



ABN: 55 009 686 435

Appendix 4E  
**Preliminary Final Report**

Listing Rule 4.3A

**Capilano Honey Limited  
and its Controlled Entities**

ABN: 55 009 686 435

**Reporting Period:** 1 July 2013 - 30 June 2014

**Prior Corresponding Period:** 1 July 2012 - 30 June 2013

**1. RESULTS FOR ANNOUNCEMENT TO THE MARKET****\$A'000**

a) Revenue from ordinary activities	up / <del>down</del>	19.18%	to	86,003
	up / <del>down</del>	\$13,843	to	86,003
b) Profit (loss) from ordinary activities after tax attributable to members	up / <del>down</del>	34%	to	4,619
	up / <del>down</del>	\$1,172	to	4,619
c) Net Profit (loss) for the period attributable to members	up / <del>down</del>	34%	to	4,619
	up / <del>down</del>	\$1,172	to	4,619
d) Dividends				
Final				20¢
Franking Rate applicable				100%
Record Date for determining final Dividend				30 June 2014
Interim				-
Franking Rate applicable				-
Record Date for determining interim Dividend				-

**2. REVIEW OF OPERATIONS**

Please refer to attached 'Managing Director's Review of Operations'

**3. NET TANGIBLE ASSETS**

Net tangible asset backing per ordinary share:

Reporting Period	\$3.35
Prior Corresponding Period	\$3.06

**4. DIVIDEND REINVESTMENT PLANS**

There was no dividend reinvestment plan in operation during the financial year.

**5. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST**

There have been no changes to the group during the current period.

**6. DETAILS OF ASSOCIATES & JOINT VENTURES**

The joint venture with New Zealand Manuka did not trade during the year ended 30 June 2014.

**7. AUDIT REPORT**

The accounts have been audited. Please refer to 'Audit Report' on page 29 of the attached Financial & Statutory Reports.



Signed: ..... Dated: 24 JULY 2014  
DIRECTOR / COMPANY SECRETARY

Print Name: DIRK KEMP

**Attachment:** Financial & Statutory Reports for Capilano Honey Limited and its controlled entities for year ended 30 June 2014



# ANNUAL REPORT 2014







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**CAPILANO**



SUPPLIED BY  
**500**  
AUSTRALIAN  
BEEKEEPING  
FAMILIES!

100% PURE AUSTRALIAN

**Honey**

500g NET



# CHAIRMAN'S REPORT



It is pleasing to once again report that Capilano has completed a very successful year with a significant increase in both sales and profit.

The most notable issues during the year have been a shortage of supply due to low honey production nationally, and the successful and profitable integration into the business of the Western Australian honey packing and marketing operation, Wescobee, that was acquired towards the end of last financial year.

## Results

A net profit after tax of \$4.61m for this financial year is a very good result, being a 34% improvement over the previous year and continues to build on the increases seen over the last few years.

This year's EBITDA of \$9.05m is also an increase over last year's good result of \$7.76m.

A fully franked dividend of 20 cent per share, comprising the 15 cent 'normal' dividend plus a 5 cent special dividend to reflect the improved performance, was declared in June based on this year's results and paid to shareholders on 25 July 2014.

## Honey Supply

Beekeepers throughout the country have had a difficult season for honey production that has resulted in lower than normal production nationally; the increased competition for the limited supply has seen an escalation in the cost to Capilano for the honey we have acquired. Fortunately Management have been successful in obtaining corresponding increases in wholesale prices for our products that has maintained a reasonable level of profitability for Capilano.

It has been the first time for many years that we have seen a meaningful increase in the wholesale price and we hope to be able to maintain most of these as production comes back to normal next season, providing us with the opportunity to give beekeepers a much needed incentive to stay in production.

Changes in sales mix to reduce the number of lower margin large retail packs has also allowed the company to maintain returns from the limited amount of honey available.

It has been and continues to be our policy to only use 100% Australian honey in our Capilano branded Australian retail products.

## Significant Events

Wescobee, the major West Australian honey company that was acquired near the end of the previous financial year has now been successfully and seamlessly integrated into Capilano and continues to contribute to the whole business, meeting and in some cases exceeding our original expectation.

## Looking Forward

Hopefully the next honey season beginning this spring will see more favourable conditions for honey production, that will result in more honey available to meet the demand for this great product and allow Capilano to take better advantage of the sales opportunities that exist worldwide.

Capilano continues to strive for increased efficiencies within the core business to meet our aim of being the most efficient low cost participant in the category. While the fire that destroyed much of shed two in Richlands in late 2012 created some disruption, we have been able to use the rebuilding to modify the operation to make it more efficient and streamlined. The insurance pay back for the fire has now been completed and we currently retain some of that money to further improve the decanting of raw honey.

The Sales and Marketing team have done a great job working with our major customers to improve the offering we have available for consumers and to maintain the returns achieved. Capilano has always had a large share of the category but we have seen that market share increase even further over the past year.

New products like, premium seasonal honey and pot set honey, continue to be introduced to maintain consumers interest in the product and to attract new or lapsed users back to consuming honey.

During the past year shareholders have been rewarded with a steady increase in the traded price for the shares they hold in the company, hopefully with further good results and with those for the full year included in this report, that momentum can be maintained.

## Our People

The outcomes and results accomplished during the past year can only be achieved if everybody in the Capilano team are working hard and working together.

I would like to take this opportunity to thank everyone at Capilano for a great year and I am very proud to be part of the team.

Management and Staff have done an outstanding job of operating the business through a difficult year with only limited honey available.

My thanks and appreciation also goes to the other members of the Board who have worked very well together to further the development of Capilano and protecting the interests of all its stakeholders.

Finally to all the beekeepers who supply Capilano, we hope for a better new season for them and a more profitable future.

Trevor Morgan  
Chairman







## BOARD OF DIRECTORS



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### ● **Mr Trevor R Morgan, FAICD** **Chairman, Non-Executive Director, Commercial Apiarist**

Age 59

Appointed and elected Director 1998, then Deputy Chairman 2004, and Chairman in 2005

Mr Morgan is a second generation beekeeper with over 30 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.



### ● **Dr Benjamin A McKee, B.Agric.Sci (Hons), PhD, GAICD**

**Managing Director**

Age 38

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 10 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. Previously, Dr McKee worked with the University of Melbourne and within the Victorian Department of Primary Industries, as well as managing his own commercial beekeeping enterprise.



### ● **Mr Phillip F McHugh, MAICD**

**Deputy Chairman, Non-Executive Director, Commercial Apiarist**

Age 57

Elected Director 1993, Deputy Chairman 2007

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



### ● **Mr Simon L Tregoning, B.Com**

**Independent Non-Executive Director**

Age 66

Appointed Director 2006

Mr Tregoning is also a director of GrainCorp. 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.

(FMCG – fast moving consumer goods)



### ● **Mr Robert N Newey, GAICD**

**Non-Executive Director**

Age 55

Appointed Director 2012

Mr Newey is also a director of Bakers Delight Holdings Ltd, Saleslink Australasia Pty Ltd, Modern Baking Holdings Pty Ltd, Foodbank Queensland Limited and Aware Environmental Ltd. 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, member of the senior manager group of Woolworths.

## MANAGING DIRECTOR'S REVIEW OF OPERATIONS



For the financial year 2014, we are pleased to report a net profit after tax of \$4,619,011, which is an improvement of \$1,172,407 (34%) on last year's result of \$3,446,604.

The financial and accounting impacts of the factory fire we suffered in 2012 have ceased following our settlement of all insurance claims, as is described in this year's result. The net gains as a consequence of the difference between the book value of assets written-off and the insured value of these assets totalled \$772k in 2012/13 and \$1,406k this financial year 2013/14.

It is pleasing to deliver a continuing improvement in the key segments of the underlying business, despite the abnormally low domestic honey supply conditions experienced this season. This year has been one of the worst production seasons for our beekeepers, with increasing raw honey prices paid to help reduce the impact and best reflect a rising market price resulting from limited supply.

Despite the bad domestic supply conditions, we have ensured that our flagship Capilano Brand has remained 100% Australian honey within all Australian markets, which has been a priority for us. Capilano's Operations and Sales Departments have effectively managed a very controlled production and distribution plan to achieve this. The international honey market has remained strong, with the low domestic Australian crop limiting our capacity to capitalise on this. The importation of honey to Australia has been a necessary reality in order to service our customers during times of low local supply. Capilano has well established import supply chains with competent international partners of some scale and we import honey under strict quality conditions that we have upheld at all times.

Increasing costs of doing business and raw materials remain a challenge, especially as honey packers compete for little remaining honey from last season. The good news is that a new season will begin in spring and we are hoping for a much greater production of honey, as we are confident we can find sustainable and profitable sales markets. Wholesale sales prices for retail honey have had to increase for the first time in many years, with these increases effectively implemented throughout all segments of the business.

### Performance Summary

The 2014 financial year is characterised by the continuation of controlled organic growth in-conjunction with an improving sales mix performance as set out in Table 1.

The 2014 performance includes the impacts of:

- A revenue increase of \$13.8m (19%) as domestic and export retail sales grew, with expenses as a percentage of sales remaining consistent;
- EBIT improvement of 21.0%;
- Earnings per share increase of 13.8¢ (34%) to 54.2¢;
- Notable insurance gains on assets written-off as a consequence of the fire;
- An asset impairment write-off of \$300k is included as we re-focus product range and operations;
- Operating cash flow increased substantially as we received net gains in insurance claims and reduced carrying inventory, as well as improved profit;
- Incoming cash flows were used to decrease borrowings some \$7.60m, leading to a 52.7% reduction in net debt this year to a new low of \$7.59m;
- A tax expense of \$1.87m this year, compared with \$1.55m last year. Due to existing tax credits only tax of \$66k was paid this financial year, resulting in the utilisation of all tax credits;
- The much desired modest weakening in the Australian dollar has been offset by increased import purchases of honey leading to a natural hedge on currency for the business.

The statement of financial position remains strong with net assets increasing by \$1.63m (6.0%) this year, as we have continued to use a larger operating cash flow to pay down debt. Inventory levels have dropped substantially with a decreased domestic crop, as our incoming raw materials are being packed and distributed swiftly to support a high sales demand.

This year the dividend payout was increased from 15 cents to 20 cents per share and was declared on 18 June 2014 for payment to eligible shareholders on 25 July 2014. A provision for this dividend is included in current liabilities.

