Annual Report 2018

CAPILANO
ESTD 1953

Contents


CAPILANO
Pure Honey
100% AUSTRALIAN

2018 Chairman's Report

This financial year has seen another successful year for Capilano with a pleasing result.

An improved honey production season has enabled Capilano to increase stock levels to a more acceptable level, which supports the renewed focus on developing profitable and sustainable export sales.

The increased availability of honey, particularly in the first half of the year, has led to increased competition for local sales as competitors seek to regain sales with higher levels of discounting.

Though at the time of writing this report weather conditions have once again turned very dry in many districts so it is comforting to have a little more honey in the yard than has been the case in recent years.

Results

The net operating profit before tax of $14,046k for this financial year is a significant 19.6% improvement over last year's $11,739k once the one off non-operating capital gain of $2.07m, arising from asset sales is removed from that year.

It is also pleasing to note that Capilano achieved a $1.3m positive cash flow while also increasing stock levels over $7m.

These results have allowed the return of profit to shareholders in the form of 42 cents per share fully franked dividend, announced in June and paid on 31 July 2018.

Sales and Marketing

The company has endured a number of years where sales expansion and opportunities were often hampered or restricted by the limited availability of quality Australian honey, leaving us with the only avenue for growth being to achieve better margins on the sales we make and to develop new higher margin products.

Though our team have been very successful at doing that, it is now very exciting to see the plans our expanded Sales and Marketing team are currently developing to take advantage of the extra Australian honey currently available to grow markets both locally and overseas.

We can also now justify increased expenditure on brand support and marketing in the form of advertising, some of which you may already have seen, with more planned.

Board

During the year the Board was expanded with the addition of Ms. Valentina Tripp, who was appointed on 1 May 2018 after an exhaustive search. Valentina has extensive experience and success in FMCG, agribusiness, consumer products and retail companies both domestically and internationally, with recent executive experience in Asia.

In the short time Valentina has been with us, she has contributed significantly to our Board discussions and decision-making, and we look forward to her ongoing involvement.

It has been heartening to work with all the members of the Board who collectively make a very effective and productive team.

Looking Forward

The focus going forward will be to build on the strength of our brand in the local market, offering consumers the quality and reliability they have come to expect from Capilano; further expand our export retail sales by using innovative packaging; and by promoting the health and wellness attributes of the great products we market.

To help fast track achieving our goals, we have the support of an expanded, innovative and exciting Sales and Marketing team and a larger marketing budget.

Weather conditions permitting, we are hopeful that our beekeeper suppliers will continue to have success in producing the great Australian honeys they supply us.

In support of the Australian beekeeping industry, Capilano continues to invest significantly in a range of initiatives to promote bee health, effective biosecurity and to support beekeeper education and development.

Finally, I would like to thank all those involved at Capilano for their dedication and hard work in achieving the continued success of the Company and to recognise the importance of the beekeepers who supply the honey.

For a more detailed explanation of the operations and outcomes for the financial year just concluded, please refer to the Managing Director's Review of Operations included in this Annual Report.

T R Morgan

T R Morgan
Chairman

2018 Board of Directors

Mr Trevor R Morgan
FAICD

Chairman
Independent NED
Commercial Apiarist

Age 63

Appointed Director 1998

Mr Morgan is a second generation beekeeper with over 40 years' experience in honey production. He has been widely involved in industry matters for many years at both State and National level; serving on the South Australian Apiarist Association executive for more than 10 years, including 2 years as President. He is a Fellow of the Australian Institute of Company Directors and holds a Company Directors' Advanced Diploma.

Mr Phillip F McHugh

Deputy Chairman
Independent NED
Commercial Apiarist

Age 61

Appointed Director 1993

Mr McHugh is well known in the NSW apiculture industry and his family have been Capilano honey suppliers since 1975. He has successfully completed the Company Director's course of the Australian Institute of Company Directors.

Dr Benjamin A McKee
B.Agri.Sci (Hons), PhD, GAICD

Managing Director

Age 42

Appointed Director 2013

Dr McKee was appointed Chief Executive Officer on 1 July 2012 and Managing Director on 31 May 2013. He was previously the General Manager – Operations and has been an employee of Capilano Honey for over 14 years. He has a Bachelor of Agricultural Science Degree (Honours), a PhD in a field of study related to the honey industry and is a Graduate of the Australian Institute of Company Directors. Dr McKee has worked with the University of Melbourne and within the Victorian Department of Primary Industries, as well as managing his own commercial beekeeping enterprise.

Dr McKee is also a Director of CRC for Honeybee Products Limited (Cooperative Research Centres Program), a not for profit company.

Mr Robert N Newey
GAICD

Independent NED

Age 59

Appointed Director 2012

Mr Newey is also a director of Bakers Delight Holdings Ltd and Foodbank Queensland Limited. Mr Newey is a graduate of the Australian Institute of Company Directors and has over 30 years' experience in business with skills in managing change, developing strategic plans, organising people, operational due diligence in merger and acquisitions and leading entrepreneurial teams. Previously, Mr Newey was a retail advisor with private equity investment firm TPG Capital, a consultant to the department store Myer Pty Ltd Management Board, director of a Myer Family Company retail subsidiary, and member of the senior manager group of Woolworths.

Mr Brian F O'Donnell
B. Com, FCA

Non-Executive Director

Age 54

Appointed Director 2016

Mr O'Donnell was appointed Non-Executive Director on 9 December 2016. He is Director, Finance and Investments for the Australian Capital Equity Pty Limited Group (ACE), which includes the company's largest shareholder, Wroxby Pty Ltd. Brian is a director of various ACE group companies, including companies active in the agricultural, advertising and investment sectors, in Australia and China. He is also Chairman of BC Iron Limited, and a non-executive director of The Guide Dog Foundation Pty Ltd (WA). He is a former director of Coates Group Holdings Pty Ltd, WesTrac Pty Ltd, Landis & Gyr AG, Fremantle Football Club Ltd and YMCA of Perth Inc. Brian is a Fellow of Chartered Accountants Australia and New Zealand, and has 32 years' experience in the finance and investment industry.

Mrs Julie A Pascoe
BA (Syd), Grad Dip Mktg, FAICD, QPMR (AMSRS), GIA (Cert)

Independent NED

Age 57

Appointed Director 2016

Mrs Pascoe was appointed Independent Non-Executive Director on 7 October 2016. She is also Chair of RT Health Fund, Chair of Transport Health Pty Limited, and a Director of Barnardos Australia, Stuart Alexander & Co Pty Ltd and Corporate Property Group.

Julie has held Executive roles in marketing, marketing strategy and business management over a range of fast moving consumer goods and manufacturing based companies including S.C. Johnson, Kellogg and Unilever. Julie has lived in Australia, Asia and the United States and brings with her 25 years' experience in senior management, with emphasis on building strong brands and ensuring high levels of organisational performance and competence.

Mr Simon L Tregoning
B.Com, FAICD

Independent NED

Age 70

Appointed Director 2006

Mr Tregoning is also a director of GrainCorp Limited. He was formerly a director of Australian Co-operative Foods (Dairy Farmers) and was Vice-President of Kimberly-Clark Corporation. He has had broad FMCG experience in Australia, and overseas.

Ms Valentina Tripp
MBA, B.Com, CPA, MAICD

Independent NED

Age 44

Appointed Director 1 May 2018

Ms Tripp was appointed Independent Non-Executive Director on 1 May 2018. She is also Chair of Fairtrade Australia & New Zealand, Non-Executive Director of Fairtrade International based in Bonn, Germany.

Valentina brings over 20 years experience in executive management and professional services in FMCG, agribusiness, consumer products and retail companies including as Executive Director Simplot Australia, Executive Director Top Cut Foods and Senior Director KPMG where she led the Consumer & Retail consulting business working with a range of Australian and global multinational clients. In her executive roles, she has led Australian branded food businesses in offshore markets including China, Japan and South Korea, with export coverage across 20 other major trading partners.

2018 Review of Operations

In the 2018 financial year, the team at Capilano has been focused on sales and marketing activities that will drive growth and improve the underlying profit of the business.

A net profit before tax (NPBT) of $14,046k was achieved in 2018. This compares favourably to last year's NPBT result of $13,813k that included a one-off non-operating capital gain of $2.07m, arising from the sale of beekeeping assets into our joint-venture beekeeping operation with Comvita Limited (NZ), Medibee Apiaries Pty Ltd.

This year's NPBT of $14,046k is a 19.6% increase in our underlying operating profit when compared to last year.

This profit result was achieved by improvements to total gross profit, control of expenses, improved costs of production and increases to packing volumes that delivered the benefits of scale. This year Capilano has made further gains in revenue and volume in both domestic and export retail sales, whilst again delivering a positive cash-flow.

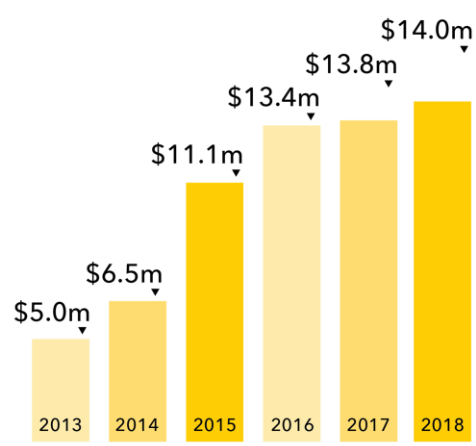
Capilano continues to be the largest and most active purchaser of pure Australian honey. Better seasonal conditions in key production areas led to a notable increase in Australian honey supply early in the season, which allowed us to continue to build inventory holdings and again reduce the requirement for imports. Increasingly apparent dry conditions through much of Eastern Australia has reduced honey production in recent months and we remain hopeful that spring rains will be forthcoming.

Closing financial year honey stocks have improved again from 5,953 tonnes at the completion of FY17 to 6,746 tonnes this year. The value of inventory has increased from $44.2m to $51.3m.

International bulk honey markets have again remained relatively stable in price over the last year, with competition for retail sales remaining strong in most overseas markets. Capilano has continued to cease supply of some international industrial bulk segments due to competition from cheaper origins of honey, unsustainable prices and insufficient margin. This year bulk industrial export sales were reduced by 41% to $1.6m in revenue. Increasing premium export retail sales has been the focus and these sales grew 12.4% to over $20m in revenue this year.

The Capilano brand continues to pack and sell 100% pure Australian honey in every market both domestically and internationally, without exception, under our flagship Capilano retail brand. Domestic and retail exports of premium 100% Australian Capilano brand honey remains a fundamental priority for us.

This year's NPBT of $14,046k
is a 19.6% increase in our underlying
operating profit when compared to last year



NET PROFIT BEFORE TAX

Australian honey purchases of 11,097t
were 16.2% higher than FY17

With Capilano remaining the largest
supporter and purchaser of
Australian honey

2018 Review of Operations

At a glance …

NPAT **$9,824k**

REVENUE **$139m**

NET ASSETS **$68.3m**

NET DEBT **$11.4m**

EBIT **$14.4m**

DIVIDEND **42¢ per share**

EARNINGS PER SHARE **$1.04**

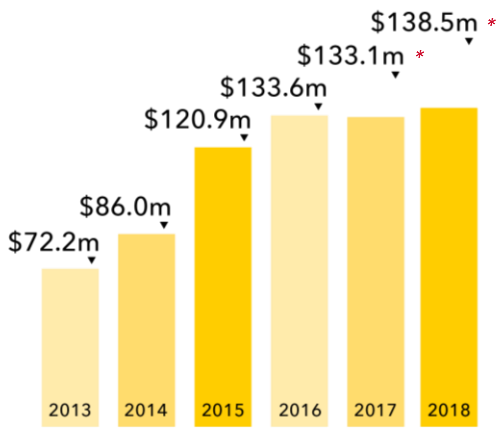
The Year in Review – Performance

This year's financial performance:

- total revenue of $139m was unfavourably affected by a change in accounting treatment for trading terms with a key customer in relation to volume rebates. This reduced revenue by $2.11m which was offset by a decrease in marketing and promotion expenses by the same amount. Despite this, we delivered a revenue increase of over $5m compared to FY17;
- higher than historical marketing costs were incurred as we cycle a higher strategic investment;
- EBITDA improved $357k to $16,067k;
- EBIT improved $249k to $14,360k;
- despite increased discounting, gross margin percent improved marginally;
- a net profit after tax (NPAT) of $9,824k was achieved, which is lower than last year's result of $10,335k as no tax was attributable to the capital gain on the asset sale in 2017. The FY17 NPAT excluding the capital gain was $8,262k;
- an unfavourable raw honey stock revaluation of $1.5m, triggered by a reduction in honey price mid-year due to a notable increase in Australia honey supply;
- Australian honey purchases of 11,097t were 16.2% higher than FY17. Capilano remains the largest supporter and purchaser of Australian honey;
- earnings per share of $1.04 achieved this financial year;
- operating cash flow was $1.29m positive, after the impact of further increases to inventory of $7.1m;
- net debt rose from $7.8m to $11.4m to fund higher inventory levels;
- the statement of financial position remains strong with net assets increasing by $5.98m to a total of $68.3m;
- the dividend payout increased from 40¢ to 42¢ per share this year and was declared on 20 June 2018 for payment to eligible shareholders on 31 July 2018. A provision for this dividend is included in current liabilities.

