution 3.

### **Closure**

Ladies and Gentlemen, this brings the 2008 Annual General Meeting to a close. I thank you for your attendance here today, and for your participation in the proceedings.