<b>Table 1</b>	<b>(\$,000's)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Revenue		67,779	72,160	86,003
Earnings before Interest & Tax (EBIT)		4,684	5,903	7,140
EBIT Depreciation & Amortisation (EBITDA)		6,455	7,762	9,054
Net Profit before tax (NPBT)		3,674	4,995	6,490
Net Profit after tax (NPAT)		2,553	3,447	4,619
Operating Cash Flow		1,457	3,244	11,801
Net Debt		13,425	16,053	7,593
Net Assets		23,500	26,947	28,583
Current Ratio (Current Assets/Current Liabilities)		2.29	2.73	2.26
Debt (Total Liabilities / Total Assets)		49.4%	50.7%	42.5%
Interest Cover (EBITDA/ Interest)		6.4x	8.5x	13.9x



## MANAGING DIRECTOR'S REVIEW OF OPERATIONS



### Operations & Honey Supply

This year's operational efforts have been positioned around managing our raw honey inputs with the delivery of product to meet our customers' needs. The supply of honey from Western Australia (WA) again helped bolster a reduced national crop, but was principally consumed in meeting the existing needs of our packing operations at the WA plant.

Honey supply was adversely affected by a continued lack of rain, untimely weather events during key production times and extreme heat-wave conditions that affected honey bee colony health and vitality. The adequate supply of honey remains an on-going issue; however we have increased our supplier base as we endeavour to improve supply and to be the beekeepers' number one choice when selling. Removing the requirement for beekeepers to own shares when they have a contractual supply agreement with Capilano was aimed at minimising their capital expense, preferably so that they can best invest in their own businesses.

Capilano continues to support industry functions and Associations and their interactions with government, focussing chiefly on the biosecurity challenges this industry faces. The recent Senate Inquiry into the *'Future of the beekeeping and pollination service industries in Australia'* has this month reported recommendations to government and we will assist lobbying for action, to best protect and strengthen our industry.

Food safety quality systems and factory operations in both our packing plants in Queensland and WA have been upgraded and were recently independently audited and awarded the prestigious 'A rating' under the BRC quality assurance system. This has been the culmination of a concerted effort to achieve the best possible rating, which illustrates to our customers and consumers that we meet the world's best practice when it comes to quality systems and quality control.

The unrelenting pursuit of automation and efficiency gains in our operations remain, as we strive to be the lowest cost manufacturer in what is an expensive manufacturing environment in Australia. This year we will invest in the upgrade of our second major packing line to improve our product range, efficiencies, labour costs and to allow for a greater flexibility in packing so we can better respond to an increased retail demand. In addition, we will alter our processing capability to better suit the delivery of high value honeys.



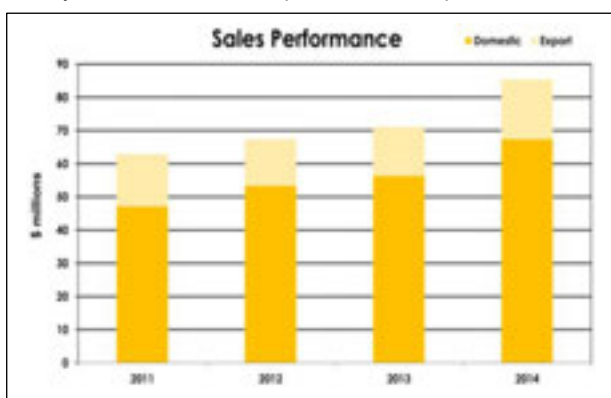


## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

### Sales & Marketing

Consumer demand for our natural products remains strong as we continue to focus on the marketing of our key Brands.

The Australian supermarket retail category hit a new high of \$113.3m (MAT\* to 29 June 2014), an increase of 7% over the prior year. Consumption of honey by consumers has remained steady at 10,009 tonnes, despite increases in price.

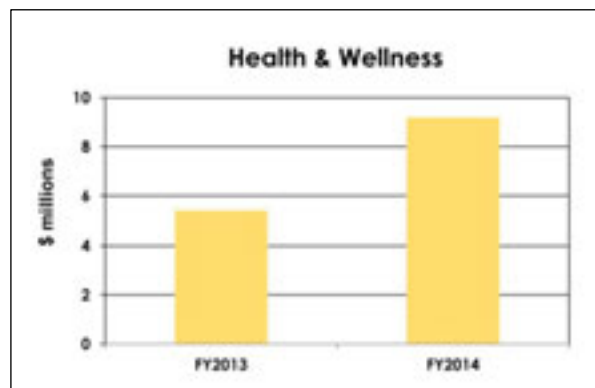
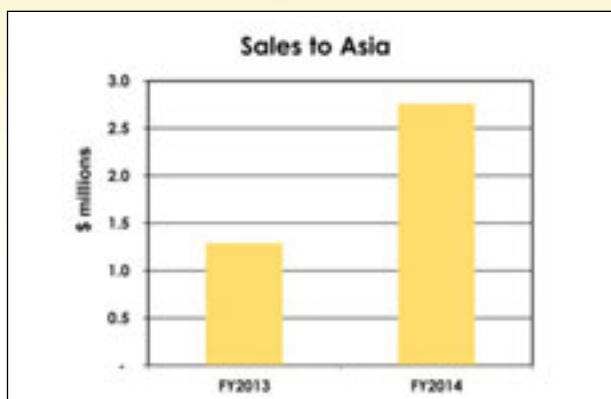


Capilano's Brand market share was 49.4% (MAT to 29 June 2014), up from 47.7% the prior year. This does not include the market share of our other Brands on the market such as Wescobee, Allowrie, Barnes, BeeVital and Smiths.

This year we have made considerable changes to better our sales mix by reducing lower margin large retail pack sales and increasing sales of core 'family focused' retail lines. New premium products have also been launched including pot set honey, seasonal selection glass jars and higher grade honeys. The culmination of the sales mix change has seen a 30% increase in \$ per kg for product sold on shelf through supermarkets (QTR to 29 June 2014).

Capilano's sales performance shows:

- Domestic sales increasing by 19.4%;
- Export sales increasing by 22%;
- Strong growth (69%) in higher value 'Health & Wellness' segments;
- A doubling of sales (114%) into Asia.



We will increase our focus on 'Health & Wellness' segments over the coming year. In June 2014 we launched Barnes Naturals, a dedicated health brand targeting the health food and pharmacy sector. This is a new sales channel for Capilano and initial sales have surpassed our expectations.

There is equity in the Brand 'Australia' as a consequence of the nation's competency in producing quality agricultural products in unpolluted and native environments, with accompanying high standards of food manufacture. Capilano hopes to leverage this further as we widen distribution and develop market penetration strategies for the increasing distribution of our products into Asia. Recent supply shortages have limited our capacity, but has enabled us to best research the market and the opportunities for our premium products.

China remains an important opportunity for Australian honey and we have continued to understand the market, distribution channels and retailer strategies.

Increasing scientific outcomes and consumer appreciation of the health benefits of honey is becoming more and more evident. Capilano will this year invest further in university scientific research projects so as to better illustrate the health and well-being benefits of the consumption of honey, utilising independent scientific data. We will focus our efforts on the better education of consumers with respect to premium antibacterial honeys and their related health benefits.



\* MAT - Moving Annual Total



# MANAGING DIRECTOR'S REVIEW OF OPERATIONS



## ● Outlook

Capilano has retained and strengthened its position as market leader in the honey category, whilst also improving the size of our export business. Our product is aligned with compelling consumer trends to eat natural unprocessed foods and we see a great future as we educate consumers further on the benefits of honey and its organic provenance.

The on-going business focus on cash generation will remain, which will be used to pay down debt and to build markets and inventory wherever possible. Capilano is in a good position to respond to current supply and market conditions. Currently, we have no active mergers and acquisitions, however, will remain informed of opportunities that present themselves to deliver growth and improved profitability for the company. A key pillar of our growth strategy is to be unrelenting in our pursuit of Australian honey supply, new beekeepers and better access to resources for our contracted loyal beekeeper suppliers. Our relationship with the beekeepers who supply us remains a significant priority.

This year's result was again consistent with the improving financial performance of the last 4 years, including growth on last year's record earnings.

Our strong performance under intense circumstances was a credit to our Management team. I am very proud of the team and fortunate to work with a very competent Management and Board.

Against a background of higher input costs and lower domestic honey supply we will continue to make our products as cost competitive as we can. We will preserve our focus on quality and service and will look to deliver new innovations to our range.

I wish to thank all of our loyal suppliers and staff for their support this year.

A handwritten signature in black ink, appearing to read 'Ben McKee'.

Ben McKee  
Managing Director







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## FINANCIAL STATEMENTS

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## 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 2014.

### Directors

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

- Phillip F McHugh, *Deputy Chairman*
- Benjamin A McKee, *Managing Director*
- Trevor R Morgan, *Chairman*
- Robert N Newey, *Non-Executive Director*
- Simon L Tregoning, *Independent Director*

### 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 \$4,619,011 (2013: \$3,446,604).

### Distributions

On 18 June 2014 the directors declared a fully franked ordinary dividend of 15 cents per share, plus a fully franked special dividend of 5 cents per share amounting to \$1,704,039.60.

The final dividend is payable on ordinary shares held at 30 June 2014 and paid on 25 July 2014.

### Review of Operations

Revenue of \$86,003,491 for the consolidated entity was \$13,843,095 above the previous year's result. The increase in the consolidated revenue was a result of increased volumes in domestic and export retail markets, as well as non-honey sales. The sales increase also includes sales from the acquired company (Wescobee) for a full financial year.

Refer to the Review of Operations on pages 4 - 7 for further information.

### Matters Subsequent to the End of the Financial Year

There is at the date of this report no matter or circumstance which has arisen since 30 June 2014 that has significantly affected or may significantly affect:

- a) the operations of the consolidated entity;
- b) the results of those operations; or
- c) the state of affairs of the consolidated entity in financial years subsequent to 30 June 2014.

### Significant Changes

There was 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 on 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.