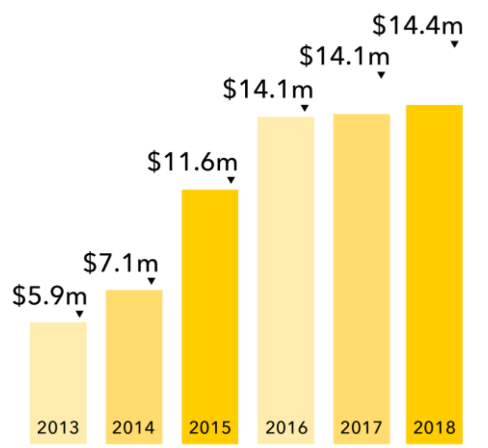
Table 1 *($,000's)*	**2018**	**2017**	**2016**
Revenue	138,518	133,144	133,617
Earnings before Interest & Tax (EBIT)	14,360	14,111	14,068
EBIT Depreciation & Amortisation (EBITDA)	16,067	15,710	15,938
Net Profit before tax (NPBT)	14,046	13,813	13,443
Net Profit after tax (NPAT)	9,824	10,335 *	9,483
Operating Cash Flow	1,293	2,630	(8,387)
Net Debt	11,436	7,796	9,626
Net Assets	68,317	62,332	55,764
Current Ratio (Current Assets / Current Liabilities)	2.76	2.62	2.33
Debt Ratio (Total Liabilities / Total Assets)	34.5%	35.3%	44.1%
Interest Cover (EBITDA / Interest)	51x	53x	25x

** The FY17 NPAT excluding the capital gain was $8,262k*



REVENUE

** Negative impact of $3.44m FY17 compared to FY16 and $2.1m FY18 compared to FY17 from key customers moving to net pricing.*



EBIT

All three packing plants are independently audited and have all improved their grading under the prestigious BRC quality assurance system from ‘A rating’ to an **‘AA rating’**, further highlighting our ongoing commitment to quality.

Operations & Honey Supply

Capilano has a national operations platform with three sites operating optimally to deliver specific capabilities and locational competitive advantages. These packing plants are independently audited and have all improved their grading under the prestigious BRC quality assurance system from ‘A rating’ to an “AA rating’, further highlighting our ongoing commitment to quality. Capital investment has continued to be disciplined and employed for select production efficiency upgrades and expense improvement projects. This year these projects have delivered notable improvements to our production capability and capacity, which have resulted in a reduction of packing costs.

Capilano works hard to ensure the safety of our employees. The business has best practice policies, procedures and an all-embracing safety culture. This year we are proud to report that we reached our targets for the first time with respect to zero lost time incidents (LTIs) at all our operations nationally.

Zero lost time incidents (LTIs) at all our operations nationally.

Better deliveries of honey have resulted in ample blending stocks, enabling us to maximise quality and meet the distribution requirements of our peak sales demand with ease. Our beekeeper supplier base has again increased with continued investment in the honey industry and deepening relationships. Australian honey deliveries received this year were 11,097t, which is a 16.2% improvement on the previous year at 9,547t. The company packed various products amounting to a total of 16,102t this year, an increase of 6.86% on last year.

Following on from the success of the solar power installation at our Perth (WA) facility, we have also installed 350 panels at the Maryborough (VIC) factory. This sustainability initiative will off-set 44.9% of the site’s carbon-based energy usage a year and is expected to reduce power costs by 40%.

Capilano continues to operate two primary production beekeeping joint-ventures aimed at strengthening our security of premium honey supply. We have invested in both businesses to increase floral resources and grow hive numbers:

- **Medibee Apiaries** is a 50:50 joint-venture with NZ Manuka specialist Comvita (CVT) focusing on increasing the production and security of Australian Manuka honey supply. Medibee Apiaries was the single largest supplier of Manuka to Capilano again this financial year.
- **Western Honey Supplies** is a joint-venture with a large existing supplier based in Western Australia (WA). Its main focus is increasing the supply security of premium floral and organic honey from pristine environments in WA. Western Honey Supplies was the single largest supplier of WA honey to Capilano this financial year and is one of our top five suppliers nationally.

2018 Review of Operations

Capilano's spend in research and development has never been higher, with $1.5m over the last 3 years in direct research and industry support. This commitment is aimed at making a positive difference to industry sustainability and bee welfare and remains a priority as part of our 'Keeping Futures Program'. Amongst other projects, funding has been provided to the Honey Bee Products Collaborative Research Centre (CRC), who is managing over $20m dollars of industry and government funding over 5 years, assigned to deliver a range of important industry research. I have been fortunate enough to represent industry on the Board of the Honey Bee Products CRC, which is making it possible to fund over 16 PhD students researching various honey bee related topics. Through our joint-venture beekeeping operations the company continues to invest in apprentice beekeepers, aimed at training the next generation of Australian beekeepers to support Capilano and our industry.

Sales & Marketing

Capilano is focussed on marketing a product portfolio of natural, health and wellness functional foods. This year has seen investment in our sales, marketing and innovation capabilities aimed to deliver growth, ensure our products appeal to emerging markets and are better positioned in higher value product segments. The establishment of a new marketing and innovation team and increases to our sales account management resources has been a crucial step on the road to realising our strategic objectives. Further investment in international honey category data sets and consumer insights has provided intelligence to support marketing and innovation pursuits. The outcomes of these initiatives are becoming apparent in our product labels, ranging, export market positions and regional focus, as we drive the credentials and superiority of premium Australian honey.

In May 2018, Capilano were proud to announce their brand new look.

Affectionately named *Phoebee*, our new mascot is an ambassador for the female worker honey bee and mother nature.

Extensive work has been undertaken to deliver a brand refresh to make Capilano brand more relevant for today's consumers in both domestic and international markets. This is facilitating the development of a premium line of innovation to meet current consumer needs and to encourage trade-up from basic commodity honey, whilst demonstrating the versatility, health benefits and purity of honey. This year the team has built a commercially robust innovation pipeline based on global macro health trends, category growth drivers and consumer insights. We are now concentrating our efforts on the execution of existing and new product development.

Domestically, market share for our range of honey products has been retained in a grocery market that grew 3.2% to $132m and 10.5% in volume (grocery excluding ALDI, MAT 30/6/18). This year we have participated in a normalised market of improved honey supply, increased competition and greater discounting. The Capilano brand undertook some strategic promotional activity, aimed to increase honey's usage and renew consumers' appreciation for the product, which delivered the largest ever sales response for a promotion in the company's history. This reinforced to us and our retail partners the strength of our brand and the future potential for increasing product penetration and usage occasions. At the time of writing, a new Capilano TV and digital advertising campaign has been launched across Australia. Running across the key winter months, this campaign will inform consumers that just a little bit of Capilano honey does a whole lot of good. Because when you choose Australia's favourite honey, you're helping more beekeeping families to do what they've been doing for generations … and you're helping more bees pollinate more flowers, and more of the crops that help feed us all. It's more than just honey. This campaign is aimed to drive consumer engagement, demonstrate the versatility of honey and reinforce the important role bees play in food production and food security.

Australian honey remains an expensive commodity compared to other international origins, which means widespread distribution of a premium retail product offering will be the key to our success. Regional specific export plans have been developed to accommodate demographic and cultural differences and we are in the execution phase of effectively marketing our products and tailoring our product offering. Export revenue this financial year was impacted by further reductions in low margin industrial bulk that we have historically sold to Asia. As previously stated, increasing premium Australian export sales has been the focus and export retail grew 12.4% to over $20m in revenue this year. Export retail volumes improved 10.7% to over 2,000 tonnes.

As we continue working to deliver earnings diversity, our non-honey sales increased 30% to $11m. The business foresees opportunities to deliver further growth in our non-honey health and wellness segment, as it is aligned with growing consumer demands for such products.

Outlook

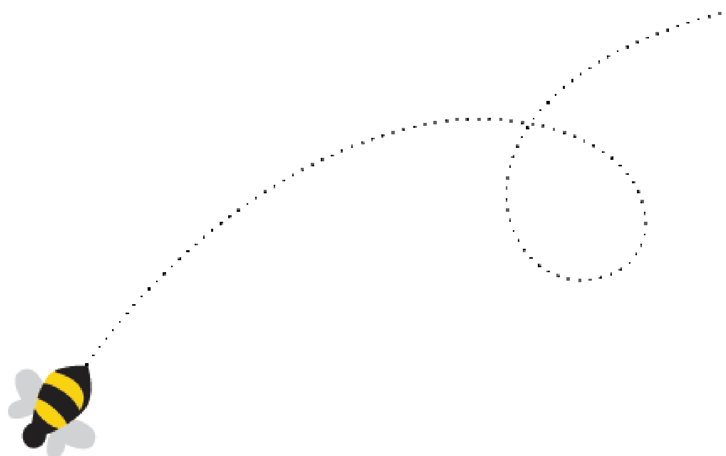
Building on the work instigated last year, we have invested further effort in the review and adoption of a 3-year business strategy to 2021. The key strategic themes remain operational and supply chain excellence, protecting and growing domestic share in all channels and delivering growth of premium high value natural health products internationally. The business is focused on delivering innovative products to health and wellness and premium segments across our brand portfolio to fuel growth and favourably re-shape the sales mix.

Capilano has established a modest position in the primary production sector that remains targeted at delivering an increased level of support for our industry, improving supply security and ensuring that premium Australian floral resources are not lost to external entities. At present, there are no plans to expand investment in this segment as we concentrate on delivering a beekeeping model and structure that supports the development and education of new beekeeper entrants, whilst delivering optimised honey production and the on-going profitable operation of the ventures.

This year's financial result builds on consecutive years of growth in revenue, profit and packing volumes that has enabled Capilano to continue to operate in a strong financial position. The business continues to grow, and we have intentionally invested in a strengthened management team and structure that is in place and focused on delivering future growth and our strategic agenda. International consumer attention towards honey continues to grow as part of a broader interest in natural, health and wellness foods and we are fortunate to have an exceptional brand portfolio and product to market.

Further improvements to our network of Australian beekeeper suppliers and improved inventory holdings facilitates the opportunity to deliver sustainable growth in key markets. As always, Capilano's loyal Australian beekeeper suppliers remain the key to our success and we are grateful for their love of bees and continued support. Capilano will continue to concentrate on the core strategies of meeting our consumers' expectations, providing choice, leading innovation and delivering consistent premium quality in both flavour and packaging.

Ben McKee
Managing Director



OUR MISSION

We promise to love and care for the bees that make it.

To support the beekeepers that harvest it and help ensure their futures.

To quality check every drop; and

Deliver it, pure and simply to your home.

So we can all enjoy it.


CAPILANO
Pure Honey
100% AUSTRALIAN

2018 Financial Statements

Report of the Directors

Your directors present their report on the consolidated entity consisting of Capilano Honey Limited ('CZZ') and the entities it controlled at the end of or during the year ended 30 June 2018.

Directors

The following persons held office as directors during the financial year and up to the date of this report:

- Trevor R Morgan, Chairman, Independent NED
- Phillip F McHugh, Deputy Chairman, Independent NED
- Benjamin A McKee, Managing Director
- Robert N Newey, Independent NED
- Brian F O'Donnell, NED
- Julie A Pascoe, Independent NED
- Simon L Tregoning, Independent NED
- Valentina Tripp, Independent NED (appointed 1 May 2018)

Activities

The principal activity of the consolidated entity during the year continued to be packing of honey for domestic and export sales.

Consolidated Results

The operating profit of the consolidated entity for the year after income tax was $9,823,804 (2017: $10,334,810).

Distributions

On 20 June 2018 the directors declared a fully franked ordinary dividend of $0.42 cents per share amounting to $3,972,143.

The final dividend was payable on ordinary shares held at 29 June 2017 and was paid on 31 July 2018.

Review of Operations

Sales revenue of $138,517,861 for the consolidated entity was $5,374,278 higher than the previous year's result. Domestic and Export Retail Sales growth lead to the increase in revenue.

Refer to the Review of Operations on pages 5 to 9 for further information.

Matters subsequent to the End of the Financial Year

On 13 August 2018, Capilano Honey Limited (**CZZ**) entered into a Scheme Implementation Agreement with Bravo HoldCo Pty Ltd, owned by Wattle Hill RHC Fund 1 and ROC Capital Pty Ltd under which it is proposed that 100% of CZZ's shares will be acquired by way of a scheme of arrangement (**Scheme**). Under this Scheme, the CZZ shareholders who elect cash consideration will receive $20.06 per share. As an alternative to cash consideration, the CZZ shareholders will instead be able to elect scrip and there is an offer to subscribe for an additional 0.5 shares for each CZZ share held.

The Scheme is subject to a number of conditions including CZZ shareholder and court approval. For further information, see ASX announcement made by CZZ on 13 August 2018.

Significant Changes

There were no significant changes in the state of affairs of the consolidated entity during the year.

Likely Developments

Likely future developments of the consolidated entity include continuing competitive marketing of the consolidated entity's brands in both domestic and export markets.

In the opinion of the directors it would prejudice the interests of the consolidated entity if any further information on likely developments in the operations of the consolidated entity and the expected results of operations were included herein.

Environmental Regulations

The consolidated entity's operations are subject to environmental regulations under legislation in Queensland, Western Australia and Victoria in relation to its honey packing and construction, installation and plant maintenance operations.

Senior management of the parent entity are responsible for monitoring compliance with environmental regulations.

Based upon the results of enquiries made, the directors are not aware of any significant breaches during the period covered by this report.

Compliance with the requirements of environmental regulations was achieved across all operations.

Proceedings on Behalf of the Company and its Controlled Entities

No person has applied for leave of Court to bring proceedings on behalf of the company and its controlled entities or intervene in any proceedings to which the company and its controlled entities is a party for the purpose of taking responsibility on behalf of the company and its controlled entities for all or any part of those proceedings.

The company and its controlled entities were not a party to any such proceedings during the year.

