



**MINUTES OF MEETING**

Minutes of Annual General Meeting (“AGM”) held at the Lakes Resort, West Lakes, Adelaide on Friday, 26 November 2010.

**PRESENT** (AGM 502)

**Directors:** Trevor Morgan (Chairman), Phillip McHugh (Deputy Chairman), Roger Masters (Managing Director), Peter Barnes and Simon Tregoning.

**Staff by Invitation:** Richard Rivalland (Company Secretary), Peter McDonald (Sales Director), Ben McKee (General Manager - Operations), Bill Winner (Beekeeper Services Manager) and Annette Zbasnik (Corporate Secretary).

**Shareholders:** 33 members & partners, as per attendance register.

**OPENING & WELCOME** (AGM 503)

Mr Morgan opened the meeting at 11.20am and welcomed those present.

He also welcomed professional business advisor to the Capilano Group – Junaide Latif of William Buck, Auditors.

**ACKNOWLEDGEMENT OF APPOINTMENT OF DIRECTORS** (AGM 504)

Mr Morgan advised that at a Board Meeting held earlier in the day notification had been received from the Foundation Shareholder, Capilano Beekeepers Ltd (CBL) to appoint Mr Trevor Morgan and Mr Phillip McHugh to the positions of Beekeeper Director.

Subsequent to this appointment, Mr Trevor Morgan had been appointed Chairman and Mr Phillip McHugh Deputy Chairman by the Board of Capilano Honey Limited (CHL)

**IN MEMORIUM** (AGM 505)

At the request of the Chairman, the meeting observed a moment’s silence in remembrance of those shareholders who had passed away since the last meeting.

**APOLOGIES** (AGM 506)

The Chairman called for apologies from those shareholders unable to attend and these were received from Greg Roberts, Milton & Diane Cameron, James & Wanda Wehrmann, Graham Baker, Roy Barnes.

**DECLARATION OF POLL** (AGM 507)

The Chairman referred to the explanatory note accompanying the proxy forms forwarded to shareholders, and declared that voting on the resolutions dealing with the amendments to the Constitution and the Remuneration Report would be by poll.

**Tellers**

On a motion moved by Alan Cotton and seconded by Bill Falkenberg it was resolved that Annette Zbasnik be appointed to count the votes.

**Voting Slips**

On a motion moved by Ian Zadow and seconded by Barry Pobke, it was resolved that all voting slips and associated computer records be destroyed once they were counted and the poll declared.

**Proxies held by Directors and Management**

The Chairman advised the following details of proxies received by directors and management:

	Proxies received by Directors	Votes Available	Proxies received by Management	Votes Available
Voted on all Resolutions	7	385,516	-	-
Voted on some Resolutions	1	3,718	-	-
Not voted in any way	8	824,212	1	17,413
<b>Total Proxies Received</b>	<b>16</b>	<b>1,213,446</b>	<b>1</b>	<b>17,413</b>

**FINANCIAL & STATUTORY REPORTS** (AGM 508)

The Chairman then moved to the next item on the Agenda, that being the Directors’ Report, Financial Statements and the Report of the Auditor for the year ended 30 June 2010.

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

*“During this past year we have seen significant changes at Capilano.*

*A review of our banking facilities by our bankers started a process requiring Capilano to reduce debt levels, in the first instance, by conducting a capital raising. In the event that insufficient funds were raised, the bank directed that Capilano would have to sell its land & buildings to be applied to its bank debt.*

*There had been many examples of capital raisings during the period after the global financial crisis of 2008 as banks generally tightened credit.*

*In the initial period following the banks request for debt reduction, we contemplated a significant placement to an external shareholder in order to achieve the level of capital raising required.*

*We began with changes to the Constitution that put Capilano more in line with other publicly listed companies where all shareholders have equal rights in decision making and determining outcomes.*

*At the time Capilano received offers from a few external investors to take up 50% of the company. It was recognised that such action would have resulted in a significant dilution of current shareholder ownership. It was also understood that a forced sale of land & buildings may not achieve the best sale price. However, there was considerable pressure by our bank to achieve the debt reduction targets within the 12 month time frame.*

*Capilano then outlined a program to reduce debt by \$10 million in line with the requirements of our bankers.*

*Capilano had been maintaining its marginal export markets for the benefit of its supplier shareholders in anticipation of an upswing in production when the drought broke. The export markets were also supported for their potential increase in profit when the cycle of unfavourable exchange rates reversed. However, an increase in the number of suppliers who sell their honey on the open market and a downgrade in our crop forecasts changed our position on maintaining those markets.*

*It was decided to exit selected export markets and release the working capital held in stock and debtors and apply the funds released to reduction of bank debt.*

*I am pleased to report we achieved a reduction in bank debt by \$10.4 million over the period from 1 July 2009 to 30 June 2010 through:*

- *A significant reduction in Working Capital by exiting selected export market segments made marginal by unfavorable exchange rates;*

- A successfully completed Rights Issue that raised over \$2 million and saw the issue of 3,369,132 new shares in the Company;
- The sale of assets in the form of an investment in Comvita Limited; and
- Contributions from Capilano's ongoing cash flows.