# REPORT OF THE DIRECTORS



## Information on Directors

	Qualifications/ Experience	Special Responsibilities	Shares held in Parent entity
Phillip Francis <b>McHUGH</b>	Commercial apiarist Director since 1993  <u>Deputy Chairman</u> since 2007	Non-Executive <u>Deputy Chairman</u> of Capilano Honey Limited. Chairman of the Honey Supply & Industry Committee and a Member of the Audit & Compliance, Human Resource & Remuneration and Nomination Committees.  Deputy Chairman of Capilano Beekeepers Ltd.	P F McHugh holds 10,600 shares directly and 33,676 shares indirectly.
Benjamin Alexander <b>McKEE</b>	B.Agric.Sci (Hons), PhD, GAICD  Appointed Chief Executive Officer on 1 July 2012  Appointed Managing Director on 31 May 2013	Managing Director of Capilano Honey Limited and a member of the Human Resource & Remuneration, Audit & Compliance and Honey Supply & Industry Committees.	B A McKee indirectly holds 90,300 shares.
Trevor Richard <b>MORGAN</b>	FAICD Commercial apiarist Director since 1998 <u>Chairman</u> since 2006	Non-Executive <u>Chairman</u> of Capilano Honey Limited, Chairman of the Nomination Committee and a Member of the Honey Supply & Industry, Human Resource & Remuneration and Audit & Compliance Committees.  Chairman of Capilano Beekeepers Ltd.	T R Morgan holds 37,128 shares directly and 2,000 shares indirectly.
Robert Neville <b>NEWBY</b>	GAICD  Non-Executive Director since November 2012	Non-Executive Director of Capilano Honey Limited. Chairman of the Human Resource & Remuneration Committee and a Member of the Audit & Compliance, Honey Supply & Industry and Nomination Committees.	Nil
Simon Lucien <b>TREGONING</b>	B.Com  Independent Director since July 2006.	Independent Non-Executive Director of Capilano Honey Limited. Chairman of the Audit & Compliance Committee and a member of the Human Resource & Remuneration, Honey Supply & Industry and Nomination Committees.  Also a Director of Capilano Beekeepers Ltd.  Directorship of other listed companies: GrainCorp.	Nil

No Directors hold options over unissued ordinary shares.

## Information on Company Secretary

	Qualifications/ Experience	Special Responsibilities	Shares held in Parent entity
Dirk <b>KEMP</b>	CIMA, MBA, CPA, Bcompt (Hons)  Appointed Company Secretary on 31 May 2012.	Mr Dirk Kemp was appointed Financial Controller and Company Secretary of Capilano Honey Limited and Capilano Beekeepers Ltd, effective 31 May 2012. Mr Kemp has over 20 years experience in finance roles including management, financial accounting and reporting in similarly sized SME's to Capilano.	Nil



## REPORT OF THE DIRECTORS

### 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:

	Directors Meetings of the Company No. of Meetings Attended / Held (*)	Committee Meetings of Directors No. of Meetings Attended / Held (*)				General Meetings of the Company No. of Meetings Attended / Held (*)
		Audit & Compliance	Honey Supply & Industry	Human Resource & Remuneration	Nomination	
P McHugh	11 of 11	6 of 6	6 of 6	5 of 5	1 of 1	1 of 1
B McKee	11 of 11	6 of 6	6 of 6	5 of 5	1 of 1	1 of 1
T Morgan	11 of 11	6 of 6	6 of 6	5 of 5	1 of 1	1 of 1
R Newey	10 of 11	6 of 6	6 of 6	5 of 5	1 of 1	1 of 1
S Tregoning	10 of 11	5 of 6	5 of 6	4 of 5	0 of 1	1 of 1

(\*) Reflects the number of meetings held during the time the director held office during the year, or while he was a Member of a Board Committee. Number of meetings attended includes attendance by invitation.

### 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

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

The company was not a party to any such proceedings during the year.

### Remuneration Report

#### 1. CAPILANO HUMAN RESOURCE & REMUNERATION COMMITTEE ('HRR')

##### 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:

- Formulation of remuneration policy. This involves ensuring that the policy:
  - attracts, retains, develops and motivates executives of the calibre appropriate to deliver Capilano's strategic goals and objectives;
  - reflects a clear relationship between remuneration and individual and Capilano performance;
  - is internally consistent; and
  - contributes to the overall integrity of the Capilano remuneration system.
- Recommending remuneration for directors and executives, including fixed remuneration, short and long term incentives and terms of service.

##### Memberships and Meetings

	No. of Meetings Attended / Held
<i>Members of HRR Committee</i>	
R Newey	5 of 5
P McHugh	5 of 5
B McKee	5 of 5
T Morgan	5 of 5
S Tregoning	4 of 5





# REPORT OF THE DIRECTORS



## Remuneration Report (continued)

### 2. CAPILANO'S REMUNERATION POLICY (AUDITED)

#### ▪ Reward Philosophy

Capilano's remuneration philosophy is that:

- remuneration should emphasise performance;
- the balance between fixed and variable remuneration should reflect market conditions and the extent to which the role contributes directly to performance;
- individual objectives reflect the need to deliver sustainable outcomes for shareholders; and
- 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, maximises 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:

- external parity;
- internal parity; and
- reward for achievement.

#### 1. 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. The Australian Institute of Management (AIM) conducts a comprehensive annual survey of up to 300 Australian companies which provides extensive remuneration details for a wide variety of management and supervisory positions. The information is statistically analysed and consolidated in a reference manual titled "AIM National Salary Survey" and this manual is used by Capilano as a basis for comparison.

In general, CZZ salary packages should be comparable with the median or average value in the range recorded in the AIM Salary Survey for positions with similar job content and responsibility. (Note: median is the mid point in a range of values and average is the arithmetic mean of all values in the range.)

#### 2. 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. It is however still important that during salary planning and review, individual judgements be made in cases where there are different levels of complexity between jobs which are similar, varying numbers of subordinates, specialist skills and qualifications, and where length of service or other factors may be relevant.

#### 3. Reward for Achievement

Management and supervisory personnel should 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 HRR 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:

- Managing Director - reviewed by the Board with advice from the Board HRR Committee;
- Senior Executives reporting to the Managing Director - reviewed by the Managing Director and subject to endorsement by the Board HRR Committee; and
- All other salaried staff – reviewed by Functional Managers (Heads of Departments) and subject to approval by the Managing Director.





## REPORT OF THE DIRECTORS

### Remuneration Report (continued)

#### 3. CAPILANO TOTAL REWARD STRUCTURE (AUDITED)

The HRR Committee is responsible for reviewing and recommending remuneration arrangements for the directors, the Managing Director and the executive team. The HRR Committee assesses the appropriateness of the nature and amount of remuneration of such officers on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. 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 controlling costs for Capilano.

To assist in achieving these objectives, the HRR Committee links the nature and amount of executive directors' and officers' remuneration to the company's financial and operational performance.

In addition, the following plans are in place:

##### ▪ Incentive Plans

Incentive plans established by the directors enable executives and key employees to earn bonus payments as rewards for the achievement of business performance and growth targets. The incentive plans assist in motivating, retaining and recruiting skilled and talented people.

##### ▪ Short Term (Annual)

The Managing Director, Executive Officers and key employees participate in a performance-based annual incentive plan approved by the Board whereby they can earn annual bonuses based on the achievement of operational targets during a financial year. Operational targets include achievement of specified results by individual employees within their areas of responsibility, coupled with overall business results.

##### ▪ Gross Remuneration of Directors

	1 July 2013 – 30 June 2014					
	Short Term Benefits			Post Employment Benefits	Termination Payments	Total
	Cash salary and fees	Non monetary benefits	Incentives	Super annuation		
	\$	\$	\$	\$	\$	\$
B McKee	245,763	17,158	100,000	28,147	-	391,068
P McHugh	55,872	-	-	5,168	-	61,040
T Morgan	67,020	-	-	30,628	-	97,648
R Newey	44,760	-	-	31,453	-	76,213
S Tregoning	69,760	-	-	6,453	-	76,213
<b>TOTAL</b>	<b>483,175</b>	<b>17,158</b>	<b>100,000</b>	<b>101,849</b>	<b>-</b>	<b>702,182</b>

The remuneration amounts listed above are gross earnings before tax.

#### 4. CAPILANO EMPLOYEE SHARE PLANS FOR FUTURE CONSIDERATION (AUDITED)

Capilano has no broad based share plans for the benefit of employees. As Capilano is a publicly listed company, the Board may recommend the introduction of an employee plan at some time in the future.

#### 5. DIRECTORS AND KEY MANAGEMENT PERSONNEL 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 2013, 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 he is a member, or with an entity in which he has a substantial financial interest, except as stated below.

##### ▪ Details of Directors

P McHugh	Deputy Chairman (Non Executive)
B McKee	Managing Director
T Morgan	Chairman (Non Executive)
R Newey	Director (Non Executive)
S Tregoning	Director (Independent Non Executive)

##### ▪ Details of Remuneration for Key Management Personnel

D Kemp	Company Secretary, Financial Controller
P McDonald	Sales Director
L Gowans	Operations Manager from 1 July – 5 November 2013 currently on Maternity Leave
L Morrison	Operations Manager from 9 October 2013



# REPORT OF THE DIRECTORS



## Remuneration Report (continued)

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

#### ▪ Gross Remuneration of Directors (continued)

	1 July 2012 – 30 June 2013					
	Short Term Benefits			Post Employment Benefits	Termination Payments	Total
	Cash salary and fees	Non monetary benefits	Incentives	Super annuation		
	\$	\$	\$	\$	\$	\$
R Masters <sup>Note:1</sup>	-	-	125,876	-	44,143	170,019
P McHugh	55,872	-	-	5,028	-	60,900
B McKee	237,398	-	52,193	24,206	-	313,797
T Morgan	89,380	-	-	8,044	-	97,424
R Newey	24,863	-	-	21,247	-	46,110
S Tregoning	69,760	-	-	6,278	-	76,038
<b>TOTALS 2013</b>	<b>477,273</b>	<b>-</b>	<b>178,069</b>	<b>64,803</b>	<b>44,143</b>	<b>764,288</b>

The remuneration amounts listed above are gross earnings before tax.

#### ▪ Details of Remuneration for Key Management Personnel

	1 July 2013 – 30 June 2014					
	Short Term Benefits			Post Employment Benefits	Termination Payments	Total
	Cash salary and fees	Non monetary benefits	Incentives	Super annuation		
	\$	\$	\$	\$	\$	\$
D Kemp	141,594	-	37,500	16,582	-	195,676
P McDonald	151,081	12,852	70,000	20,685	-	254,618
L Gowans <sup>Note:2</sup>	68,605	-	26,250	8,774	-	103,629
L Morrison <sup>Note:3</sup>	74,549	-	-	6,306	-	80,855
<b>TOTALS 2014</b>	<b>435,829</b>	<b>12,852</b>	<b>133,750</b>	<b>52,347</b>	<b>-</b>	<b>634,778</b>

	1 July 2012 – 30 June 2013					
	Short Term Benefits			Post Employment Benefits	Termination Payments	Total
	Cash salary and fees	Non monetary benefits	Incentives	Super annuation		
	\$	\$	\$	\$	\$	\$
D Kemp	131,881	-	-	11,869	-	143,750
P McDonald <sup>Note:4</sup>	102,034	-	-	9,183	-	111,217
<b>TOTALS 2013</b>	<b>233,915</b>	<b>-</b>	<b>-</b>	<b>21,052</b>	<b>-</b>	<b>254,967</b>

The remuneration amounts listed above are gross earnings before tax.