Information on Directors

	DIRECTOR			
	Trevor R Morgan	**Phillip F McHugh**	**Benjamin A McKee**	**Robert N Newey**
Qualifications/ Experience	FAICD Commercial apiarist Independent Non-Executive Director Director since 4 February 1998 Deputy Chairman from 1 October 2004 to 7 October 2005 Chairman since 7 October 2005	Commercial apiarist Independent Non-Executive Director Director since 8 October 1993 Deputy Chairman since 6 November 2007	B.Agri.Sci (Hons), PhD, GAICD Appointed Chief Executive Officer on 1 July 2012 Managing Director since 31 May 2013	GAICD Independent Non-Executive Director Director since 23 November 2012
Special Responsibilities	Independent Non-Executive Chairman of Capilano Honey Limited Member of the Honey Supply & Industry Committee Member of Human Resource, Remuneration and Nomination Committees. Was Chairman of the Nomination Committee until 16 November 2017 Foundation Shareholders' appointed Beekeeper Director Director of Capilano Beekeepers Ltd (Foundation Shareholder). Was Chairman until 17 November 2017 Director of Medibee Apiaries Pty Ltd (Joint Venture)	Independent Non-Executive Deputy Chairman of Capilano Honey Limited Chairman of the Honey Supply & Industry Committee Member of the Human Resource, Remuneration and Nomination Committees Foundation Shareholders' appointed Beekeeper Director Chairman Capilano Beekeepers Ltd (Foundation Shareholder) since 17 November 2017. Was Deputy Chairman from 1 June - 16 November 2017	Managing Director of Capilano Honey Limited Director of Medibee Apiaries Pty Ltd (Joint Venture) Director of Western Honey Supplies Pty Ltd (Joint Venture) Director of Capilano Apiaries Pty Ltd (Subsidiary) Director of Honey Corporation of Australia Pty Ltd (Subsidiary)	Independent Non-Executive Director of Capilano Honey Limited Chairman of the Audit & Compliance Committee Member of the Honey Supply & Industry Committee Was a member of the Nomination Committee until 16 November 2017 Director of Capilano Beekeepers Ltd (Foundation Shareholder)
Shares held in Parent entity & Share Options	Holder of 13,341 shares directly and 2,000 shares indirectly	Holder of 3,500 shares directly and 35,476 indirectly	Holder of 55,530 shares indirectly Participant of Long Term Incentive Plans: ▪ 2017 Options: for the issue of 30,000 options to purchase 30,000 shares. ▪ 2018 Options: for the issue of 30,000 options to purchase 30,000 shares Subject to performance conditions during the performance periods. Refer note 18.	Nil
Directorship of other listed companies:	Nil	Nil	Nil	Nil

Report of the Directors

Information on Directors (continued)

	DIRECTOR			
	Brian F O'Donnell	**Julie A Pascoe**	**Simon L Tregoning**	**Valentina Tripp**
Qualifications/ Experience	B. Com, FCA Non-Executive Director Director since 9 December 2016	BA (Syd), Grad Dip Mktg, FAICD, QPMR (AMSRS), GIA (Cert) Independent Non-Executive Director Director since 7 October 2016	B.Com, FAICD Independent Non-Executive Director Director since 1 July 2006	MBA, B.Com, CPA, MAICD Independent Non-Executive Director Director since 1 May 2018
Special Responsibilities	Non-Executive Director of Capilano Honey Limited Member of the Audit & Compliance Committee Was a Member of the Human Resource, Remuneration & Nomination Committees from 1 July – 16 November 2017 Was a Member of the Honey Supply & Industry Committee from 17 November 2017 – 7 June 2018 *Note:* Mr O'Donnell is Director, Finance and Investments for the Australian Capital Equity Pty Limited Group (ACE), which includes the company's largest shareholder, Wroxby Pty Ltd.	Independent Non-Executive Director of Capilano Honey Limited Member of the Audit & Compliance Committee Was a Member of the Honey Supply & Industry Committee from 1 July 2017 – 7 June 2018 Was a Member of the Nomination Committee from 1 July – 16 November 2017	Independent Non-Executive Director of Capilano Honey Limited Chairman of the Human Resource, Remuneration & Nomination Committee from 17 November 2017. Was Chairman of the Human Resource & Remuneration Committee and Member of the Nomination Committee from 1 July – 16 November 2017 Member of the Honey Supply & Industry Committee Director of Capilano Beekeepers Ltd (Foundation Shareholder)	Independent Non-Executive Director of Capilano Honey Limited since 1 May 2018 Member of the Human Resource, Remuneration & Nomination Committee from 8 June 2018
Shares held in Parent entity & Share Options	Holder of 3,500 shares indirectly.	Holder of 9,700 shares indirectly.	Nil	Nil
Directorship of other listed companies:	BC Iron Limited (since 7 October 2014.) Iron Ore Holdings Limited (from 4 December 2008 to 27 January 2015)	Nil	GrainCorp Limited (since 2 December 2008).	Murray River Organics Limited (since 16 April 2018).

Other than B McKee, no other Directors hold options over unissued ordinary shares.

Information Company Secretary

Annette M Zbasnik GIA (Cert).

Appointed Company Secretary of Capilano Honey Limited on 1 January 2016. Mrs Zbasnik has a broad range of experience in company secretariat and governance roles. Prior to this appointment she held the position of Corporate Secretary.

Mrs Zbasnik is also Company Secretary for Capilano Beekeepers Ltd (Foundation Shareholder), Honey Corporation of Australia Pty Ltd (Subsidiary) and Medibee Apiaries Pty Ltd (Joint Venture).

Meetings of Directors

The number of directors meetings held (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year were:

	Meetings of Directors						
	Directors Meetings of the Company No. of Meetings Attended/Held[1]	Committee Meetings of Directors No. of Meetings Attended / Held [1]					General Meetings of the Company No. of Meetings Attended/Held[1]
		Audit & Compliance	Honey Supply & Industry	Nomination[2]	Human Resource & Remuneration[2]	Human Resource, Remuneration & Nomination[2]	
T Morgan	13 of 13	3 of 3	6 of 6	1 of 1	3 of 3	2 of 2	1 of 1
P McHugh	12 of 13	3 of 3	6 of 6	1 of 1	3 of 3	2 of 2	1 of 1
B McKee	13 of 13	2 of 2	6 of 6	-	3 of 3	2 of 2	1 of 1
R Newey	13 of 13	5 of 5	6 of 6	1 of 1	2 of 2	-	1 of 1
B O'Donnell	13 of 13	5 of 5	6 of 6	1 of 1	3 of 3	-	1 of 1
J Pascoe	13 of 13	5 of 5	6 of 6	1 of 1	2 of 2	-	1 of 1
S Tregoning	12 of 13	2 of 2	6 of 6	1 of 1	3 of 3	2 of 2	1 of 1
V Tripp	4 of 4	1 of 1	1 of 1	-	-	-	-

1. Reflects the number of meetings held during the time the director held office during the year, or while they were a Member of a Board Committee. Number of meetings attended includes attendance by invitation.

2. *In November 2017 the Human Resource and Remuneration Committee was merged with the Nomination Committee to form the Human Resource, Remuneration & Nomination Committee.*

Remuneration Report

1. CAPILANO HUMAN RESOURCE, REMUNERATION & NOMINATION COMMITTEE ('HRRN')

- Role

  The Committee is responsible for reviewing the remuneration of executive management and the Board, executive incentive plans and reporting to the Board on these matters.

  The responsibilities of the Committee include:

  a) Formulation of remuneration policy.

  b) Recommending remuneration for directors and executives, including fixed remuneration, short and long term incentives and terms of service.

  c) Recommending Director nominations to the Board

  d) Oversight of company human resources matters.

2. CAPILANO'S REMUNERATION POLICY (AUDITED)

- Reward Philosophy

  Capilano's remuneration philosophy is that:

  a) remuneration should be aligned to the external market;

  b) the balance between fixed and variable remuneration should reflect the extent to which the role contributes directly to company performance;

  c) individuals objectives should reflect the need to deliver sustainable outcomes for shareholders; and

  d) short and long term incentives are linked to individual's and Capilano's performance.

  Capilano aims to achieve a mix of total remuneration (fixed and variable) that is consistent with high performance organisations, maximising the motivational impact for employees, and best aligns the interests of Capilano employees and shareholders.

- Reward Principles

  The purpose of the remuneration policy is to ensure that salary packages offered by Capilano will be sufficient to attract and retain managers and supervisors with abilities and skills appropriate to the needs of the company and are measured by the company as Total Employment Cost (TEC).

  TEC includes all costs associated with employment, including but not limited to PAYG salary, provision of motor vehicles, FBT, superannuation, and any other approved expenditure but excluding oncosts. Fringe benefits or non-deductible expenditure shall be grossed up to include the tax effect as part of the cost of providing such benefits in a salary package. The determination of TEC includes three basic principles:

  A. external parity;

  B. internal parity; and

  C. reward for achievement.

Remuneration Report (continued)

A. External Parity

The principle of external parity means that CZZ salary package values should be competitive and comparable with packages available from other companies of similar size for jobs with similar content and level of responsibility. As a basis for comparison, CZZ utilises salary survey data, provided by independent companies, such as the Australian Institute of Management (AIM), for a wide variety of Australian management and supervisory positions.

In general, CZZ salary packages may be comparable with the median or average value in the range recorded in the AIM Salary Survey (or equivalent type survey) for positions with similar job content and responsibility.

B. Internal Parity

The principle of internal parity means that within the management structure of CZZ, similar TECs apply for jobs with similar contents and level of responsibility. However, individual judgements may be made in cases of different levels of complexity and skills.

C. Reward for Achievement

Management and supervisory personnel have the opportunity to earn incentive payments geared to achievement of annual results exceeding targets and improvements in long term shareholder prosperity. These principles are applied in the form of the Annual Incentive Plan. The Annual Incentive Plan is endorsed by the HRRN Committee and approved by the Board.

- Annual Review

  TECs are determined to apply for the period of each financial year commencing on 1 July. Authority and responsibility for reviews are as follows:

  a) Managing Director - reviewed by the Board with advice from the Board HRRN Committee;

  b) Senior Executives reporting to the Managing Director - reviewed by the Managing Director and subject to endorsement by the Board HRRN Committee; and

  c) All other salaried staff – reviewed by Functional Managers (Heads of Departments) and subject to approval by the Managing Director.

3. CAPILANO TOTAL REWARD STRUCTURE (AUDITED)

The HRRN Committee is responsible for reviewing and recommending remuneration arrangements for the directors, the Managing Director and the executive team. The HRRN Committee assesses the appropriateness of the nature and amount of remuneration of such officers on an annual basis according to policy. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient whilst being cost neutral for Capilano.

The HRRN Committee links the nature and amount of executive directors' and officers' remuneration to the company's financial and operational performance.

4. CAPILANO EMPLOYEE SHARE PLANS (AUDITED)

- Long Term

  The Long Term Incentive Plan, approved by Shareholders at the Annual General Meeting on 18 November 2016, provides eligible employees with an additional incentive to:

  - improve company long term performance;
  - attract, retain and motivate eligible employees that are essential for the continued growth and development of the company; and
  - enhance the relationship between the company and eligible employees for the long term mutual benefit of all parties.

  The Long Term Incentive Plan provides for the granting of options to eligible employees on terms determined by the Board at the time of the offer, in line with the Long Term Incentive Plan Rules.

  The Managing Director is currently the only participant of a Long Term Incentive Plan. (Refer note 18 – Shares options granted to Managing Director).

Remuneration Report (continued)

5. DIRECTORS AND EXECUTIVES REMUNERATION DISCLOSURE (AUDITED)

- **Directors' Benefits**

Since the end of the previous financial year, no director of the company has received or become entitled to receive a benefit (other than a benefit included in the directors and key management personnel remuneration disclosure below, the pro-rata payment of or entitlement to such a benefit for the period since 30 June 2017, a fixed salary as a full-time employee, or normal payments for the supply of honey by directors who are also beekeepers) by reason of a contract made by the company, an entity which the company controlled, or a body corporate that is related to the company with the director or with a firm of which they were a member, or with an entity in which they had a substantial financial interest, except as stated below.

Details of Directors	
T Morgan	Chairman, Independent NED
P McHugh	Deputy Chairman, Independent NED
B McKee	Managing Director
R Newey	Independent NED
B O'Donnell	NED
J Pascoe	Independent NED
S Tregoning	Independent NED
V Tripp	Independent NED

Details of Remuneration for Key Management Personnel	
J Henderson	Domestic Sales Director
K Holloway	Operations Director
D Kemp	Chief Financial Officer
P McDonald	International Sales Director
T Watt	Marketing & Innovation Director

- **Gross Remuneration of Directors**

	1 July 2017 – 30 June 2018						
	Short Term Benefits			Post Employment Benefits	Share based payments equity settled option (not vested)	Total	Percentage of Remuneration related to performance
	Cash salary and fees	Non monetary benefits	Bonuses FY 2018	Super-annuation			
	$	$	$	$	$	$	
T Morgan	130,000	-	-	12,350	-	142,350	-
P McHugh	69,760	-	-	6,627	-	76,387	-
B McKee	387,951	-	102,000	23,849	134,300 [2]	648,100	36%
R Newey	69,760	-	-	6,627	-	76,387	-
B O'Donnell	69,760	-	-	6,627	-	76,387	-
J Pascoe	69,760	-	-	6,627	-	76,387	-
S Tregoning	69,760	-	-	6,627	-	76,387	-
V Tripp [1]	11,626	-	-	1,105	-	12,731	-
TOTAL	**878,377**	**-**	**102,000**	**70,439**	**134,300**	**1,185,116**	

1. Appointed Independent Non-Executive Director on 1 May 2018.
2. Share-based payment expense (non cash) recognised during the year (note 18).

