



25 November 2011

ANNOUNCEMENT

Chairman's Script – 2011 AGM

Ladies & Gentlemen

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

Financial Statements and Report of the Directors

This year has seen the consolidation of the business with a solid result, after the changes that were made over the last two years.

While it has been a good year for Capilano, many of our suppliers have endured weather conditions that have been unusual at best and severe in many other cases. The floods in Queensland and Victoria impacted on honey producers in those areas, and many other areas have been affected by considerably higher rainfall than is normal. Fortunately the Capilano factories and offices in Richlands and Maryborough were both well above any potential flood levels and were not directly affected.

These unusual conditions resulted in the supply of honey being below what was expected at the beginning of the year, but Capilano was able to obtain adequate supplies of Australian honey to meet its requirements, although stock levels were relatively low at the end of the financial year. The good rainfall over almost all of the areas that supply honey to the company is expected to result in ample supply of good quality honey for the coming year.

Results

A net profit after tax of \$4.47m for the year is a good result that builds on the solid performance achieved in the second half of last year.

This was achieved while paying a reasonable and consistent price to suppliers for honey that resulted in an average of \$3.25/kg for the year over all grades.

The decision last year to exit marginal export business and to focus only on more profitable sales has seen a reduction in total sales, but an increase in profitability. The continued high value of the Australian dollar compared to most other currencies during this year has proven the merit of that decision.

The Board resolved to pay a fully franked final dividend of 15 cents per share for the year on all ordinary shares.

While debt reduction continues to be an objective of the Board, some return to shareholders is warranted. The amount being paid in dividend is only a proportion of the profit for the year, less than half; the remainder will be applied to debt reduction. Following the significant reduction in debt that was achieved last financial year, this year has seen a further reduction of \$7.1m in interest bearing debt since July 2010.

Cash flow continues to be strong and debt remains well within borrowing facility limits.

Business Overview

We will continue to focus on profitable markets for honey and building our brand strength in those markets.

Congratulations must go to our small sales team for the concerted effort, working with our major customers, to increase the strength of the honey category within supermarkets. This has seen a steady increase in Capilano's market share against our competitors this year and has led to the category being more productive for both Capilano and our customers.

With a supply base that matches our expected requirement we have reduced the risk associated with over supply and are well placed to take advantage of any opportunities as they arise.

A decision to consolidate all facilities to the Maryborough factory, provided an acceptable amount could be received for the sale of the Richlands factory, resulted in several offers but none that met the value or risk criteria set down by the Board. To avoid any further disruption and uncertainty for staff and suppliers it was resolved in June to discontinue the sale program and to retain the Richlands facility.

Our People

The good result this year could not have been achieved without the dedication and commitment of all the staff and management at the company, they have done an outstanding job and I thank them for their efforts.

The company has been trimmed of any excess expense to improve competitiveness, however this has meant in many cases the work and responsibility of running the operation is done by only a few people, this has resulted in a more efficient operation but we remain vigilant that adequate succession planning and backups are maintained. The Board has spent some time recently to ensure this happens.

I would also like to thank the other members of the Board for their commitment, willingness to work hard and their attention to detail over the last year. We have a small Board now, also in the interests of reducing costs and improving efficiency, but this places a considerably greater level of responsibility and work on those few Board members. The current Board works well, offering a range of expertise and operates as a very effective team.

Finally I would like to thank our shareholders and suppliers for their continued support.

Resolution 1 – Remuneration Report in the CHL Report

This year's Report of Directors again contains a separate Remuneration Report– on pages 7 to 10. 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 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.

Closure

Ladies and Gentlemen, this brings the 2011 Annual General Meeting to a close. I thank you for your attendance here today, and for your participation in the proceedings.