Note 1 Resigned as Managing Director on 1 July 2012; Non-Executive Director from 1 July - 23 November 2012

Note:2 On Maternity Leave since 5 November 2013

Note:3 Appointed Operations Manager effective 9 October 2013

Note:4 Appointed Sales Director effective 25 October 2012



## REPORT OF THE DIRECTORS

### Remuneration Report (continued)

#### 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 revenue targets.

Incentive Scheme for Tier 1 employees:

90% - 100% of budget NPBT earns 0% - 25% of TEC prorata

100% - 120% of budget NPBT earns 25% - 40% of TEC prorata

At the Board Meeting on 22 August 2013, the Directors approved the Tier 1 incentive payments of 40% of TEC for Messrs McKee and McDonald in accordance with the approved incentive scheme and results achieved.

Incentives disclosed on pages 14 and 15 are the only components of remuneration that are related to performance.

#### 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:

	2010	2011	2012	2013	2014
Earnings per share	(95.9¢)	52.6¢	30.0¢	40.4¢	54.2¢
Net Asset Value	\$18,699,916	\$22,225,578	\$23,500,370	\$26,946,974	\$28,583,915
Dividends Per Share	-	15¢	15¢	-	35¢
Closing Share Price	\$1.00	\$1.15	\$2.05	\$2.45	\$6.10
Key Management Personnel Remuneration (including Managing Director)	\$1,147,002	\$1,274,545	\$1,008,061	\$738,783	\$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 2013 – 30 June 2014			
	Opening Balance	Granted as Remuneration during the year	Other Changes during the year	Closing Balance
<i>Directors</i>				
P McHugh	44,276	-	-	44,276
B McKee	90,300	-	-	90,300
T Morgan	39,128	-	-	39,128
R Newey	-	-	-	-
S Tregoning	-	-	-	-
<i>Key Management Personnel</i>				
L Gowans	-	-	-	-
D Kemp	-	-	-	-
P McDonald	42,425	-	-	42,425
L Morrison	-	-	-	-
	216,129	-	-	216,129





# REPORT OF THE DIRECTORS



## 9. 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 competitive pressures in the market place. The remuneration policy is designed:

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

### ▪ Directors' Fees

At the 2004 AGM, Shareholders approved the total remuneration of Directors, excluding the Managing Director, Superannuation Guarantee contribution and Insurance Premiums, to \$341,885. The total amount paid for Directors' Fees for the 2013/14 year of \$284,770 is within the previously approved amount:

Distribution of Directors' Fees by position for the 2013/14 year is detailed below.

Organisation	Position	Directors' Fees \$
Capilano	Chairman	89,380
Honey	Deputy Chairman	9,000 *
Limited	NEDs	69,760 ea
	Beekeeper NEDS	46,870 ea

\* In addition to the amount payable as a NED Superannuation Guarantee contribution - \$26,341. Directors and Officers Liability Insurance - 2014: \$25,680 (2013: \$25,510)



## OPTIONS

No options over unissued ordinary shares are on issue at the date of this report.

## 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 2014:

	\$
Taxation Services	9,060
Other	1,500
<b>Total</b>	<b>10,560</b>

## AUDITORS

William Buck 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 2014 has been received and can be found on page 18 of the annual report.

Signed at Brisbane this TWENTY-FOURTH day of JULY 2014, in accordance with a resolution of the directors.

T R Morgan, Director

B A McKee, Director



## 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 2014 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 11 603 627 400

J A Latif  
A Member of the Firm

Brisbane

24 July 2014

Sydney  
Melbourne  
Brisbane  
Perth  
Adelaide  
Auckland

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# CORPORATE GOVERNANCE



## Board Charter

### Introduction

This policy outlines the main corporate governance practices that are in place for the Company and to which both the Board collectively and the Directors individually are committed. The conduct of the Board is also governed by the Constitution, and, to the extent that the terms of the Constitution are inconsistent with this document, the Constitution is to prevail.

The Directors have formally adopted this Board Charter as a comprehensive document defining the role, purpose, functions, obligations and responsibilities of the Board and individual Directors.

The Corporations Act 2001 establishes that the Directors are ultimately accountable for all matters relating to the conduct of the company's affairs. The company's Constitution further defines the obligations and powers of the Board. The Board recognises the distinction between its role of governance and the actual management of the company's business conducted by the executive management team under the leadership and direction of the Managing Director.

The Core Purpose of the Board is to guide the affairs of the Company so as to best serve the interests of and continuously add value for its shareholders.

### Function

The Board's function includes:

- Strategic Plan - to define strategic direction for the business and ensure that suitable strategic analysis is undertaken and business plans prepared and regularly reviewed and performance monitored;
- Managing Director- to appoint a skilled and talented Managing Director and ensure that the Managing Director is adequately rewarded for results achieved;
- Shareholder Prosperity - to adopt appropriate policies to reward shareholders for their investment in the company including dividends, retained earnings and market value of shares;
- Meetings - to meet at least 6 times per year and with sufficient frequency to fulfil the Core Purpose;
- Diversity Culture - Capilano aims to actively promote a corporate culture that supports diversity in the workplace, in the composition of its Board and senior management and throughout the Capilano Group as a whole. - refer page 24 'Diversity';
- Listing Rules - to monitor lodgement and disclosure requirements and to ensure compliance with all listing rules of the Australian Stock Exchange;
- Board Structure - to consider changes to Board structure when appropriate to improve the Board's ability to achieve the Core Purpose;
- Management Resources - to ensure that the company maintains a management team of skilled and talented executives whose rewards reflect their contributions to company achievements;
- Information - to review the content, style and frequency of reports provided by management and request changes when required;
- Risk Management - to ensure that adequate risk identification and risk management functions are in place and regularly monitored;

- Financial Performance - to establish financial performance objectives and regularly review operational results;
- Annual Budgets - to approve annual operating budgets and capital investment budgets;
- Funding - to ensure that the company has access to adequate funds to provide working capital and investment capital;
- Operational Policies - to establish policies to guide management in key operational areas including quality, safety, security, foreign currency management and remuneration;
- Board Committees - to review annually the functions and membership of Board Committees;
- Financial Statements and Audit - to ensure that the statutory financial statements are prepared in accordance with all relevant standards and regulations and that the annual audit is conducted ethically, professionally and independently of management and the Board;
- Statutory Compliance - to regularly review the operation of the Corporate Compliance Program and compliance sign-offs from senior management;
- Report to Shareholders - as outlined on page 21 'Communication with Shareholders';
- Community Obligations - to recognise that the company has community, industry and social obligations and ensure that appropriate policies are in place to guide the company's conduct so that it is, and is seen to be a responsible corporate citizen.

### Powers

The Board has responsibility for the matters specified above (see 'Function') and, in addition to those matters reserved to it by law, reserves to itself the following matters and all power and authority in relation to those matters:

- Composition of the Board itself;
- Oversight of the Group including its control and accountability systems;
- Appointment and the removal of the Managing Director;
- Appointment and the removal of the Secretary;
- Reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- Monitoring senior management's performance;
- Approving strategy and monitoring implementation;
- Approving of major capital expenditure, acquisitions and divestitures;
- Approving and monitoring financial and other reporting;
- Monitor relevant industry developments;
- Developing suitable key indicators of financial performance;
- Overall corporate governance of the Group; and
- Oversight of Committees.





## CORPORATE GOVERNANCE

### Board Charter (continued)

#### Composition

The composition of the Board is determined according to the following principles:

- The Board should comprise members with a broad range of experience, expertise and skills relevant to the Group and its business;
- The Board of CZZ will be comprised of Beekeeper Directors, Independent Directors, and may include a Managing Director;
- The number of Directors shall not be less than 3 nor more than 8, which the Board may from time to time determine;
- The Constitution of CZZ provides that as long as the Foundation Share is on issue, the Foundation Shareholder may appoint two Beekeeper Directors to the Board of Directors of the Company from time to time by written notice to the Company;
- The Beekeeper Directors shall be those persons appointed by the Foundation Shareholder;
- Independent Directors shall be elected by the shareholders;
- The Board Chairman and Deputy Chairman are elected by the Directors;
- Subject to the limits in the Constitution, the number of Directors may be increased where the Board considers that additional expertise is required in specific areas

#### Independence

- a) The Board has adopted the following definition of an Independent Director:

An Independent Director is one who is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the company.

The board does not consider that the independence can be assessed with reference to an arbitrary and set period of time, but is reviewed from time to time as the business and other relationships between the director and the company evolve.

- b) The Board will assess the Independence of each Director in the light of the interests disclosed by them. The Independence of Directors will be disclosed in the annual report.

#### Appointment and Retirement

- a) When a vacancy exists the Board will consider candidates identified having regard to:
- What may be appropriate for the Company and the Group;
  - The skills, expertise and experience of the candidates;
  - The mix of those skills, expertise and experience with those of the existing Directors; and
  - Compatibility of the candidates with the Group and with the existing Directors.
- b) The Board then appoints the most suitable candidate who continues in office only until the next AGM and is then eligible for election.

- c) The terms and conditions of the appointment of all new members of the Board must be specified in a letter of appointment.
- d) The Constitution of CZZ, as varied by the Listing Rules, together with the CBL Agreement provide that at every annual general meeting, one third of the Directors or, if their number is not a multiple of 3, then the number nearest to but not less than one third must retire from office provided that no director who has served less than 2 years is required to retire. A Director must retire from office at the conclusion of the third annual general meeting after which the Director was elected or re elected. A retiring Director if eligible may stand for re-election.
- e) A Managing Director is not subject to retirement by rotation.

#### Assessment of Board, Director and Management Performance

- a) An assessment of performance of all Directors is carried out annually by each Director. This is a formal, confidential process which Directors use as a basis for planning individual needs for further study or skill development where appropriate. Results are assessed each year by the Chairman.
- b) The performance of the Chairman is reviewed and assessed each year by the other Directors.
- c) The Board conducts an annual self-assessment of its performance. This is a formal procedure in which all Directors review the Board's performance in each defined area of Board function. Results are collated and an average score determined in discussion at a Board meeting. The resulting assessment of performance is used as a basis for planning to improve outcomes in any areas where achievement is below the optimum.
- d) The Managing Director's performance is reviewed bi-annually by the Board. The performance of senior Management Executives is reviewed bi-annually by the Managing Director and the Board.

#### Training and Advice

- a) Directors are provided with proper information in relation to the Company and the Group before accepting appointment.
- b) Each Director has the right to seek independent legal or other professional advice at the Company's expense. Prior approval from the Chairman is required but may not be unreasonably withheld or delayed.

#### Meetings

- a) Board meetings are normally held bi-monthly but will number not less than six in any year.
- b) Papers for Board and Committee meetings are circulated in advance of the relevant meeting.