The remuneration amounts listed above are gross earnings before tax.

	1 July 2016 – 30 June 2017						
	Short Term Benefits			Post Employment Benefits	Share based payments equity settled option (not vested)	Total	Percentage of Remuneration related to performance
	Cash salary and fees	Non monetary benefits	Bonuses FY 2017	Super-annuation			
	$	$	$	$	$	$	
T Morgan	130,000	-	-	12,350	-	142,350	-
P McHugh	69,760	-	-	6,627	-	76,387	-
B McKee	380,308	-	40,000	30,000	70,700 [3]	521,008	21%
R Newey	69,760	-	-	6,627	-	76,387	-
B O'Donnell [1]	39,441	-	-	3,747	-	43,188	-
J Pascoe [2]	51,558	-	-	4,898	-	56,456	-
S Tregoning	69,760	-	-	6,627	-	76,387	
TOTAL	**810,587**	**-**	**40,000**	**70,876**	**70,700**	**992,163**	

1. Appointed Non-Executive Director on 9 December 2016.
2. Appointed Independent Non-Executive Director on 7 October 2016.
3. Share-based payment expense (non cash) recognised during the year (note 18).

The remuneration amounts listed above are gross earnings before tax

Remuneration Report (continued)

5. DIRECTORS AND EXECUTIVES REMUNERATION DISCLOSURE (AUDITED) *(continued)*

- **Details of Remuneration for Key Management Personnel**

	1 July 2017 – 30 June 2018					
	Short Term Benefits			Post Employment Benefits	Total	Percentage of Remuneration related to performance
	Cash salary and fees	Non monetary benefits	Bonuses FY 2018	Superannuation		
	$	$	$	$	$	
J Henderson [1]	123,170	-	-	11,701	134,871	-
K Holloway	190,959	-	41,820	19,055	251,834	17%
D Kemp	211,947	-	46,226	21,883	280,056	17%
P McDonald	233,528	5,538	46,226	22,221	307,513	15%
T Watt [2]	129,461	-	-	12,298	141,759	-
TOTAL	**889,065**	**5,538**	**134,272**	**87,158**	**1,116,033**	

1. Commenced employment as Domestic Sales Director 30 October 2017
2. Commenced employment as Marketing & Innovation Director on 3 October 2017

The remuneration amounts listed above are gross earnings before tax.

	1 July 2016 – 30 June 2017					
	Short Term Benefits			Post Employment Benefits	Total	Percentage of Remuneration related to performance
	Cash salary and fees	Non monetary benefits	Bonuses FY 2017	Superannuation		
	$	$	$	$	$	
K Holloway [1]	87,673	-	9,602	8,345	105,620	9%
D Kemp	197,807	-	22,660	27,152	247,619	9%
P McDonald	201,867	-	18,128	27,539	247,534	7%
A O'Reilly	123,113	-	13,553	12,413	149,079	9%
TOTAL	**610,460**	**-**	**63,943**	**75,449**	**749,852**	

1. Commenced employment as General Manager - Operations 9 January 2017 (Now Operations Director).

The remuneration amounts listed above are gross earnings before tax.

Incentives

Capilano seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of profit targets and specific project KPIs up to 40% of TEC.

2017/18 incentives have been accrued pending Board approval in August 2018.

Incentives disclosed on pages 17 to 18 are the only components of remuneration that are related to performance.

Remuneration Report **(continued)**

6. LINKING TOTAL REWARD TO PERFORMANCE (AUDITED)

Capilano seeks to emphasise reward incentives for results and continued commitment to Capilano through provision of the Annual Incentive Plan, specifically through the incorporation of incentive payments based on the achievement of financial objectives.

The table below indicates the earnings and shareholder value against the remuneration of Key Management personnel:

	2018	2017	2016	2015	2014
Earnings	$9,823,804	$10,334,810	$9,483,463	$7,845,647	$4,619,011
Earnings per share	$1.04	$1.09	$1.10	91.3¢	54.2¢
Net Asset Value	$68,317,926	$62,331,965	$55,764,122	$33,705,040	$28,583,915
Dividends Per Share	42¢	40¢	40¢	37.5¢	20¢
Closing Share Price	$16.70	$15.85	$21.00	$12.80	$6.10
Key Management Personnel Remuneration (including Managing Director)	$1,487,503	$1,270,860	$1,747,684	$1,471,923	$1,025,846

7. EMPLOYMENT CONTRACTS (AUDITED)

The employment conditions of the Managing Director and the key management personnel are formalised in employment contracts. Employment contracts are not of a fixed term. Employment contracts specify a range of notice periods.

8. SHARES HELD BY DIRECTORS AND KEY MANAGEMENT PERSONNEL (AUDITED)

	1 July 2017 – 30 June 2018					
				Other Changes during the year		
Directors	**Interest**	**Opening Balance**	**Granted as Remuneration during the year**	**Sell**	**Purchase**	**Closing Balance**
T R Morgan	Direct	13,341	-	-	-	13,341
	Indirect	2,000	-	-	-	2,000
P F McHugh	Direct	3,500	-	-	-	3,500
	Indirect	38,976	-	(3,500)	-	35,476
B A McKee	Indirect	55,530	-	-	-	55,530
B F O'Donnell	Indirect	-	-	-	3,500	3,500
J A Pascoe	Indirect	4,850	-	-	4,850	9,700
Key Management Personnel						
D A Kemp	Direct	1,150	-	-	-	1,150
P McDonald	Direct	41,768	-	-	-	41,768
		161,115	**-**	**(3,500)**	**8,350**	**165,965**

9. SHARE OPTIONS GRANTED TO MANAGING DIRECTOR

2017 Options:

During the Annual General Meeting on 18 November 2016, the shareholders voted to approve a Long Term Incentive Plan and issue of 30,000 options to purchase 30,000 Capilano shares to Dr Ben McKee (Managing Director). The vesting of the options granted to Dr McKee is subject to performance conditions based on the Company's relative total shareholder return (TSR) performance and average compound annual growth in the Company's earnings per Share (EPS) during the Performance Period (being the period from 1 July 2016 to 30 June 2019). The option has an exercise price of $21.00 per share and lapses on 30 June 2024. The value of the option as determined using a binomial valuation is $212,100. No options had vested at 30 June 2018. The share-based payment expense (non cash) recognised during the year amounted to $70,700.

2018 Options:

During the Annual General Meeting at 17 November 2017, the shareholders voted to approve a Long Term Incentive Plan and issue of 30,000 options to purchase 30,000 Capilano shares to Dr Ben McKee (Managing Director). The vesting of the options granted to Dr McKee is subject to performance conditions based on the Company's relative total shareholder return (TSR) performance and average compound annual growth in the Company's earnings per Share (EPS) during the Performance Period (being the period from 1 July 2017 to 30 June 2020). The option has an exercise price of $15.85 per share and lapses on 30 June 2025. The value of the option as determined using a binominal valuation method is $190,800. No options had vested at 30 June 2018. The share-based payment expense (non cash) recognised during the year amounted to $63,600.

Report of the Directors

Remuneration Report (continued)

10. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION (AUDITED)

The Board's focus is on long-term strategic direction and overall performance of Capilano. As a consequence, NED remuneration is not directly related to short-term results, rather, it is related to long-term performance and market place parity.

- Policy

Fees and payments to NEDs are determined with regard to the need to maintain appropriately experienced and qualified Board members and in accordance with the market place. The remuneration policy is designed:

a) to attract and retain NEDs;
b) to motivate NEDs to achieve Capilano's objectives; and
c) to align the interests of NEDs with the long term interests of shareholders.

- Directors' Fees

At the 2016 AGM, Shareholders approved the total remuneration of Directors, excluding the Managing Director, Superannuation Guarantee contribution and Insurance Premiums, to $545,000. The total amount paid for Directors' Fees for the 2017/18 year of $490,426 is within the previously approved amount:

Distribution of Directors' Fees by position for the 2017/18 year is detailed below.

Position	Directors' Fees $
Chairman	130,000
Non-Executive Directors	69,760 ea

Superannuation Guarantee contribution - $46,590
Directors and Officers Liability Insurance - 2018: $75,400 (2017: $29,025).

This concludes the remuneration report which has been audited.

Indemnity and Insurance of Officers

The company has indemnified its directors and executives for costs incurred in their capacity as director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the cover.

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit & Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code Of Ethics for Professional Accountants set by the Accounting Professional and Ethics Standards Board.

The following fees for non-audit services were paid or were payable to the external auditors during the year ended 30 June 2018:

	$
Taxation Services	10,250
Other	-
Total	10,250

Auditors

William Buck (Qld) continue in office in accordance with the *Corporations Act 2001*.

Auditors' Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 22 of the annual report.

Signed at Brisbane this THIRTEENTH day of AUGUST 2018, in accordance with a resolution of the directors.

T R Morgan, Director

B A McKee, Director

Corporate Governance Statement

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out in this Corporate Governance Statement.

The Board adopted the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**) from 7 August 2015. This Corporate Governance Statement as required by ASX Listing Rule 4.10, reports within the framework of the 3rd edition ASX Principles. Where the Company's corporate governance practices have not followed the ASX Principles, the Board has provided its reasons for not following the ASX Principles and disclosed what, if any, alternative practices the Company has or will adopt instead of those in the ASX Principles.

This Corporate Governance Statement is current as at 13 August 2018 and was approved by the Board and is available on the Company's website at: www.capilanohoney.com/au-en/corporate

The following governance-related documents referenced in this Corporate Governance Statement can be found on the Company's website at: www.capilanohoney.com/au-en/corporate

Charters

- Board
- Audit & Compliance Committee
- Nomination Committee
- Human Resources & Remuneration Committee
- Honey Supply & Industry Committee

Policies

- Code of Conduct
- Continuous Disclosure and Shareholder Communications
- Diversity
- Evaluation of the Board
- Independence of Directors
- Privacy
- Securities Trading
- Selection, Appointment and Election of Directors

Auditor's Independence Declaration

The Directors
Capilano Honey Limited
399 Archerfield Road
RICHLANDS QLD 4077

Auditor's Independence Declaration under Section 307c of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck (Qld)
ABN 21 559 713 106

J A Latif
A Member of the Firm

Brisbane

13 August 2018

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Independent Audit Report

to the Members of Capilano Honey Limited Group

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Capilano Honey Limited. (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this Auditors' Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Joint Venture Investments

Refer also to note 8.

Area of focus:

The group holds investments in a number of investees, being Medibee Apiaries Pty Ltd and Western Honey Supplies Pty Ltd. The classification of the investments as joint ventures is based on the group's determination that they have joint control. This can be judgemental in some cases. As a result, the risk of inappropriate classification, either on acquisition or in subsequent reporting periods, can have a material effect.

Our audit procedures included:

- Examining legal documents associated with investments, to determine the key terms, including rights of the investors, terms of shareholder's agreements, dispute resolution provisions, termination provisions, governance structures and profit-sharing arrangements,
- Assessing these documents against currently effective accounting standards based on our own expertise and experience of applying them in similar situations.

We have also assessed the adequacy of the disclosures made for Joint Ventures.

Valuation of Inventory

Refer also to note 7.

Area of focus:

The group inventory of $51 million is significant to the financial statements and has increased by $7.1 million from the prior year.

Inventory is required to be carried at the lower of its cost and net realisable value.

The valuation of inventory involves significant judgement by management depending on the age, cost and types of honey and the expectations of honey prices post year end.

Our audit procedures included:

- Assessing management's standard costing model and inputs,
- Assessing the fluctuating market value of honey, during the year and post year end,
- Evaluating management's judgement and assumptions used in determining the inventory provision.

We have also assessed the adequacy of disclosures in relation to inventory in the Notes to the financial statements.

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William Buck

Share Based Payments

Refer also to the Remuneration Report and note 18.

Area of focus:

The group entered into a share-based payment arrangement during the year in relation to the issue of options to the Managing Director, Dr Ben McKee that included performance and service conditions.

This arrangement required significant judgment and estimation by management, including the following:

- The evaluation of the grant date of the arrangement, and the evaluation of the fair value of the underlying share price of the company as at that grant date;
- The evaluation of the vesting charge taken to the profit or loss in-respect of the accrual of service and performance conditions attached to the share-based payment arrangement;
- The evaluation of key inputs into the Binomial option pricing model, including the significant judgment of the forecast volatility of the share option over its exercise period.

The results of this share-based payment arrangement materially affect the disclosures in the financial statements.

Our audit procedures included:

- Evaluating the fair value of the share-based payment arrangement by agreeing assumptions to third party evidence. In determining the grant date, we evaluated what was the most appropriate date based on the terms and conditions of the share-based payment arrangement.
- In evaluating the progress of the vesting of the share-based payment with performance milestones, we evaluated the directors' assessment of the likely success or failure of achieving those milestones. In assessing the vesting of service conditions, we considered that the expensing of each share-based payment tranche granted to the arrangement's beneficiary, evenly over the term of the tranche to be the most appropriate.
- For the specific application of the Binomial model, we assessed the experience of the external expert used to advise the value of the arrangement. We retested some of the assumptions used in the model and recalculated those fair values using the skill and know-how of our in-house specialists. We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms.

We also reconciled the vesting of the share-based payment arrangement to disclosures made in both the key management personnel compensation note and the disclosures in the Remuneration Report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists.

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Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website located at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part or our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Capilano Honey Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck (Qld)
ABN 21 559 713 106

J A Latif
A Member of the Firm

Brisbane
13 August 2018

CHARTERED ACCOUNTANTS & ADVISORS

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Directors' Declaration

In the Directors' opinion

1. the financial statements and notes, as set out on pages 27 to 52, are in accordance with the *Corporations Act 2001* and:
    a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements;
    b) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;
    c) give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
3. the Directors have received declarations required by section 295A of the *Corporations Act 2001*.

