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# **RELEASE**

## **Capilano Honey Limited**

### **Update on Full Year Expectations**

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In the Half Year Report to Shareholders, Capilano anticipated an improved sales outlook with its Canadian and Australian private label business, and stock being carried at prices reflecting current selling conditions. The launch of Medihoney products into the United Kingdom was noted as delayed 6 months.

Following a re-assessment of current honey supply, export bulk selling prices, and domestic retail performance over the last 3 months, the forecast net profit before tax for the holding company has been downgraded to be approximately half last years result. Also, net profit before tax of its wholly owned subsidiary, Medihoney, is forecast to be 30% below last years result.

Factors contributing to this result are:

- Further write-downs in the value of honey inventory due to revised buying prices decreasing by another 19% from 1 March 2005.
- Increased honey supply due to changed seasonal conditions increasing supply by around 2000 tonnes.
- Continued decline in the domestic total honey category transferring sales to the export bulk commodity segment.
- Export bulk commodity prices falling 19% in January-February 2005 while exchange rates rose.
- Increasing costs relating to the Medihoney UK launch, which was delayed a further 2 months.

“While Capilano’s domestic market share has increased in a total honey category in decline due to the high prices following the drought years” said Managing Director, Roger Masters, “we have not yet had the domestic retail growth in 2004-5 we expected. Woolworth’s private label business will not impact on results until next financial year. As a consequence, the transfer of sales from domestic retail to the export bulk commodity market together with increased honey supply not only cuts contribution domestically but can incur losses”.

He continued “we are taking action to reach honey buying prices aligned with the returns in the current climate in order to position us for the year ahead. The write-down in inventory adjusting for the decrease in honey buying prices will approach A\$7.8 million this year as we adjust for the lower returns in the export bulk commodity market segment”.

For further information:

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