#### Secretary

The Secretary is accountable to the Board on all corporate governance matters and is responsible for monitoring that the Charter is duly followed and for coordinating the completion and despatch of Board and Committee agenda and briefing materials.



# CORPORATE GOVERNANCE



## Board Charter *(continued)*

### Board Committees

- a) The Board may establish Committees to assist it in carrying out its function and will adopt a charter for each Committee established dealing with the scope of its responsibility and relevant administrative and procedural arrangements.
- b) The Committees established and subsisting at the date of this document are the following:
  - Audit and Compliance Committee – This Committee is responsible for verifying and safeguarding the integrity of the company's financial reporting and overseeing the independence of the external auditors;
  - Human Resources & Remuneration (HRR) Committee - This Committee is responsible for reviewing and recommending executive management remuneration and incentive plans, human resource and occupational health & safety issues and reporting to the Board on these matters;
  - Honey Supply & Industry - This Committee advises the Board on matters related to honey supply and the industry generally;
  - Nomination - This Committee advises the Board of suitable candidates with the qualifications, skills and expertise for appointment to any vacancy occurring from time to time.

### Ethical Standards and Values

- a) All Directors and all officers of the Group must act with the utmost integrity and objectivity.
- b) The Directors must comply with the Code of Ethics in the exercise of their duties.

### Dealings in Securities

The Constitution permits Directors to acquire Securities. Company policy is disclosed in the Code of Conduct for Transactions in Securities.

### Business Risks

- a) The Board has the responsibility for the maintenance of the strategy of the Company which includes the identification of significant business risks. The Board reviews the major risks affecting each business segment and develops strategies to mitigate these risks.
- b) Once a risk is identified, an action plan is instigated by management for Board review and approval. Corrective action is taken as soon as practicable.
- c) The Managing Director and Chief Financial Officer must each provide a statement to the Board with the half yearly and annual financial report as to whether or not the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

### Communication with Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to Shareholders as follows:

- a) The Company's continuous disclosure obligations are reviewed as a standing item on the agenda for each regular meeting of the Board;
- b) The annual report is distributed to all shareholders that have elected to receive a copy and is also made available on the ASX website and company website;

- c) Proposed major changes in the Group which may impact on share ownership rights and the removal and appointment of Directors are submitted to a vote of shareholders at an AGM. If resolutions are required to be put to Shareholders before the next AGM, a general meeting will be called. The Board encourages full participation of Shareholders at the AGM and at other general meetings;
- d) The external auditors will be requested to attend the AGM and be available to answer questions by Shareholders on the conduct of the audit and the preparation and content of the audit report;
- e) The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The report is lodged with and available from the ASX;
- f) Information concerning the Company and the Group, including copies of announcements made through the ASX and the annual report and half-yearly report, is made available to Shareholders and prospective investors in the Company on the Company's website;
- g) Maintain suitable other reporting to shareholders through the Annual General Meeting, Annual Report, District Meetings, newsletters and circulars and establish dialogue through regular contact by Beekeeper Services Manager, Directors and other management people.

## Code of Conduct for Transactions in Securities

### Purpose

There are legal duties relating to transactions in securities. Heavy sanctions apply if these duties are breached. The major issue is price sensitive information or other confidential information.

The Board has adopted this code governing dealings in securities of the Company and the securities of certain other companies by Key Personnel.

It is desirable that Key Personnel and other employees of the Company hold securities in the Company. Key Personnel who wish to buy or sell (trade) securities in the Company must consider both the legal constraints and this code. They must abide by the spirit of this code as well as the letter of the law. Key Personnel in possession of price sensitive information must not trade in securities in the Company, either for short-term speculative gain or otherwise.

### Persons Covered by this Code

This code applies to:

- a) All Directors and all officers of the Company including the Managing Director;
- b) Key executives including the Chief Financial Officer and any director of a subsidiary of the Company;
- c) Corporate and divisional accounting officers reporting directly to any of the above executives;
- d) Secretaries and assistants performing confidential work and reporting to any of the above positions;
- e) Members of corporate staff who have access to Company results; and
- f) All persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly.



## CORPORATE GOVERNANCE

### Code of Conduct for Transactions in Securities *(continued)*

#### Legal Constraints

- a) Legal constraints on dealing in securities of the Company arise from the following sources:
  - i) Common law;
  - ii) The Corporations Act; and
  - iii) The ASX Listing Rules.
- b) If Key Personnel possess any price sensitive information which has not been publicly disclosed, there are a number of general, and some specific, legal constraints on dealings in securities.

#### Prohibited trading periods

- a) Trading in securities in the Company by Key Personnel is prohibited at the following times:
  - i) Between 1 January and 72 hours after the announcement to ASX of the half-yearly results of the Company;
  - ii) Between 1 July and 72 hours after the announcement to ASX of the audited final results of the Company; and
  - iii) Such other times as are nominated by the Chairman and notified to Key Personnel from time to time.
- b) Trading in securities in the Company by Key Personnel is permitted at other times, however, to avoid a perception or suspicion of insider trading, all employees are required to seek permission from the Chairman before applying to buy or sell the Company's securities.
- c) Subject to (d) below, permission to trade in securities in the Company during the prohibited periods set out in (a) above may be obtained in writing:
  - i) in the case of any proposed trade by the Chairman - from another non-executive Director; and
  - ii) in the case of a proposed trade by any other person - from the Chairman or, in the absence of the Chairman, a non-executive Director nominated by the Chairman for the purpose.
- d) Permission may be given for trading under (c) above if the approving person is satisfied that the transaction would not be:
  - i) contrary to law;
  - ii) for short term speculative gain;
  - iii) to take advantage of insider knowledge; or
  - iv) seen by the public, press, other Shareholders or ASX as unfair.
- e) For example, approval to trade during the prohibited periods in (a) may be given if securities in the Company are to be sold to realise cash in a time of need or where securities in the Company are transferred from one member of a family or trust to another and to delay the transaction to the next permitted period would be detrimental to the family's affairs.
- f) Approval could only be given under exceptional circumstances where trading would occur in the period between 1 August and 24 hours after the announcement to the ASX of final results for the year and between 1 February and 24 hours after the announcement to the ASX of the interim results for the half-year.

#### Informing the Company

- a) Key Personnel involved in any trading in securities in the Company, either personally or through a family member, or a trust or a company referred to in this code, must advise the Secretary in writing of the details of completed transactions within fourteen days after each transaction. Notification is necessary whether or not prior authority was required.
- b) The Secretary must maintain a register of securities in the Company transactions under this code.
- c) Directors or directors of any subsidiary registered (or incorporated) in Australia have an obligation under the Corporations Act 2001 to notify both the ASX and the Company in writing of any changes in their holdings of securities in the Company or interest in securities in the Company.

#### Securities in the Company Covered by this Code

- a) This code applies to all Securities issued by the Company of any kind including ordinary shares, preference shares, debentures, convertible notes and options.
- b) This code does not apply to any acquisition of securities in the Company as part of a new issue or dividend reinvestment plan where the issue is available pro rata to all holders of securities in the Company of the relevant class.

#### Families and Trusts

Persons to whom this code applies must not trade through any member of their family, or through a trust or company over which they have influence or control, in circumstances where they would have been prohibited from trading in their own name.

### Code of Ethics & Values

#### Objective

The objective of this code is to give the Directors a guide to be followed in performing their duties with a view to enabling them to achieve the highest possible standards in the discharge of their obligations.

#### Obligation

A Director has an obligation, at all times, to comply with the spirit and the principles of this code as well as the law.

#### General Duties

Directors must:

- Act in good faith in the best interests of the Company and for a proper purpose;
- Act in the interests of all shareholders and to avoid any potential conflict of interest;
- Exercise a reasonable degree of care and diligence;
- Not make improper use of information; and
- Not make improper use of their position.

The Act requires directors to act honestly and with a reasonable degree of care and diligence in the exercise of their powers and duties and the discharge of their duties.

The Company maintains directors' and officers' liability insurance. Directors should ensure that they are fully aware of the terms of this insurance so as to be able to qualify for protection under it.



## Code of Ethics & Values (continued)

### Business Judgement Rule

- a) A director's duty to act with care and diligence will be taken to be satisfied where the director:
  - Makes a judgement in good faith and for a proper purpose;
  - Has no material personal interest in the subject-matter of the judgement made. It is noted that recommendations relating to the honey price come to the Board from the Honey Supply & Industry Committee;
  - Is informed about the subject matter of the judgement to the extent the director reasonably believes to be appropriate; and
  - Rationally believes the judgement to be in the best interest of the company.
- b) The business judgement rule:
  - Relates only to decisions about the ordinary business operations of the company; and
  - Does not relieve a director from other fiduciary duties (over and above those owed as a director) such as to act in good faith, not to misuse the position of director, not to make improper use of confidential information, and to prevent insolvent trading.
- c) A business judgement is any decision to take or not to take action in respect of a matter relevant to the business operations of the company; it does not apply to any failure to make a decision.

### Decision-making

A Director must be independent in judgement and actions and must take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.

In order to satisfy this requirement a Director must:

- Make a reasonable effort to become and remain familiar with the affairs of the Group;
- Attend all Board meetings and Board functions unless there are valid reasons for non-attendance; and
- Commit the necessary time and energy to Board matters to ensure that they are contributing their best endeavours in the performance of their duties for the benefit of the Group without placing undue reliance on other Directors to fulfil those duties.

Directors should rely on advice relating to Company or the Group or their affairs only where that advice is given or prepared by:

- An employee whom the Director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- A professional adviser or expert in relation to matters that the Director believes on reasonable grounds to be within the person's professional or expert competence;
- Another Director or officer in relation to matters within that Director's or officer's authority; or
- A Committee (on which the Director did not serve) in relation to matters within the Committee's authority.

And should only rely on such information or advice if:

- The Director's reliance was made in good faith, and after making an independent assessment of the information and advice, having regard to the Director's knowledge of the Company and Group and the complexity of their structure and operations; and
- The reasonableness of the reliance arose in proceedings brought to determine whether the Director performed his or her duties under the Corporations Act 2001 or the common law.

### Confidentiality

Directors must observe confidentiality regarding all Board matters and all confidential information received by a Director in the course of the exercise of their duties.

- a) All information received by a Director in the course of fulfilling Board duties must be regarded as confidential and remains the property of the Company.
- b) A Director may not disclose information, or allow it to be disclosed, to any other person unless that disclosure has been authorised by the Company or is required by law to be disclosed.
- c) Authorisation by the Company will be presumed where and to the extent that Board or Committee minutes convey, either expressly or implicitly, that it is intended that disclosure should be made to third parties.
- d) Any Director in any doubt as to their obligations of confidentiality or in relation to any matter of disclosure should consult with the Chairman prior to making any disclosure.