Signed at Brisbane this THIRTEENTH day of AUGUST 2018 in accordance with a resolution of the directors made pursuant to section 295(5)(a) of the *Corporations Act 2001..*

T R Morgan, Director

B A McKee, Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 $	2017 $
Revenue	2	138,517,861	133,143,583
Gain on disposal of Manuka beekeeping assets	8	-	2,073,703
Share of profit (loss) of joint ventures, accounted for using the equity method	8	65,426	(61,087)
Finance costs	3(b)	(399,732)	(434,148)
Other expenses	3(a)	(124,137,863)	(120,909,075)
Profit before income tax		14,045,692	13,812,976
Income tax expense	5	(4,221,888)	(3,478,166)
Net profit for the year		**9,823,804**	**10,334,810**
Other comprehensive income		-	-
Total comprehensive income for the year		**9,823,804**	**10,334,810**
Earnings per share (cents)	4	103.9	109.3
Diluted earnings per share (cents)	4	103.2	108.9

Financial Position

Consolidated Statement of Financial Position

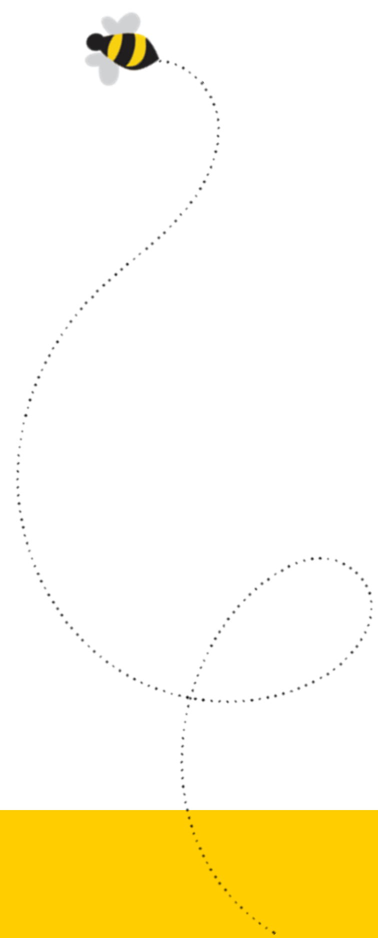
As at 30 June 2018

	Notes	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents		1,909,134	1,192,711
Trade and other receivables	6	25,018,945	24,209,622
Inventories	7	51,265,335	44,152,632
Prepayments		115,071	199,896
Income tax receivable	5	-	82,805
TOTAL CURRENT ASSETS		**78,308,485**	**69,837,666**
NON-CURRENT ASSETS			
Property, plant and equipment	9	20,656,319	21,236,371
Intangibles		214,275	214,275
Receivables	8	2,500,000	2,500,000
Investments	8	2,576,574	2,511,148
Deferred tax assets	5	-	49,423
TOTAL NON-CURRENT ASSETS		**25,947,168**	**26,511,217**
TOTAL ASSETS		**104,255,653**	**96,348,883**
CURRENT LIABILITIES			
Trade, other payables and provisions	10	17,333,978	20,845,265
Short term borrowings	11	6,347,300	1,990,902
Provision for dividend		3,972,387	3,783,238
Income tax payable	5	735,491	-
TOTAL CURRENT LIABILITIES		**28,389,156**	**26,619,405**
NON-CURRENT LIABILITIES			
Long term borrowings	11	6,997,500	6,997,500
Long term provisions	14	498,513	400,013
Deferred tax liabilities	5	52,558	-
TOTAL NON-CURRENT LIABILITIES		**7,548,571**	**7,397,513**
TOTAL LIABILITIES		**35,937,727**	**34,016,918**
NET ASSETS		**68,317,926**	**62,331,965**
EQUITY			
Issued capital	15	24,532,157	24,532,157
Reserves	18	4,247,851	4,113,551
Retained earnings		39,537,918	33,686,257
TOTAL EQUITY		**68,317,926**	**62,331,965**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Share Capital		Reserves		Retained Earnings	Total Equity
	Ordinary	Foundation	Share Based Payment	Revaluation Surplus		
	$	$	$	$	$	$
Balance at 30 June 2016	24,586,831	1	-	4,042,851	27,134,439	55,764,122
Total comprehensive income for the year		-	-	-	10,334,810	10,334,810
Fees related to issue of shares	(54,675)	-	-	-	-	(54,675)
Share based payment	-	-	70,700	-	-	70,700
Dividend recognised for the year	-	-	-	-	(3,782,992)	(3,782,992)
Balance at 30 June 2017	24,532,156	1	70,700	4,042,851	33,686,257	62,331,965
Total comprehensive income for the year	-	-	-	-	9,823,804	9,823,804
Share based payment	-	-	134,300	-	-	134,300
Dividend recognised for the year	-	-	-	-	(3,972,143)	(3,972,143)
Balance at 30 June 2018	24,532,156	1	205,000	4,042,851	39,537,918	68,317,926



Cash Flows

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Inflows (Outflows)	
	2018	**2017**
	$	**$**
Cash flows from operating activities		
Receipts from customers	134,996,828	128,781,477
Payments to suppliers and employees	(132,702,596)	(124,503,047)
Interest received	1,503	40
Goods and services tax received	2,612,934	2,886,701
Income tax paid	(3,301,611)	(4,237,624)
Interest paid	(313,990)	(297,888)
Net cash generated from operating activities (Note 23)	**1,293,068**	**2,629,659**
Cash flows from investing activities		
Payment for investments	-	(2,462,838)
Payment for intangibles	-	(214,275)
Payment for property, plant and equipment	(1,247,322)	(1,376,404)
Loan to Joint Venture	-	(500,000)
Proceeds from sale of Manuka beekeeping assets	-	7,588,116
Proceeds from sale of property, plant and equipment	97,273	27,273
Net cash (used in) generated from investing activities	**(1,150,049)**	**3,061,872**
Cash flows from financing activities		
Capital raising costs	-	(78,106)
Dividend paid	(3,782,994)	(3,782,992)
Proceeds from (repayment of) borrowings (Note 11)	4,356,398	(9,333,351)
Net cash generated from (used in) financing activities	**573,404**	**(13,194,449)**
Net increase (decrease) in cash and cash equivalents held	716,423	(7,502,918)
Cash and cash equivalents at the beginning of the financial year	1,192,711	8,695,629
Cash and cash equivalents at the end of the financial year	**1,909,134**	**1,192,711**

Notes to the Consolidated Financial Statements

INDEX:

Notes to the Consolidated Financial Statements

1. ABOUT THIS REPORT

Capilano Honey Limited is a listed public company, incorporated and domiciled in Australia. The financial statements cover the consolidated entity of Capilano Honey Limited and its controlled entities.

The financial statements of Capilano Honey Limited and its controlled entities were authorised for issue in accordance with a resolution of the directors dated 13 August 2018.

Reporting Basis and Conventions

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensure that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Significant accounting policies adopted in the preparation of these financial statements are presented in the accounting treatment area of the relevant notes and are consistent with prior reporting periods, unless otherwise stated.

Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principle market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Change In Accounting Policy

The consolidated entity has adopted all of the new, revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Capilano Honey Limited ("parent entity") as at 30 June 2018 and the results of all controlled entities for the year then ended. Capilano Honey Limited and its controlled entities together are referred to in the financial statements as the consolidated entity. Subsidiaries are all those entities over which the consolidated entity has control. The parent entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the parent entity. They are de-consolidated from the date the control ceases.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in note 8 to the financial statements.

Intercompany transactions, balances and unrealised gains on transaction between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Foreign Currency

Functional and presentation currency

The functional currency of each of the members of the consolidated entity is measured using the currency of the primary economic environment in which that member entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated statement of profit or loss and other comprehensive income.

General commitments

Hedging in the form of foreign exchange contracts and options is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates on the Australian currency equivalent of sales denominated in foreign currencies.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current knowledge. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key Estimates

Impairment

The consolidated entity assesses impairment at the end of each reporting period by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Judgements

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were actually recorded, such differences will impact the current and deferred tax positions in the period in which such determination is made.

2. REVENUE

Accounting Policy - Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods - Control of the goods has passed to the buyer. Revenue from the sale of goods is measured at the fair value of the consideration received on receivables, net of trade discounts and volume rebates.

Sale of non-current assets - The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal. Any gain is recognised as other income and any loss as an expense.

Any related balance in the revaluation surplus is transferred to retained earnings on disposal.

		Consolidated	
		2018 $	2017 $
3.	**OPERATING PROFIT**		
a)	**Expenses**		
	Raw materials and consumables	79,819,459	76,833,317
	Net foreign exchange loss	-	157,221
	Loss on disposal of property, plant and equipment	22,669	13,362
	Employee benefits	12,549,795	12,264,957
	Superannuation	997,954	955,794
	Depreciation of property, plant and equipment	1,707,432	1,598,976
	Transportation costs	4,166,146	4,132,580
	Factory costs	4,236,356	4,444,032
	Marketing and promotion	15,463,396	15,273,301
	Other	5,174,656	5,235,535
		124,137,863	**120,909,075**
b)	Profit before income tax expense includes the following specific expenses:		
	Finance costs		
	Borrowing expenses	85,742	136,260
	Interest and finance charges paid	313,990	297,888
		399,732	**434,148**

Notes to the Consolidated Financial Statements

		Consolidated 2018 $	Consolidated 2017 $
4.	**EARNINGS PER SHARE (EPS)**		
	Earnings used in the calculation of basic and diluted EPS	9,823,804	10,334,810
	Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted EPS		
	Basic	9,457,481	9,457,481
	Diluted	9,517,481	9,487,481
	Earnings per share Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.		
5.	**INCOME TAX**		
	Income tax expense		
a)	Income tax expense	4,119,907	3,318,592
	Deferred tax	101,981	159,574
		4,221,888	**3,478,166**
	Deferred income tax expense included in the income tax expense comprises:		
	Decrease in deferred tax assets	98,276	159,574
	Increase in deferred tax liability	3,705	-
		101,981	**159,574**
b)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Profit before income tax expense	14,045,692	13,812,976
	Tax at the Australian tax rate of 30% (2017: 30%)	4,213,708	4,143,893
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Amortisation of intangibles	-	(35,132)
	Entertainment	14,725	15,576
	Legal expenses	12,261	31,262
	Over provision in prior years	(39,467)	(71,822)
	Capital losses utilised	-	(605,611)
	Equity accounted profits	(19,628)	-
	Share based payments	40,290	-
	Income tax expense	4,221,888	3,478,166
	Tax assets and (liabilities)		
c)	Current income tax:		
	Income tax (payable) receivable	(735,491)	82,805
d)	Deferred tax liabilities comprise:		
	Tax allowances related to property, plant and equipment	(87,440)	(83,735)
	Revaluation adjustments taken directly to equity	(1,732,650)	(1,732,650)
	Gross deferred tax liabilities	(1,820,090)	(1,816,385)
e)	Deferred tax assets comprise:		
	Provisions	461,496	427,376
	Intangible assets	1,128,516	1,160,412
	Other	177,520	278,020
	Gross deferred tax asset	1,767,532	1,865,808

		Consolidated 2018 $	Consolidated 2017 $
5.	**INCOME TAX** (continued)		
f)	Reconciliation:		
	Net non-current deferred tax (liability) asset	(52,558)	49,423
	The overall movement in deferred taxes is as follows:		
	Opening balance	49,423	185,565
	Charge to income statement	(101,981)	(159,574)
	Credit to equity	-	23,432
	Closing balance	**(52,558)**	**49,423**

Accounting Policy - Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or non-allowable items. It is calculated using tax rates that have been enacted or are substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be claimed.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the consolidated entity and its constituent member entities as applicable, will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The consolidated entity has implemented the tax consolidation regime.

		2018 $	2017 $
6.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	24,749,516	23,906,983
	Other receivables	269,429	302,639
		25,018,945	**24,209,622**

Accounting Policy – Receivables

Receivables are measured at amortised cost using the effective interest rate method, less provision for impairment. Any change in their value is recognised in profit and loss.

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Collectability of trade receivals is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receival may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future case flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effector of discounting is immaterial. No trade receivables were impaired in the current and comparative period.

		Consolidated 2018 $	Consolidated 2017 $
6.	**TRADE AND OTHER RECEIVABLES** (continued)		
	Accounting Policy - Goods and services tax Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.		
7.	**INVENTORIES**		
	Raw materials and stores	37,067,776	31,277,148
	Work in progress	2,326,816	2,768,698
	Finished goods	11,870,743	10,106,786
		51,265,335	**44,152,632**
	Cost of goods sold		
	Honey levies	480,117	420,327
	Other cost of goods sold	95,367,793	91,094,205
	Total cost of goods sold	**95,847,910**	**91,514,532**
	Accounting Policy - Inventories All inventories including work in progress are valued at the lower of cost and net realisable value. Cost includes direct materials, direct labour and an appropriate proportion of fixed and variable factory overhead expenditure. Overheads are applied on the basis of normal operating capacity.		
8.	**INVESTMENTS**		
	Investments are available-for-sale financial assets which comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments. These investments are carried at cost.		

Investments in Subsidiaries	**Country of Incorporation**	**Principle activity**	**Class of Share**	**2018 % holding**	**2017 % holding**
Investments are unlisted and comprise:-					
Honey Corporation of Australia Pty Ltd	Australia	Dormant	Ord	100	100
Capilano Apiaries Pty Ltd	Australia	Dormant	Ord	100	100

Accounting Policy - Investments

Business combinations occur when an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method. The business will be accounted for from the date that control is obtained, whereby the fair value of identifiable assets acquired and liabilities assumed is recognised.