A change in bankers at the end of the financial year avoided the need to place the shortfall from the Rights Issue with an external investor at a level that would have significantly diluted ownership of current shareholders. It also avoided the prospect of a forced sale and lease back of the land and buildings. It is also pleasing to note that the new banking arrangements actually resulted in a reduction in the cost of our ongoing financing.

The Board remains conscious of the Companies overall debt level and it will continue to make improvements whenever possible.

#### Results

Capilano's reported result is a loss of \$5,978,995, which includes a goodwill impairment of \$5,108,423 and the loss of income tax credits of \$1,241,897 both of which are non-cash and result from our withdrawal from marginal export business. This leaves an underlying operating profit of \$170,717. On a normalised basis, when further adjusted for the impact of \$1.2m non-recurring capital restructuring costs, the result would be \$1.37m.

It should be noted that all the results include an increase in the cost of domestic honey of \$1.7 million over the previous year, driven by higher prices in response to short supply.

#### Changed Business

Undoubtedly the major focus for this year has been to meet the debt reduction targets arising from changes to our bank facilities. At the same time we have withdrawn from marginal business, particularly that which faces a high degree of exposure to risk factors such as volatile and unfavourable exchange rates.

Capilano now has a supply base that more closely matches its requirements. Following the decision by some producers to sell their honey on the open market Capilano adjusted the remaining quota pool by matching supplier's quota more closely to their expected average production.

These factors will allow us to focus on the more profitable sectors of our business and avoid maintaining markets just to sell surplus honey during periods of higher production. The industry will no longer have the benefit of the export markets developed by Capilano.

This will result in a company that is potentially smaller in terms of total sales but one that is better able to respond to changes in market conditions and take advantage of opportunities as they arise. Combined with the low cost operation that we have developed over recent years, we are much better placed to consistently produce good results. The improvement is already evident as seen in the improved result achieved in the second half of this year.

For those supplier shareholders who have maintained their Honey Supply Agreements it means Capilano is better placed to consistently pay competitive prices for their honey.

#### The People

It has been a very difficult year for management and staff, and I commend them for their solid capital restructuring achievements, while at the same time continuing to successfully operate and improve the base business.

I would also like to thank my fellow Board members for their dedication and effort during the last year.

He then invited shareholders to raise any issues they would like discussed from the CHL Annual Report, and also direct any questions to the Auditor, noting that these questions may only relate to the Conduct of the Audit or the Audit Report.

#### ELECTION OF DIRECTORS (AGM 509)

The Chairman then moved to the Resolution dealing with the election of directors, and advised that Simon Tregoning was the director retiring by rotation, and being eligible, was offering himself for re-election.

The Chairman also advised that no other nominations had been received.

Phillip McHugh formally moved the motion to re-elect a director and Roger Masters seconded the motion.

He then asked shareholders to vote on the ballot paper provided.

#### REMUNERATION REPORT (AGM510)

The Chairman then moved to the Resolution dealing with the Remuneration Report.

Following is an extract of the Chairman's report tabled to the meeting.

"This year's Report of Directors again contains a separate Remuneration Report on pages 8 to 11. 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 salaries for similar positions in other companies. Incentives provide opportunity for some employees to achieve improved remuneration in accordance 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."

Mr Simon Tregoning then moved that the Remuneration Report be adopted in accordance with the details appearing in the Notice of Meeting. Mr Phillip McHugh then seconded the motion.

There being no questions or comments from shareholders, the Chairman asked them to vote on the ballot papers provided.

#### Adjournment - Counting of votes

The Chairman formally adjourned the meeting at 11.40.am for the counting of votes.

#### Resumption

The Chairman reconvened the meeting at 11.50.am

#### RESULTS OF POLL – ELECTION OF DIRECTOR – Simon Tregoning (AGM 511)

The Company Secretary then read out details of the votes received

IN FAVOUR of the motion	:	2,562,416	99.6%
AGAINST the motion	:	11,200	

The Company Secretary then formally declared Simon Tregoning was re-elected as a director.

Mr Simon Tregoning thanked shareholders for their confidence in re-electing him.

#### RESULTS OF POLL – REMUNERATION REPORT (AGM 512)

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

IN FAVOUR of the motion	:	2,537,097	97.5%
AGAINST the motion	:	62,995	

The Company Secretary advised that the motion was passed.

#### CLOSURE (AGM 513)

There being no other business relating to the Annual General Meeting, the Chairman thanked shareholders for their attendance and attention to business and he then closed the meeting at 11.55pm.



Trevor R Morgan  
Chairman