### Improper Use of Information

A Director must not make improper use of information acquired as a Director.

### Co-operation

Directors must observe solidarity with the resolutions of the Board and co-operate in their implementation.

### Personal Interests and Conflicts

A Director must not take improper advantage of their position as a Director.

No Director may allow any personal interest, or the interest of any associated person, to influence or prejudice their conduct or any Board or Committee decision.

### Conduct

A Director must not engage in conduct likely to bring discredit upon the Company or the Group.

Each Director must be and remain aware of, and observe, any standing orders adopted by the Board from time to time for the conduct of Board and committee meetings.

Directors must at all times comply with the spirit as well as the letter of the law and with the principles of this code.





## CORPORATE GOVERNANCE

### Diversity

#### Diversity

Capilano aims to:

- comply with the diversity recommendations published by the ASX by establishing measurable objectives for achieving gender diversity;
- promote diversity among employees, consultants and senior management throughout the Capilano Group; and
- keep shareholders informed of Capilano's progress towards implementing and achieving its diversity objectives.

#### Purpose

The purpose of this policy is to outline Capilano's commitment to fostering a corporate culture that encourages diversity and focuses on the composition of its Board and senior management. The policy also provides a process for the Board to determine measurable objectives and procedures which Capilano will implement and report against to achieve its diversity goals.

#### What is diversity?

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

#### Corporate culture

Capilano aims to promote a corporate culture that supports diversity in the workplace, in the composition of its Board and senior management and throughout the Capilano Group as a whole.

A corporate culture that includes diversity seeks to encourage and facilitate opportunities for the employment of women and people from different backgrounds, provide skills and career development initiatives, increase workforce participation and create an inclusive environment where employees feel they are valued. Such a corporate culture recognises that employees at all levels have responsibilities outside of the workplace.

Capilano acknowledges benefits flow from advancing employee and Board diversity, in particular gender diversity, including gap analysis of the skills and experience of employees, enhanced employee retention, greater innovation and maximisation of available talent to achieve corporate goals and better financial performance.

Capilano aims to select well-qualified employees, senior management and Board candidates so that there is appropriate diversity to maximise the corporate goals of the Capilano Group.

#### Diversity commitments

Capilano will aim for the following diversity commitments:

- through the Committee, the Board will review and determine, as frequently as required, a diversity profile that meets the particular needs of the Capilano Group, including identifying the skill and experience set for the Board and senior management necessary to effectively oversee its business and achieve its corporate goals;
- through the HRR Committee, the Board will seek to ensure that the diversity profile is taken into account in the selection and appointment of qualified employees and senior management and will consider options in order to expand the pool of qualified candidates to select from;

- the Board will seek to ensure that the diversity profile is taken into account in the selection and appointment of qualified Board candidates; and
- the Board will seek to identify and consider programs and initiatives that:
  - assist in the development of a broader pool of skilled and experienced Board candidates, in particular women;
  - assist with enhancing employee retention, in particular that of women from middle management;
  - assist with minimising career disruption when employees take time out of the workplace to meet other obligations and attempt to re-enter the workforce.

While the key focus of this policy and the ASX recommendations is on promoting the role of women within organisations, Capilano recognises that other forms of diversity are also important and will seek to promote and facilitate a range of diversity initiatives throughout the Capilano Group.

#### Implementing diversity commitments

The Board will aim to ensure that appropriate procedures and measures are introduced and responsibilities delegated to the HRR Committee to ensure that Capilano's diversity commitments are implemented appropriately.

#### Setting measurable objectives

The Board, in consultation with the HRR Committee, will set measurable objectives consistent with the particular needs of the Capilano Group for achieving diversity, in particular gender diversity, in accordance with this policy and the diversity profile set by the Board and will review the effectiveness and relevance of these measurable objectives on an annual basis.

The measurable objectives should identify ways and, where applicable, specify benchmarks against which the achievement of diversity is measured, in order for the Board to assess and report annually on Capilano's progress towards achieving its diversity goals.

#### How will the measurable objectives be determined?

In order to set meaningful objectives, the Board (in consultation with the HRR Committee) will assess its current diversity levels and identify where gaps exist. Measurable objectives will then be developed which are consistent with the particular needs of the Capilano Group and tailored towards improving diversity in areas where most work is needed.

#### Types of measurable objectives

Capilano acknowledges that there are a number of different types of measurable objectives which may be implemented to assist in meeting its diversity goals, including:

- procedural and structural objectives – for example, implementing internal review and reporting procedures or ensuring that candidates are interviewed by a diverse selection/interview panel;
- diversity targets – setting targets for the number of women throughout the Capilano Group or to increase the proportion of women within senior management positions and implementing timeframes for this to occur by; and
- initiatives and programs – for example, identifying appropriate initiatives and programs and determining how the initiative will operate, who will be responsible for implementing it and setting a timetable for its introduction.



# CORPORATE GOVERNANCE



## ◆ Diversity (continued)

### Measurable objectives as key performance indicators

The Board, in consultation with the HRR Committee, will consider the extent to which the achievement of these measurable objectives should be tied to key performance indicators for the Board, the Managing Director and other senior management.

### Purpose of reporting

Capilano acknowledges that reporting to shareholders on its diversity profile and diversity objectives facilitates greater transparency and accountability in relation to diversity matters and that such reporting and transparency has been endorsed by the Board.

It is anticipated that shareholders will have greater confidence in Capilano and the Board if they are fully informed of the policies and the measurable objectives which have been implemented to facilitate the performance of the Capilano Group.

### What will be reported?

As part of its annual reporting requirements to shareholders, Capilano will disclose the measurable objectives set by the Board for achieving diversity in accordance with the diversity profile and will report on its progress against those objectives. A copy of these measurable objectives may also be published on Capilano's website from time to time.

A component of Capilano's disclosure on diversity in its annual report should also include information about:

- a) the proportion of women employees in the Capilano Group;
- b) the number of women in senior management positions; and
- c) the number of women on the Board.

The Board will determine the most appropriate method to present this information to ensure that it is accurate and does not falsely represent the participation of women and men within the Capilano Group.

### Board selection process

Capilano is also committed towards achieving greater transparency of the Board candidate selection and nomination process and may include in its annual report the information about the mix of skills and diversity which the Board is looking to achieve in membership of the Board.

### Responsibility

The Board may delegate these obligations to the HRR Committee but the Board retains ultimate responsibility for ensuring that these reporting benchmarks are met.

### Role of the Human Resources and Remuneration (HRR) Committee

The HRR Committee will be responsible for implementing Capilano's diversity policy, profile and measurable objectives and for ensuring compliance with this policy. The HRR Committee will report to the Board as necessary to facilitate compliance.

The HRR Committee will also be responsible for reviewing and reporting to the Board, at least annually, the proportion of women and men in the workforce at all levels of the Capilano Group.

### Internal review

An internal review will be undertaken by the HRR Committee as required to ensure that it remains relevant and appropriate to the Capilano Group, to determine the effectiveness of this policy and to recommend changes to correct any identified deficiencies.

### Review of policy

External reviews of this policy may be undertaken at the request of the Board.

A copy or summary of this policy will be made available on Capilano's website.

### Endorsement

Capilano is committed to this policy and its implementation and to ensuring that diversity is achieved throughout the Capilano Group.

## ◆ Standing Rules of Committees

### Application

These rules apply to, and are deemed incorporated into the Charter of each Committee, except insofar as they may conflict with any of its terms.

### Composition

- a) Each Committee must consist of no fewer than two members.
- b) Committees are appointed by the Board and serve as determined by the Board. One member of any Committee is appointed to act as its chairman.

### Role

Each Committee has the role of improving the efficiency of the Board through accepting the delegation of tasks and performing them in a forum where they can receive greater attention to detail than would be practical solely at Board level.

### Proceedings

- a) Any meeting may be held by means of conference call or any other means of communication that may, under the Act or the Constitution, be used for Board meetings.
- b) The quorum for any meeting is two members.
- c) Any Director may attend (but not vote at) a meeting of a Committee of which that Director is not a member.
- d) Any Committee may delegate any specific task to one of its members or to a sub-committee.

### Reporting

Each Committee reports to the Board following each Committee meeting with a copy of the minutes or by way of written report.

### Secretary

The Secretary is accountable to the Board, through the Chairman, on all corporate governance matters and is responsible for monitoring that the Charter is duly followed and for coordinating the completion and despatch of Committee agenda and briefing materials.



## CORPORATE GOVERNANCE

### Audit & Compliance (ACC) Committee Charter

#### Purpose

The Audit & Compliance Committee has been established by the Board to assist with the following:

- a) Independently verify and safeguard the integrity of the company's financial reporting; and
- b) Oversee the independence of the external auditors.

#### Scope of Responsibility

The Committee has responsibility for the following:

- a) Monitoring the establishment of an appropriate internal control framework to ensure that they are effective to safeguard the Company's assets;
- b) Monitoring corporate risk assessment and compliance with internal controls;
- c) Overseeing business continuity planning and risk mitigation arrangements;
- d) Reviewing reports on any material defalcations, frauds and thefts from the Group;
- e) Monitoring compliance with the Constitution, and all relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary in relation to those requirements;
- f) To ensure that the accounting records are properly maintained;
- g) Reviewing the nomination, performance and independence of the external auditors including provision of an assessment of the External Auditor's performance;
- h) To provide an avenue of communication between the external auditors and the Board;
- i) The external audit plan is approved and the proposed external auditor's fees approved in conjunction with management;
- j) The Committee meets with the external auditors at least at the completion of the annual audit and the half yearly review of the Company's accounts to confirm the financial statements, address any queries and receive the Auditor's evaluation of management's presentation of the financial accounts, policies and procedures;
- k) Reviewing management processes supporting external reporting;
- l) The financial statements and financial information provided to the Board, shareholders and others is reliable; and
- m) Reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management.

#### Powers

- a) The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility, and does not have any power to commit the Board to any recommendation or decision made by it.
- b) The Committee has unrestricted access to management and the external auditors as it may consider appropriate for the proper performance of its function.

- c) The Board authorises the Committee within the scope of its responsibilities to:
  - i) obtain Company documents and any information it requires from any employee (all employees are directed to co-operate with any request made by the Audit Committee) and external parties;
  - ii) obtain outside legal or other independent professional advice;
  - iii) consult independent experts where they consider it necessary to carry out their duties.