All transactional costs incurred in relation to the business combination are expensed to the consolidated statement of profit or loss and other comprehensive income.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to or has rights to variable returns from its involvement with the entity and has the ability to effect those returns through its power to direct the activities of the entity.

8. INVESTMENTS (continued)

Investment and Transactions with Joint Venture Entities

	Consolidated	
Capilano Honey Limited also holds investments in the following joint ventures	2018 $	2017 $
Investments are unlisted and comprise:		
Medibee Apiaries Pty Ltd	600	600
Western Honey Supplies Pty Ltd	2,575,974	2,510,548
	2,576,574	**2,511,148**
These investments are accounted for using the equity method.		
Reconciliation of movement in investments:		
Opening balance	2,511,148	109,397
New investment	-	2,462,838
Share of profits (losses) or joint ventures accounted for using the equity method	65,426	(61,087)
Total investments	**2,576,574**	**2,511,148**

Medibee Apiaries Pty Ltd

Medibee Apiaries Pty Ltd is a 50/50 Joint Venture with global natural health products company Comvita Limited, formed to operate a number of Leptospermum honey producing apiaries in Australia to deliver premium honey for a range of medical and natural health products.

On 29 July 2016, Capilano's Manuka beekeeping assets were sold to Medibee Apiaries Pty Ltd for $9,225,000 resulting in a gain on disposal of $2,073,703.

There were no profits or losses accounted for under the equity method recognised during the period in relation to the Medibee Joint Venture.

Capilano Honey Limited and Comvita Limited have provided a guarantee and indemnity (limited to $7,500,000 each) as a security for a $15,160,000 bank facility provided to Medibee Apiaries Pty Ltd.

During the year, Capilano Honey Limited purchased honey amounting to $1,300,792 from Medibee Apiaries Pty Ltd. As at 30 June 2018, Capilano Honey Limited owed $7,897 to Medibee Apiaries Pty Ltd.

The consolidated entity provided a loan of $2,500,000 to Medibee Apiaries Pty Ltd to assist with the funding of that entity's operations. The loan is interest free with no fixed term of repayment.

Financial Performance and Position		
	2018 (un-audited) $	2017 (audited) $
Revenue	1,864,358	1,579,866
Expenses	2,477,540	1,767,289
Net loss	613,182	187,423
Current assets	1,589,211	1,790,600
Total assets	14,910,798	15,365,793
Current liabilities	10,710,201	15,550,653
Total liabilities	15,710,201	15,552,016

Western Honey Supplies Pty Ltd

On 7 July 2016, Capilano Honey Limited acquired 50% of the share capital in Western Honey Supplies Pty Ltd for a cash consideration of $2.5 million and established a 50/50 Joint Venture with Western Australia honey producer, Spurge Apiaries, to provide geographic diversity, secure supply and grow production.

Profit accounted for under the equity method in relation to the Western Honey Supplies Joint Venture amounted to $65,426 (2017 loss $61,087),

Capilano Honey Limited has provided an unlimited guarantee and indemnity as security for a $2,155,000 bank facility provided to Western Honey Supplies Pty Ltd.

During the year, Capilano Honey Limited purchased honey amounting to $1,532,010 from Western Honey Supplies Pty Ltd. As at 30 June 2018, Capilano Honey Limited owed $262,748 to Western Honey Supplies Pty Ltd.

Financial Performance and Position (audited)		
	2018 $	2017 $
Revenue	1,571,353	1,021,161
Expenses	1,438,500	1,143,334
Net profit (loss)	132,853	(122,173)
Current assets	886,546	548,137
Total assets	7,016,554	6,365,376
Current liabilities	1,982,247	1,455,062
Total liabilities	2,005,874	1,487,827

8. INVESTMENTS (continued)

Accounting Policy - Associates and Joint Ventures

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

		Consolidated	
		2018 $	2017 $
9.	**PROPERTY, PLANT AND EQUIPMENT**		
	Land and buildings		
	Freehold land – at valuation	5,990,000	5,990,000
	Buildings – at valuation	6,165,895	6,124,467
	Less: accumulated depreciation	(1,762,696)	(1,548,734)
	Total buildings	4,403,199	4,575,733
	Total land and buildings	**10,393,199**	**10,565,733**
	Plant and equipment		
	Cost	33,913,869	32,375,583
	Less: accumulated depreciation	(23,508,179)	(22,121,650)
	Less: accumulated impairment loss	(300,000)	(300,000)
	Total plant and equipment	**10,105,690**	**9,953,933**
	Motor vehicles		
	Cost	167,336	230,685
	Less: accumulated depreciation	(34,379)	(61,834)
	Total motor vehicles	**132,957**	**168,851**
	Capital work in progress	**24,473**	**547,854**
	Total property, plant and equipment	**20,656,319**	**21,236,371**
a)	**Reconciliations**		
	Reconciliations of the movements in carrying amounts for each class of property, plant and equipment are set out below:		
	Freehold land (level 2)		
	Carrying amount at beginning of year	5,990,000	5,990,000
	Carrying amount at end of year	**5,990,000**	**5,990,000**
	Buildings (level 2)		
	Carrying amount at beginning of year	4,575,733	4,663,477
	Additions	41,428	122,497
	Depreciation	(213,962)	(210,241)
	Carrying amount at end of year	**4,403,199**	**4,575,733**
	Plant and equipment		
	Carrying amount at beginning of year	9,953,933	9,402,800
	Additions	1,616,526	1,911,032
	Depreciation	(1,464,769)	(1,359,899)
	Carrying amount at end of year	**10,105,690**	**9,953,933**

		Consolidated	
		2018 $	2017 $
9.	PROPERTY, PLANT AND EQUIPMENT (continued)		
	Motor Vehicles		
	Carrying amount at beginning of year	168,851	239,582
	Additions	112,749	-
	Disposals	(119,942)	(40,635)
	Depreciation	(28,701)	(30,096)
	Carrying amount at end of year	**132,957**	**168,851**
	Capital works in progress		
	Carrying amount at beginning of year	547,854	1,203,719
	Net movement	(523,381)	(655,865)
	Carrying amount at end of year	**24,473**	**547,854**
b)	If land and buildings were stated at historical cost, amounts disclosed would be as follows:		
	Freehold land		
	Cost	797,400	797,400
	Buildings		
	Cost	9,348,518	9,307,090
	Less: accumulated depreciation	(4,469,784)	(4,236,681)
	Carrying amount at end of year	**4,878,734**	**5,070,409**

Accounting Policy - Property, plant and equipment

Land and buildings

Land and buildings are valued by directors at fair value (being the amount for which an asset could be exchanged between knowledgeable parties in an arm's length transaction), based on periodic valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the consolidated statement of profit or loss and other comprehensive income.

Plant and equipment

Plant and equipment is measured on the cost basis less accumulated depreciation and impairment losses.

The carrying value of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their net present values in determining recoverable amounts.

Depreciation

Depreciation is calculated so as to write off the net cost of each item of property, plant and equipment (excluding land) over its useful life. Additions are depreciated from the date they are installed ready for use.

The principal rates of depreciation in use are:-

Buildings	2.5 - 20.0%	prime cost
Plant and equipment	5.0 - 50.0%	prime cost
Plant and equipment	7.5 - 20.0%	reducing balances
Motor vehicles	12.5%	prime cost

Valuations

Independent valuation of the consolidated entity's freehold land and buildings was carried out in September 2015 on the basis of open market values for existing use. No adjustments arose from this valuation.

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value hierarchy

Fair value of the consolidated entity's assets and liabilities, measured or disclosed at fair value is determined using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: unobservable inputs for the asset or liability.

Land and buildings have been valued based on similar assets, location and market conditions.

Accounting Policy - Capital Work in Progress

Capital work in progress is recognised at cost. Costs may include both variable and fixed costs which are allocated on a reasonable basis. Capital work in progress is not depreciated until the assets are ready for use.

Accounting Policy - Impairment

At the end of each reporting period, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it's recoverable amount is expensed to the consolidated statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash generating unit. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

		Consolidated	
		2018 $	**2017 $**
10.	**TRADE, OTHER PAYABLES AND PROVISIONS**		
	Beekeeper creditors	9,160,775	11,384,042
	Other trade creditors	4,008,558	4,871,770
	Other creditors	3,347,922	3,866,221
	Employee entitlements	816,723	723,232
		17,333,978	**20,845,265**

Accounting Policy - Employment Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees services up to the reporting date and are measured at the amount expected to be paid when the liabilities are settled.

		2018 $	2017 $
11.	**BORROWINGS**		
	Short Term Borrowings		
	Secured		
	Debtor finance	**6,347,300**	**1,990,902**
	Long Term Borrowings		
	Secured		
	Commercial bills	**6,997,500**	**6,997,500**

Accounting Policy - Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income for the period in which they are incurred.

11.	**BORROWINGS** (continued)	2017 $	Cashflows	Non-Cash Changes	2018 $
	Reconciliation of liabilities arising from financing activities				
	Short Term Liabilities	1,990,902	4,356,398	-	6,347,300
	Long Term Liabilities	6,997,500	-	-	6,997,500
	Total Liabilities from financing activities	8,988,402	4,356,398	-	13,344,800

		Consolidated	
		2018 $	2017 $
12.	**SECURED BORROWINGS**		
	The trade finance, debtor finance and commercial bills amounting to $13,344,800 (2017: $8,988,402) are secured by a registered mortgage over all land and buildings and a fixed and floating charge over all the company's and controlled entities' assets and undertakings.		
13.	**FINANCING ARRANGEMENTS**		
	Total facilities		
	Unrestricted access was available at the end of the reporting period to the following lines of credit:		
	Multi-Option	10,500,000	10,500,000
	Debtor finance	13,500,000	13,500,000
		24,000,000	**24,000,000**
	Used at the end of the reporting period		
	Multi-Option		
	- Commercial Bill	6,997,500	6,997,500
	Debtor finance	6,347,300	1,990,902
		13,344,800	**8,988,402**
	Unused at the end of the reporting period		
	Multi-Option	3,502,500	3,502,500
	Debtor finance	7,152,700	11,509,098
		10,655,200	**15,011,598**
14.	**LONG TERM PROVISIONS**		
	Employee entitlements	498,513	400,013

Accounting Policy - Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching, as at the end of the reporting period, to corporate bond rate with terms to maturity that match, as closely as possible, the estimated future cash outflows.

		Consolidated Entity			
		No. of Shares	2018 $	No. of Shares	2017 $
15.	**ISSUED CAPITAL**				
a)	*Foundation Share*				
	Opening Balance	1	1	1	1
	Shares issued	-	-	-	-
	Closing Balance	**1**	**1**	**1**	**1**

The following amendments to the Constitution were approved at the Annual General Meeting held on 30 November 2009:

- The Foundation Share now ranks as an ordinary share with no special voting rights.
- The Foundation Shareholder may appoint two Beekeeper Directors to the Board of Directors.

		Consolidated Entity			
15.	**ISSUED CAPITAL** (continued)	**No. of Shares**	**2018 $**	**No. of Shares**	**2017 $**
b)	*Ordinary Shares*				
	Opening Balance	9,457,481	24,532,156	9,457,481	24,586,831
	Shares issued	-	-	-	-
	Capital raising costs (net of tax)	-	-	-	(54,675)
	Closing Balance	**9,457,481**	**24,532,156**	**9,457,481**	**24,532,156**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held, and have no par value.

c) **Share Options**

30,000 share options were issued during the year (2017 : 30,000 options). Refer note 18.

			Consolidated	
		Notes	**2018 $**	**2017 $**
d)	**Capital Management**			
	Management controls the capital of the group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensuring that the group can fund its operations and continue as a going concern. Management manages capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. A strategic goal has been to ensure that the group's gearing ratio remains below 75%.			
	Trade, other payables and provisions	10	17,333,978	20,845,265
	Short term borrowings	11	6,347,300	1,990,902
	Long term borrowings	11	6,997,500	6,997,500
	Total Borrowings		**30,678,778**	**29,833,667**
	Less: cash and cash equivalents		(1,909,134)	(1,192,711)
	Net debt		28,769,644	28,640,956
	Total equity		68,317,926	62,331,965
	Total capital		97,087,570	90,972,921
	Gearing ratio		**30%**	**31%**
16.	**DIVIDENDS**			
	A fully franked final dividend of 42 cents per ordinary share was declared on 20 June 2018 based on shares held at 30 June 2018.		3,972,142	-
	A fully franked final dividend of 40 cents per ordinary share was declared on 23 June 2017 based on shares held at 30 June 2017.		-	3,782,992
	Franking Credits			
	Franking credits available for subsequent financial years		9,438,309	7,020,538
	The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period and franking credits for unpaid income tax at 30 June 2018. **Accounting Policy - Dividends** Provision is made for the amount of any dividend declared, being appropriately authorised at the discretion of the entity, on or before the end of the reporting period but not distributed in the reporting period.			

		Consolidated	
		2018 $	2017 $
17.	CONTINGENT LIABILITIES		
	The directors are not aware of any significant contingent liabilities at the date of this report.		
18.	RESERVES		
	Share based payment	205,000	70,700
	Revaluation Surplus	4,042,851	4,042,851
		4,247,851	4,113,551
	The share based payment reserve is used to record the cost of equity-settled transactions over the vesting period. The revaluation surplus is used to record increments and decrements in the value of non-current assets		

Share Options Granted To Managing Director

	2018		2017	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Outstanding at beginning of year	30,000	$21.00	-	-
Granted	30,000	$15.85	30,000	$21.00
Outstanding at end of year	60,000	$18.43	30,000	$21.00
Exercisable at end of year	-	-	-	-

The options outstanding as at 30 June 2018 had an exercise price of $21.00 or $15.85, and a weighted average contractual life of 6.5 years.