#### Composition and Structure

The Audit Committee shall comprise a majority of non-executive directors and may include the Managing Director. There shall be a minimum of three members. The Board shall appoint a Chairman who is not the Chairman of the Board. Membership of the Committee shall be reviewed by the Board annually. Whilst the ASX Corporate Governance Council recommends that the Audit Committee should consist of at least three members, all of whom are non-executive directors and with the majority being independent directors, the Board is of the view that to meet this recommendation a change to the board structure would be required which due to the size of the company would be an unnecessary expense for the company and its shareholders.

#### Proceedings

- a) The Committee shall meet at least five times a year. Additional meetings may be held as the work of the Committee demands.
- b) A quorum shall consist of two members.
- c) The Committee Chairman will call a meeting of the Committee if so requested by any member of the Committee, the External Auditor or by the Chairman of the Board.
- d) In the event that the Chairman of the Board is not on the Committee then he may attend each meeting by invitation of the Committee Chairman.
- e) The Financial Controller shall attend each meeting by invitation of the Committee Chairman.
- f) As necessary or desirable the Committee Chairman may invite other members of the Board of Directors, other management and representatives of the External Auditors or other external advisors to be present at any meeting of the Committee.
- g) The Committee shall meet at least twice a year with the External Auditors being at the completion of the full Financial Statements and the half-year Financial Statements and for part of that meeting to be without any management present.
- h) The Company Secretary shall act as secretary to the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda, supported by explanatory documentation, and circulating it to Committee members prior to each meeting.
- i) The Secretary will also be responsible for keeping the minutes of Committee meetings and circulating them to Committee members and to the other members of the Board of Directors at the Board meeting immediately following the Committee meeting.



# CORPORATE GOVERNANCE



## **Audit & Compliance (ACC) Committee Charter** *(continued)*

### Proceedings

- j) The Audit Committee should report to the Board after each Committee meeting summarising its activities and recommendations since the previous meeting.
- k) Business is considered as the Committee may determine, with additional items of business considered as appropriate.
- l) This Charter will be reviewed annually by the Audit Committee to ensure its effectiveness and currency. Any proposed changes are to be recommended to the Board for approval.

## **Human Resources and Remuneration (HRR) Committee Charter**

### Purpose

The role of the HRR Committee is to advise on a) remuneration and issues relevant to remuneration policies and practices for senior management, and b) human resource and occupational health & safety issues.

### Scope of Responsibility

- a) The Committee has responsibility for the following:
  - Reviewing and evaluating market practices and trends in relation to remuneration relevant to the Group;
  - Reviewing and making recommendations to the Board in relation to the Group's remuneration policies and practices for senior management;
  - Preparing for the Board any report that may be required under applicable legal or regulatory requirements in relation to remuneration matters;
  - It is the policy of the Company that the workplace environment complies with legislation and current best practice in workplace health and safety at all times;
  - Ensuring Management see that everything reasonably practicable is done to prevent personal injury or ill health in the process of the organisation's operations, including the preparation of appropriate procedures, training, documentation and monitoring;
  - Participating in the setting of the diversity policies and the implementing of those policies.
- b) Remuneration is in each case taken as including not only monetary payments (salary and wages) but all other monetary and non-monetary emoluments and benefits including:
  - Fringe benefits;
  - Directors' and officers' and other insurance arrangements;
  - Retirement benefits;
  - Superannuation; and
  - Equity participation, and other incentive programs.

### Powers

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility.

### Proceedings

- a) Meetings are held at least five times per annum and more often as required.
- b) Representatives of management and other employed personnel may be invited to attend meetings, or specific parts of meetings, at the discretion of the Committee.

### Composition and Structure

The Committee consists of three non executive Directors and may include the Managing Director with an independent non-executive director being the Chairman of the Committee.

## **Honey Supply and Industry (HSI) Committee Charter**

### Purpose

The role of the HSI Committee is to advise the Board on matters related to honey supply and the industry generally.

### Scope of Responsibility

The Committee has responsibility for the following:

- Making recommendations for the honey price;
- Establishing the honey quota pool limit and establishing who may supply;
- Making recommendations about changes to the honey quota pool; and
- Providing a forum for a review of industry related affairs.

### Powers

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility.

### Proceedings

- a) Meetings are held at least five times per annum and more often as required.
- b) Representatives of management and other employed personnel may be invited to attend meetings, or specific parts of meetings, at the discretion of the Committee.

### Composition and Structure

The Committee consists of the CBL appointed directors and may include the Managing Director with a CBL appointed director being the Chairman of the Committee.



### ◆ Nomination Committee Charter

#### **Purpose**

The role of the Nomination Committee is to examine and advise the Board on the selection and appointment practices of the company.

#### **Scope of Responsibility**

The Committee has responsibility for the following:

- reviewing and reporting on the necessary and desirable competencies of directors;
- review of board succession plans;
- the development of a process for the evaluation of the performance of the board, its committees and directors; and
- the appointment and re-election of directors.

#### **Powers**

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility.

#### **Proceedings**

- a) Meetings are held at least once per annum and more often as required.
- b) Representatives of management and other employed personnel may be invited to attend meetings, or specific parts of meetings, at the discretion of the Committee.

#### **Composition and Structure**

The Committee consists of three non-executive Directors with a non-executive director being the Chairman of the Committee.

### ◆ Corporate Governance Statement

Capilano Honey Limited fully comply with the ASX Corporate Governance Council recommendations.

At year end, 37% of total workforce and 20% of the Executive Team were represented by women. We currently do not have any female Board members.





# INDEPENDENT AUDIT REPORT TO THE MEMBERS



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPILANO HONEY LIMITED AND CONTROLLED ENTITIES

### Report on the Financial Report

We have audited the accompanying consolidated financial report comprising Capilano Honey Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year (the Consolidated Entity). The Consolidated Financial Report on pages 30 to 60 comprises the consolidated statement of financial position as at 30 June 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

#### *Auditor's Opinion*

In our opinion:

- a) the financial report of the consolidated entity on pages 30 to 60 is in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2014. 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.

#### *Auditor's Opinion*

In our opinion the remuneration report of Capilano Honey Limited for the year ended 30 June 2014 complies with s300A of the Corporations Act 2001.

#### *Matters Relating to the Electronic Presentation of the Audited Financial Report*

This auditor's report relates to the financial report of Capilano Honey Limited for the year ended 30 June 2014 included on Capilano Honey Limited's website. The company's directors are responsible for the integrity of Capilano Honey Limited's website. We have not been engaged to report on the integrity of the Capilano Honey Limited's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communication, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the website.

*William Buck*

William Buck (QLD)  
ABN 11 603 627 400

*J A Latif*

J A Latif  
A Member of the Firm

Brisbane  
24 July 2014

Sydney  
Melbourne  
Brisbane  
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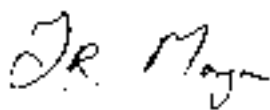
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INDEPENDENT FIRMS

## DIRECTORS' DECLARATION

1. the financial statements and notes, as set out on pages 31 to 60, are in accordance with the *Corporations Act 2001* and:
  - a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;
2. the Group Financial Controller has declared that:
  - a) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. in the director's opinion, the financial statements and notes to the financial statements are prepared in compliance with International Financial Reporting Standards as made by the International Accounting Standards Board.

Signed at Brisbane this TWENTY- FOURTH day of JULY 2014 in accordance with a resolution of the directors.



T R Morgan, Director



B A McKee, Director





# PROFIT & LOSS



## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenue	2	86,003,491	72,160,396
Finance costs	3(b)	(863,070)	(1,092,014)
Other Expenses	3(a)	(80,055,896)	(66,845,874)
		5,084,525	4,222,508
<i>Impact of fire damage at Richlands' Plant</i>			
Insurance proceeds	3(c)	2,296,993	4,694,337
Damage to assets and consequential expenses	3(c)	(891,395)	(3,922,035)
Profit before income tax		6,490,123	4,994,810
Income tax expense	4	(1,871,112)	(1,548,206)
<b>Net profit for the year attributable to members of CZZ</b>		<b>4,619,011</b>	<b>3,446,604</b>
Other comprehensive income		-	-
<b>Total Comprehensive income for the year attributable to members of CZZ</b>		<b>4,619,011</b>	<b>3,446,604</b>
Earnings per share (cents)	28	54.2	40.4
Diluted earnings per share (cents)	28	54.2	40.4

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.





## FINANCIAL POSITION

### Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	25	1,103,559	239,902
Trade and other receivables	6	14,922,176	15,250,167
Inventories	7	13,736,111	18,328,709
Other current assets	8	262,519	266,677
<b>TOTAL CURRENT ASSETS</b>		<b>30,024,365</b>	<b>34,085,455</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	19,634,969	19,744,122
Intangible assets	11	24,467	64,823
Deferred tax assets	12	-	804,939
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19,659,436</b>	<b>20,613,884</b>
<b>TOTAL ASSETS</b>		<b>49,683,801</b>	<b>54,699,339</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	9,394,986	11,119,964
Short term borrowings	14	1,291,904	1,355,887
Provision for dividend		1,704,285	-
Deferred tax liabilities	12	891,972	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,283,147</b>	<b>12,475,851</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	15	7,404,958	14,937,644
Long term provisions	16	303,128	338,870
Provision for income tax	12	108,653	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,816,739</b>	<b>15,276,514</b>
<b>TOTAL LIABILITIES</b>		<b>21,099,886</b>	<b>27,752,365</b>
<b>NET ASSETS</b>		<b>28,583,915</b>	<b>26,946,974</b>
<b>EQUITY</b>			
Issued capital	17	7,728,221	7,728,221
Reserves	18	4,042,851	4,042,851
Retained earnings		16,812,843	15,175,902
<b>TOTAL EQUITY</b>		<b>28,583,915</b>	<b>26,946,974</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



## CHANGES IN EQUITY



### Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Share Capital		Reserves Revaluation Surplus	Retained Earnings	Total Equity
	Ordinary \$	Foundation \$			
<b>Balance at 30 June 2012</b>	7,728,220	1	4,042,851	11,729,298	23,500,370
Total comprehensive income for the year	-	-	-	3,446,604	3,446,604
Dividend recognised for the year	-	-	-	-	-
<b>Balance at 30 June 2013</b>	7,728,220	1	4,042,851	15,175,902	26,946,974
Total comprehensive income for the year	-	-	-	4,619,011	4,619,011
Dividend recognised for the year	-	-	-	(2,982,070)	(2,982,070)
<b>Balance at 30 June 2014</b>	7,728,220	1	4,042,851	16,812,843	28,583,915

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.