2017 Options: During the Annual General Meeting at 18 November 2016, the shareholders voted to approve a Long Term Incentive Plan and issue of 30,000 options to purchase 30,000 Capilano shares to Dr Ben McKee (Managing Director). The vesting of the options granted to Dr McKee is subject to performance conditions based on the Company's relative total shareholder return (TSR) performance and average compound annual growth in the Company's earnings per Share (EPS) during the Performance Period (being the period from 1 July 2016 to 30 June 2019). The option has an exercise price of $21.00 per share and lapses on 30 June 2024. The value of the option as determined using a binominal valuation method is $212,100. No options had vested at 30 June 2017. The share-based payment expense (non cash) recognised during the year amounted to $70,700.

2018 Options: During the Annual General Meeting at 17 November 2017, the shareholders voted to approve a Long Term Incentive Plan and issue of 30,000 options to purchase 30,000 Capilano shares to Dr Ben McKee (Managing Director). The vesting of the options granted to Dr McKee is subject to performance conditions based on the Company's relative total shareholder return (TSR) performance and average compound annual growth in the Company's earnings per Share (EPS) during the Performance Period (being the period from 1 July 2017 to 30 June 2020). The option has an exercise price of $15.85 per share and lapses on 30 June 2025. The value of the option as determined using a binominal valuation method is $190,800. No options had vested at 30 June 2017. The share-based payment expense (non cash) recognised during the year amounted to $63,600.

The following table lists the inputs to the binomial option model used for the year ended 30 June 2018

	2018 Options	2017 Options
Share Price	$17.10	$18.10
Exercise Price	$15.85	$21.00
Expected Volatility	34.9%	44.7%
Option Life	2,782 days	2,402 days
Dividend yield	2.14%	2.81%
Risk free interest rate	3.45%	3.76%
Volatility is based mainly on historical data. Consideration has been given to the TSR performance obligations which are market based in determining the value of these options.		

18. RESERVES (continued)

Accounting Policy - Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative change to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

		Consolidated	
		2018 $	2017 $
19.	**COMMITMENTS**		
	Capital expenditure commitments		
	Contracted for but not provided for or payable at 30 June:		
	Not longer than one year	68,600	45,006
	Operating lease commitments		
	Future operating lease rentals not provided for in the financial statements or payable:		
	Not longer than one year	388,418	332,160
	Longer than one year but not longer than five years	1,415,205	159,335
		1,803,623	**491,495**
	Leases Leases where substantially all of the risks and rewards of ownership transfer to the consolidated entity are classified as finance leases. Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments including any residual values. Lease payments are allocated between the reduction of the lease liabilities and the lease interest expense for the period. Leases where substantially all of the risks and rewards are not transferred to the consolidated entity are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the period of the lease.		
20.	**AUDITOR'S REMUNERATION**		
	Remuneration of the auditor of the parent entity for:		
	▪ auditing or reviewing the financial statements	108,500	106,600
	▪ taxation services	10,250	13,100
	▪ other	-	5,182
		118,750	**124,882**
21.	**RELATED PARTIES**		
a)	**Directors and key management personnel remuneration:**		
	Short term employee benefits	2,009,252	1,524,990
	Post-employment benefits	157,597	146,325
	Share based payment	134,300	70,700
	Total director and key management personnel remuneration	**2,301,149**	**1,742,015**
	Directors who are apiarists trade with the company on the same trading conditions as other apiarists.		
b)	**Wholly Owned Group:** The wholly owned group consists of CZZ and its wholly owned controlled entities. Information relating to the controlled entities is set out in note 8.		

22. SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect of the following:

- the product sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customers for the products or services;
- the distribution method; and
- any external regulatory requirements.

Types of products and services by segment

- ***Domestic*** - Products sold to customers within Australia for Australian consumption or sale.
- ***Export*** - Products sold to customers outside Australia for consumption outside of Australia.

a)

	30 June 2018		
	Domestic $	Export $	Consolidated $
Segment Performance			
Sales revenue	114,880,084	23,432,251	138,312,335
Other revenue	94,149	109,874	204,023
Total segment revenue	**114,974,233**	**23,542,125**	**138,516,358**
Unallocated interest received			1,503
Total revenue			**138,517,861**
Other expenses	(22,669)		(22,669)
Unallocated expenses			(124,449,500)
Profit before income tax			**14,045,692**

	30 June 2017		
	Domestic $	Export $	Consolidated $
Segment Performance			
Sales revenue	110,584,667	22,471,430	133,056,097
Other revenue	87,446	-	87,446
Total segment revenue	**110,672,113**	**22,471,430**	**133,143,543**
Unallocated interest received			40
Total revenue			**133,143,583**
Other expenses	(70,448)	(157,221)	(227,669)
Unallocated expenses			(119,102,938)
Profit before income tax			**13,812,976**

b)

Segment Assets	Domestic $	Export $	Unallocated $	Consolidated $
30 June 2017	19,790,398	5,163,537	71,394,948	96,348,883
30 June 2018	19,185,757	7,448,185	77,620,711	104,255,653
Change in total assets	**(604,641)**	**2,284,648**	**6,225,763**	**7,906,770**

The increase in assets is mainly due to an increase in inventory of $7.1m.

c)

Segment Liabilities	Domestic $	Export $	Unallocated $	Consolidated $
30 June 2017	1,990,902	-	32,026,016	34,016,918
30 June 2018	6,347,300	-	29,590,427	35,937,727
Change in total liabilities	**4,356,398**	**-**	**(2,435,589)**	**1,920,809**

The increase in Group liabilities is mainly due to the increase in bank borrowings.

Notes to the Consolidated Financial Statements

		Consolidated 2018 $	Consolidated 2017 $
22.	**SEGMENT REPORTING** (continued)		
d)	**Change in identification of segments**		
	There have been no changes in operating segments since the previous year.		
e)	**Revenue by geographical region**		
	Australia	114,974,233	110,672,113
	Foreign countries	23,542,125	22,471,430
	Total revenue	**138,516,358**	**133,143,543**
	Revenue attributable to external customers is based on the location of the customer		
f)	**Assets by geographical region**		
	Australia	104,089,231	96,060,810
	Foreign countries	166,422	288,073
	Total assets	**104,255,653**	**96,348,883**
	The location of segment assets is by geographical location of the asset		
g)	**Major customers**		
	The Group has a number of customers to whom it provides products. The Group supplies ten major customers accounting for 75.2% of revenue (2017: 74%). The next most significant customer accounts for 1.12% of revenue (2017: 1.27%).		
	Two domestic customers account for 53% of total revenue. (2017: 52%)		

Accounting Policy

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amounts of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities exclude deferred income taxes.

Inter-segment Transfers

Segment revenues, expenses and results include transfers between segments at cost. Inter-segment loans payable and receivable are initially recognised at the consideration received / to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

		Consolidated 2018 $	Consolidated 2017 $
23.	**RECONCILIATION OF NET CASH GENERATED FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX**		
	Profit after income tax	9,823,804	10,334,810
	Depreciation	1,707,432	1,598,976
	Write off of debtors	-	421
	Share of (profit) loss in joint venture entity	(65,426)	61,087
	Share base payment	134,300	70,700
	Profit from sale of manuka beekeeping assets	-	(2,073,703)
	Loss on sale of property, plant and equipment	22,669	13,362
	Increase (decrease) in tax payable	818,296	(919,031)
	Increase in deferred tax balances	101,981	159,573
	Change in assets and liabilities		
	Decrease (increase) in assets		
	Trade debtors	(842,533)	(1,278,644)
	Other debtors	33,210	(169,869)
	Inventory	(7,112,703)	(5,359,919)
	Prepayments	84,825	(23,501)

		Consolidated	
		2018 $	2017 $
23.	**RECONCILIATION OF NET CASH GENERATED FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX (continued)**		
	Increase (decrease) in liabilities		
	Trade creditors	(863,212)	2,415,130
	Other creditors	(518,299)	(1,320,767)
	Beekeeper creditors	(2,223,267)	(966,330)
	Employee entitlements	191,991	87,364
	Net cash generated from operating activities	**1,293,068**	**2,629,659**

Accounting Policy - Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount within short-term borrowings in current liabilities on the Statement of Financial Position.

24. FINANCIAL INSTRUMENTS

Financial Risk Management

The consolidated entity's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, bills, leases and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for the consolidated entity's operations.

Derivatives are used by the consolidated entity for hedging purposes. Such instruments include forward exchange and currency option contracts for economic purposes. The consolidated entity does not speculate in the trading of derivative instruments.

The main risks the consolidated entity is exposed to through its financial instruments are foreign currency risk, interest rate risk, other price risk, liquidity risk and credit risk.

Foreign currency risk

The consolidated entity is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the consolidated entity's functional currency. Senior executives of the consolidated entity meet on a regular basis to analyse currency exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. Refer note 24(b) for further explanation.

Interest rate risk

The consolidated entity's main exposure to interest rate risk arises from its borrowings. Interest rate risk is managed with a mixture of fixed and floating debt. At 30 June 2018 approximately 100% of consolidated entity debt is floating (2017: 100%). Management continuously monitors the debt profile of the consolidated entity in the context of the most recent economic conditions.

Other price risk

The consolidated entity's exposure to other price risk arises from honey price fluctuations. Honey price risk is managed by using fixed published price lists, maintaining a geographically diverse group of suppliers, and contracted system of quotas.

Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Liquidity risk refers to the situation where the consolidated entity may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

Credit risk

Exposure to credit risk arises through bank deposits, trade and other receivables and potential non-performance by counterparties of contract obligations that could lead to a financial loss to the consolidated entity.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of such credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 to 60 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that management has otherwise assessed as being financially sound. Where the consolidated entity is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Sensitivity Analysis

The group has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and honey price risk at the end of the reporting period. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

		Consolidated	
		2018 $	2017 $
24.	**FINANCIAL INSTRUMENTS** (continued)		
a)	**Interest Rate Sensitivity Analysis** At 30 June, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:		
	Change in profit		
	increase in interest rate by 1% (2017 – 2%)	(112,000)	(265,000)
	decrease in interest rate by 1% (2017 – 2%)	112,000	265,000
	Change in equity		
	increase in interest rate by 1% (2017 – 2%)	(112,000)	(265,000)
	decrease in interest rate by 1% (2017 – 2%)	112,000	265,000
b)	**Foreign Currency Risk Sensitivity Analysis** At 30 June, the effect on profit and equity as a result of changes in receivables following changes in the value of the Australian Dollar to foreign currencies, with all other variables remaining constant would be as follows:		
	Change in profit		
	increase in AUD:USD rate by 10%	(230,000)	(134,000)
	increase in AUD:CAD rate by 10%	(53,000)	(64,000)
	increase in AUD:EUR rate by 10%	(4,000)	(8,000)
	increase in AUD:CNY rate by 10%	(10,000)	(5,000)
	decrease in AUD:USD rate by 10%	281,000	164,000
	decrease in AUD:CAD rate by 10%	65,000	78,000
	decrease in AUD:EUR rate by 10%	5,000	10,000
	decrease in AUD:CNY rate by 10%	12,000	6,000
	Change in equity		
	increase in AUD:USD rate by 10%	(230,000)	(134,000)
	increase in AUD:CAD rate by 10%	(53,000)	(64,000)
	increase in AUD:EUR rate by 10%	(4,000)	(8,000)
	increase in AUD:CNY rate by 10%	(10,000)	(5,000)
	decrease in AUD:USD rate by 10%	281,000	164,000
	decrease in AUD:CAD rate by 10%	65,000	78,000
	decrease in AUD:EUR rate by 10%	5,000	10,000
	decrease in AUD:CNY rate by 10%	12,000	6,000
c)	**Honey Price Sensitivity Analysis** At 30 June, the effect on profit and equity as a result of changes in the purchase price of futured honey already delivered, with all other variables remaining constant would be as follows		
	Change in profit		
	increase in honey purchase price of 10%	(834,000)	(1,127,000)
	decrease in honey purchase price of 10%	834,000	1,127,000
	Change in equity		
	increase in honey purchase price of 10%	(834,000)	(1,127,000)
	decrease in honey purchase price of 10%	834,000	1,127,000

24. FINANCIAL INSTRUMENTS (continued)

d) **Financial Instruments**

i) Derivative Financial Instruments

Derivative financial instruments are used by the consolidated entity to hedge exposure to exchange risk associated with foreign currency transactions for economic purposes. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Forward exchange contracts

The consolidated entity enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the consolidated entity against unfavourable exchange rate movements for both contracted and anticipated future sales and purchases undertaken in foreign currencies.

At the end of the period, there were no outstanding forward exchange contracts in respect of the consolidated entity (2017: Nil).

Foreign currency options

From time to time the consolidated entity enters into arrangements with options to sell US dollars and buy Australian dollars. These options provide a guaranteed rate for settlement which is more favourable at the time of booking than the standard forward outright rate. A contingency obliges the company to deal further options at a contingent rate should the spot rate fall below the contingent rate.

At the end of the reporting period, the consolidated entity had nil currency options (2017: nil). The net unrealised loss on the foreign currency contracts and options at 30 June 2018 amounted to nil.

ii) Net Fair Values

The net fair values of:

a) other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

b) forward exchange contracts are the recognised unrealised gain or loss at the end of the reporting period determined from the current forward exchange rates for contracts with similar maturities.

c) other assets and liabilities approximate their carrying values.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than forward exchange contracts and foreign currency options.

iii) Liquidity Risk

The consolidated entity's exposure to liquidity risk is as follows:

	2018					
	Weighted Average Interest Rate	**Floating Interest Rate**	**Fixed Interest maturing in less than 1 year**	**Fixed Interest maturing in 1 - 5 years**	**Non-interest Bearing maturing in less than1 year**	**Total**
		$	$	$	$	$
Financial assets						
Cash	-	1,905,251	-	-	3,883	1,909,134
Receivables	-	-	-	-	25,018,945	25,018,945
Other loan	-	-	-	-	2,500,000	2,500,000
Total financial assets		**1,905,251**	**-**	**-**	**27,522,828**	**29,428,079**
Financial liabilities						
Commercial bills	2.89%	6,997,500	-	-	-	6,997,500
Beekeeper creditors	2.00%	370,000	-	-	8,790,775	9,160,775
Overdraft and debtor finance	3.40%	6,347,300	-	-	-	6,347,300
Trade & sundry creditors	-	-	-	-	7,356,480	7,356,480
Total financial liabilities		**13,714,800**	**-**	**-**	**16,147,255**	**29,862,055**

24. FINANCIAL INSTRUMENTS (continued)

	2017					
	Weighted Average Interest Rate	Floating Interest Rate $	Fixed Interest maturing in less than 1 year $	Fixed Interest maturing in 1 - 5 years $	Non-interest Bearing maturing in less than1 year $	Total $
Financial assets						
Cash	-	1,187,046	-	-	5,665	1,192,711
Receivables	-	-	-	-	24,209,622	24,209,622
Other loan	-	-	-	-	2,500,000	2,500,000
Total financial assets	-	**1,187,046**	**-**	**-**	**26,715,287**	**27,902,333**
Financial liabilities						
Commercial bills	2.67%	6,997,500	-	-	-	6,997,500
Beekeeper creditors	2.00%	821,879	-	-	10,562,163	11,384,042
Overdraft and debtor finance	3.12%	1,990,902	-	-	-	1,990,902
Trade & sundry creditors	-	-	-	-	8,737,991	8,737,991
Total financial liabilities		**9,810,281**	**-**	**-**	**19,300,154**	**29,110,435**

Other than that disclosed in Note 11 commercial bills and bank loans are expected to mature between 1-5 years.

iv) Credit Risk

The consolidated entity's exposure to credit risk is as follows:

	Gross Amount $	Past due and impaired >120 days $	Past due but not impaired (days overdue) 1-30 $	>30 $	Within initial trade terms $
2018					
Trade receivables	24,749,516	-	1,058,147	81,379	23,609,990
Other receivables	269,429	-	-	-	269,429
Provision for impairment	-	-	-	-	-
Loan – Medibee Apiaries Pty Ltd	2,500,000	-	-	2,500,000	-
Total	**27,518,945**	**-**	**1,058,147**	**2,581,379**	**23,879,419**
2017					
Trade receivables	23,906,983	-	793,736	675,469	22,437,778
Other receivables	302,639	-	-	-	302,639
Provision for impairment	-	-	-	-	-
Loan – Medibee Apiaries Pty Ltd	2,500,000	-	-	2,500,000	-
Total	**26,709,622**	**-**	**793,736**	**3,175,469**	**22,740,417**

Accounting Policy - Financial instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB 139: Financial Instruments: Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

24. FINANCIAL INSTRUMENTS (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the consolidated statement of profit or loss and other comprehensive income unless they are designated as hedges.

Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Subsequent increases in value are recognised directly in equity.

25. PARENT ENTITY INFORMATION

	2018 $	2017 $
Net profit attributable to members of CZZ	9,823,804	8,160,498
Total comprehensive income for the year attributable to members of CZZ	**9,823,804**	**8,160,498**
Current assets	78,308,485	69,833,930
Total assets	**104,255,653**	**100,516,310**
Current liabilities	28,441,714	26,646,187
Total liabilities	**35,937,727**	**40,140,553**
Issued capital	24,532,157	24,532,157
Revaluation surplus	4,042,851	4,042,851
Share based payments reserve	205,000	70,700
Retained earnings	39,537,918	31,730,049
Total equity	**68,317,926**	**60,375,757**
Capital expenditure commitments not provided for in the financial statements	68,600	45,006
Future operating leases not provided for in the financial statements	1,803,623	491,495

26. STANDARDS ISSUED BUT NOT YET EFFECTIVE

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

- AASB 9 Financial Instruments (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2018).

  AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

  The changes made to accounting requirements by these standards include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances.
  - simplifying the requirements for embedded derivatives.
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

26. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's won credit risk to be presented in other comprehensive income.
- requirements for impairment of financial assets.

Based on the financial instruments held, this standard will have minimal impact to the Company.

- AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Effective Date of AASB 15 and AASB 2016-3 Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018).

  AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and the related Interpretations on revenue recognition.

  AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

  AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

  The Company has reviewed its contracts with customers and the impact of this standard is minimal as volume rebates are already deducted from revenue.

- AASB 16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

  AASB 16 introduces a single lessee accounting model that requires all leases to be accounted for on balance sheet. A lessee will be required to recognise an asset representing the right to use the underlying asset during the lease term (ie right-of-use asset) and a liability to make lease payments (ie lease liability). Two exemptions are available for leases with a term less than 12 months or if the underlying asset is of low value.

  The lessor accounting requirements are substantially the same as in AASB 117. Lessors will therefore continue to classify leases as either operating or finance leases.

  AASB 16 will replace AASB 117 Leases, Interpretation 4 Determining Whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  Based on the current leases that the Company has, additional property, plant and equipment amounting to approximately $1.67m will need to be accounted for on balance sheet.

The Company does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

27. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

On 13 August 2018, Capilano Honey Limited (**CZZ**) entered into a Scheme Implementation Agreement with Bravo HoldCo Pty Ltd, owned by Wattle Hill RHC Fund 1 and ROC Capital Pty Ltd under which it is proposed that 100% of CZZ's shares will be acquired by way of a scheme of arrangement (**Scheme**). Under this Scheme, the CZZ shareholders who elect cash consideration will receive $20.06 per share. As an alternative to cash consideration, the CZZ shareholders will instead be able to elect scrip and there is an offer to subscribe for an additional 0.5 shares for each CZZ share held.

The Scheme is subject to a number of conditions including CZZ shareholder and court approval. For further information, see ASX announcement made by CZZ on 13 August 2018.

Capilano Honey Limited is listed on the Australian Securities Exchange using the ticker code 'CZZ'.

a) **Classes of Shares**

There is one Foundation Share on issue, which is held by Capilano Beekeepers Ltd. All other shares are ordinary shares in the company.

b) **Voting Rights**

Ordinary Shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the company.

The Foundation Share ranks as an ordinary share with no special voting rights, however, the Foundation Shareholder may appoint two Beekeeper Directors to the Board of Directors.

c) **Distribution of Shareholdings**

The number of shareholders, by size of holding are:	Foundation Share		Ordinary Shares		
	Number of Holders	**Number of Shares**	**Number of Holders**	**Number of Shares**	**Percentage (shares)**
100,001 and Over			6	3,221,376	34.06
50,001 to 100,000			4	259,349	2.74
10,001 to 50,000			91	1,733,112	18.33
5,001 to 10,000			160	1,137,802	12.03
1,001 to 5,000			918	2,088,364	22.08
1 to 1,000	1	1	3,110	1,017,478	10.76
Totals	**1**	**1**	**4,289**	**9,457,481**	**100.00**
Unmarketable parcels			197	3,127	0.03

d) **Twenty largest shareholders**

	The names of the twenty largest holders of quoted shares are:	Top 20 Shareholders	
		Number of Ordinary Shares	**Percentage of Ordinary Shares**
1	Wroxby Pty Ltd [1]	1,948,689	20.60
2	Citicorp Nominees Pty Limited	446,729	4.72
3	HSBC Custody Nominees (Australia) Limited	301,009	3.18
4	National Nominees Limited	240,692	2.54
5	J P Morgan Nominees Australia Limited	181,216	1.92
6	UBS Nominees Pty Ltd	103,041	1.09
7	Amore Foods Pty Ltd	88,744	0.94
8	Mr Enrico Albertani & Ms Alison Woodbury <Forest Wild Honey>	60,735	0.64
9	Dr Benjamin A Mckee & Mrs Sophie M Mckee <B A Mckee Super Fund A/C>	55,530	0.59
10	Neweconomy Com Au Nominees Pty Limited <900 Account>	54,340	0.57
11	Mr Cain William Treanor	48,285	0.51
12	Muirhead Electrical Pty Ltd	47,740	0.50
13	Mr Peter McDonald	41,768	0.44
14	BNP Paribas Noms Pty Ltd <DRP>	41,296	0.44
15	UBS Nominees Pty Ltd	40,568	0.43
16	Simpkins Apiaries Pty Ltd	40,128	0.42
17	Great D Pty Ltd <Great D Super Fund A/C>	40,000	0.42
18	True Colour Advertisement Pty Ltd <The Chen Family A/C>	39,960	0.42
19	Mr Peter Roy Barnes	37,520	0.40
20	Mr Jonathan William Williams & Mrs Maxine Alice Williams	37,000	0.39
	Note:1 - Substantial Shareholder	**3,894,990**	**41.18**

e) **Company Secretary** - Mrs Annette Zbasnik

f) **Registered Office** - 399 Archerfield Road, Richlands Qld 4077. Telephone (07) 3712 8282

g) **Register of Securities** - The Register of Securities is held at Link Market Services, Level 21, 10 Eagle Street, Brisbane Q 4000. Ph: 1300 554 474 or from outside Australia on +61 1300 554 474

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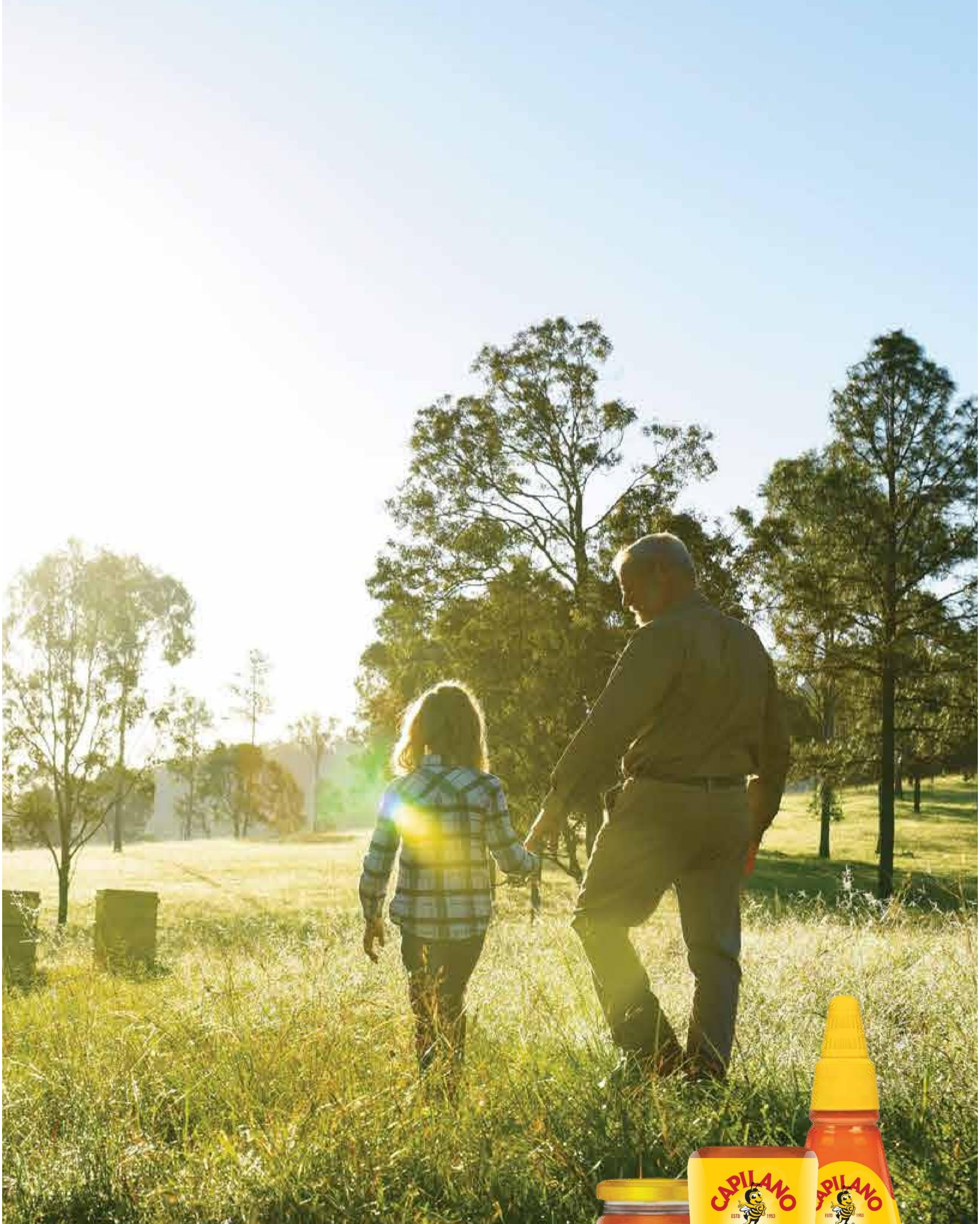
Website	www.capilanohoney.com.au
Capilano Group of Companies	Capilano Honey Limited
	Capilano Beekeepers Ltd
	Capilano Apiaries Pty Ltd
	Honey Corporation of Australia Pty Ltd
Joint Ventures	Medibee Apiaries Pty Ltd
	Western Honey Supplies Pty Ltd
Bankers	HSBC Bank Australia Limited
Auditors	William Buck (Qld)
Share Register	Link Market Services



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