## CASH FLOWS

### Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Inflows (Outflows)	
	2014 \$	2013 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	86,365,643	73,237,003
Payments to suppliers and employees	(75,651,930)	(70,690,257)
Interest received	311	416
Goods and services tax received	1,802,891	1,605,041
Income tax paid	(65,548)	-
Interest paid	(649,826)	(908,353)
<b>Net cash generated from operating activities (Note 26)</b>	<b>11,801,541</b>	<b>3,243,850</b>
<b>Cash flows from investing activities</b>		
Acquisition of Wescobee	-	(4,068,565)
Wescobee acquisition cost	-	(165,701)
Payment for property, plant and equipment	(2,069,930)	(1,219,898)
Proceeds from sale of property, plant and equipment	6,500	7,273
<b>Net cash used in investing activities</b>	<b>(2,063,430)</b>	<b>(5,446,891)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(1,277,785)	(426,010)
(Decrease) / Increase of borrowings	(7,596,669)	2,937,938
<b>Net cash (used in) generated from financing activities</b>	<b>(8,874,454)</b>	<b>2,511,928</b>
Net increase in cash and cash equivalents held	863,657	308,887
Cash and cash equivalents at the beginning of the financial year	239,902	(68,985)
<b>Cash and cash equivalents at the end of the financial year (Note 25)</b>	<b>1,103,559</b>	<b>239,902</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 24 July 2014.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

#### **Reporting Basis and Conventions**

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.

#### **Accounting Policies**

##### **a) 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 2014 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. The effects of all transactions between entities in the consolidated entity are eliminated in full.

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 9 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.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates are recognised in the consolidated statement of profit or loss and other comprehensive income, and its share of post acquisition movements in reserves are recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

##### **b) 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.

##### **c) 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.

###### **Interest**

CZZ has control over the right to receive the interest payment.

###### **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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### d) 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 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	2.50 - 10.00%	prime cost
Plant and equipment	5.00 - 40.00%	prime cost
Plant and equipment	7.50 - 20.00%	reducing balances
Motor vehicles	12.50%	prime cost

### e) Capital Work in Progress

Capital work in progress is valued 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.

### f) 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 its 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.

### g) 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.

### h) 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 decided not to implement the tax consolidation regime.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### i) 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.

##### *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.

##### *Held-to-maturity investments*

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity are stated at amortised cost using the effective interest rate method.

##### *Available-for-sale financial assets*

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity, unless an impairment has been determined by the Board.

##### *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.

#### j) 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.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### k) **Employment Benefits**

#### *Wages, salaries and annual leave*

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.

#### *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 national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

### l) **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.

### m) **Intangible Assets**

#### **Trademarks & Brand Names**

Trademarks and brand names are recorded in the financial statements at acquisition cost. Trademarks and brand names, having a benefit or relationship to more than one accounting period, are deferred and amortised to the consolidated statement of profit or loss and other comprehensive income using the straight line method of calculation over 20 years. Carrying values are assessed at the end of each reporting period for impairment and any write down included in the consolidated statement of profit or loss and other comprehensive income in the period determined.

#### **Goodwill**

Goodwill is carried at cost, less accumulated impairment losses. Goodwill is calculated as the excess of the consideration transferred over the acquisition date fair value of net identifiable assets acquired.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the consolidated entity's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

### n) **Government grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to assets are credited to deferred income at fair value and are credited to the consolidated statement of profit or loss and other comprehensive income over the expected useful life of the asset on a straight-line basis.

### o) **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.

### p) **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.

### q) **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 in the period in which they are incurred.

### r) **Business combinations**

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### s) 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.

#### t) 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.

#### u) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### v) Dividend

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.

### 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

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.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



		Consolidated	
		2014 \$	2013 \$
2.	<b>REVENUE</b>		
	Sales revenue	85,893,265	71,963,218
	Interest received	311	416
	Profit on disposal of property, plant and equipment	1,373	-
	Net foreign exchange gain	18,546	-
	Sundry	89,996	196,762
		<b>86,003,491</b>	<b>72,160,396</b>
3.	<b>OPERATING PROFIT</b>		
a)	<b>Expenses</b>		
	Raw materials and consumables	48,144,663	38,753,436
	Net foreign exchange loss	-	162,748
	Impairment loss on plant and equipment	300,000	-
	Loss on disposal of property, plant and equipment	-	25,974
	Employee benefits	8,337,219	6,732,880
	Superannuation	625,744	477,298
	Depreciation of property, plant and equipment	1,873,956	1,820,051
	Amortisation of intangibles	40,357	38,430
	Transportation costs	2,750,212	2,478,679
	Factory costs	3,018,737	2,101,379
	Marketing and promotion	11,896,539	11,528,305
	Other	3,068,469	2,726,694
		<b>80,055,896</b>	<b>66,845,874</b>
b)	Profit before income tax expense includes the following specific expenses:		
	<b>Finance costs</b>		
	Borrowing expenses	213,244	183,661
	Interest and finance charges paid	649,826	908,353
		<b>863,070</b>	<b>1,092,014</b>
c)	<b>Impact of fire at Richlands premises</b>		
	The impact on the 2014 financial year of insurance claims approved and consequential expenses of the September 2012 Richlands' fire are detailed below:		
	Insurance proceeds	2,296,993	4,694,337
	Loss of plant and equipment and consequential expenses	(891,395)	(2,338,132)
	Loss of inventory	-	(1,583,903)
	Total damage to assets and consequential expenses	(891,395)	(3,922,035)
		<b>1,405,598</b>	<b>772,302</b>
4.	<b>INCOME TAX</b>		
a)	Income tax expense	957,520	-
	Deferred tax	913,592	1,548,206
		<b>1,871,112</b>	<b>1,548,206</b>
	Deferred income tax expense included in the income tax expense comprises:		
	Decrease in deferred tax assets	804,939	1,548,206
	Increase in deferred tax liabilities	108,653	-
		<b>913,592</b>	<b>1,548,206</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		2014 \$	2013 \$
4.	<b>INCOME TAX (continued)</b>		
b)	<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
	Profit before income tax expense	6,490,123	4,994,810
	Tax at the Australian tax rate of 30% (2013: 30%)	1,947,037	1,498,443
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Amortisation of intangibles	(43,058)	(43,058)
	Impairment of receivables	-	147,623
	Consultancy fees	-	-
	Entertainment	7,133	6,997
	Legal expenses	4,672	3,131
	(Over) under provision in prior years	(44,672)	(58,930)
	Sundry items	-	(6,000)
	Income tax expense	1,871,112	1,548,206
c)	<b>Tax losses</b>		
	Deferred tax assets include a benefit representing income tax losses as follows:		
	Unused tax losses	-	3,622,589
	Potential tax benefit	-	1,086,777

Realisation of the benefit shall depend upon:

- the ability of the consolidated entity and the parent entity to derive future assessable income of a nature and of sufficient amount to enable the benefit to be realised;
- the ability of the consolidated entity and the parent entity to continue to comply with the conditions for deductibility imposed by law; and an expectation that legislation will not change in a manner which would adversely affect the consolidated entity's and the parent entity's ability to realise the benefit.

		Parent Entity	
		2014 \$	2013 \$
5.	<b>DIVIDENDS</b>		
	A fully franked final dividend of 15 cents per ordinary share was declared on 19 July 2013 based on shares held at 30 July 2013.	1,278,030	-
	A fully franked final dividend of 20 cents per ordinary share has been declared for the year ended 30 June 2014 based on shares held at 30 June 2014. This dividend incorporates an ordinary dividend of 15 cents per share, with the addition of a special dividend of 5 cents per share.	1,704,040	-
	<b>Franked dividends</b>		
	Franking credits available for subsequent financial years	969,446	1,289,955

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 2014.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



		Consolidated	
		2014 \$	2013 \$
6.	<b>TRADE AND OTHER RECEIVABLES</b>		
	Trade debtors	14,604,627	14,935,733
	Other debtors	317,549	314,434
		<b>14,922,176</b>	<b>15,250,167</b>

	Gross Amount \$	Past due and impaired >120 days \$	Past due but not impaired (days overdue)		Within initial trade terms \$
			1-30 \$	>30 \$	
<b>2014</b>					
Trade and term receivables	14,604,627	-	203,828	1,001,370	13,399,429
Other receivables	317,549	-	-	-	317,549
Provision for impairment	-	-	-	-	-
Total	14,922,176	-	203,828	1,001,370	13,716,978
<b>2013</b>					
Trade and term receivables	14,935,733	-	928,223	582,004	13,425,506
Other receivables	314,434	-	-	-	314,434
Provision for impairment	-	-	-	-	-
Total	15,250,167	-	928,223	582,004	13,739,940

		Consolidated	
		2014 \$	2013 \$
	<b>Provision for impairment of receivables</b>		
	Opening balance	-	(492,078)
	Written off	-	492,078
	Closing balance	-	-
7.	<b>INVENTORIES</b>		
	Raw materials and stores	9,770,745	12,176,908
	Work in progress	785,348	855,164
	Finished goods	3,180,018	5,296,637
		<b>13,736,111</b>	<b>18,328,709</b>
	Cost of goods sold		
	Honey levies	270,197	244,099
	Other	56,935,393	48,233,553
	Total cost of goods sold	57,205,591	48,477,652
8.	<b>OTHER CURRENT ASSETS</b>		
	Prepayments	<b>262,519</b>	<b>266,677</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9. INVESTMENTS

Other financial assets comprise of available-for-sale financial assets.

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturing dates attached to these investments.

These investments are carried at cost.

	Country of Incorporation	Class of Share	2014 % holding	2013 % holding
Investment are unlisted and comprise:-				
Honey Corporation of Australia Pty Ltd	Australia	Ord	100	100
The Manuka Honey Company Pty Ltd	Australia	Ord	50	50

### 10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2014 \$	2013 \$
<b>Land and buildings</b>		
Freehold land – at valuation	5,990,000	5,990,000
Buildings – at cost	376,913	303,169
Buildings – at valuation	5,010,000	5,010,000
Less: accumulated depreciation	(935,172)	(764,959)
	4,451,741	4,548,210
<b>Total land and buildings</b>	<b>10,441,741</b>	<b>10,538,210</b>
<b>Plant and equipment</b>		
Cost	32,252,252	32,905,952
Less: accumulated depreciation	(23,650,845)	(24,020,956)
Less: accumulated impairment loss *	(300,000)	-
<b>Total plant and equipment</b>	<b>8,301,407</b>	<b>8,884,996</b>
* Due to the refocus of product range and operations an impairment of \$300,000 was recognised in respect of a packing line		
<b>Motor vehicles</b>		
Cost	155,448	137,894
Less: accumulated depreciation	(78,278)	(63,986)
<b>Total motor vehicles</b>	<b>77,170</b>	<b>73,908</b>
<b>Capital work in progress</b>	<b>814,651</b>	<b>247,008</b>
	<b>19,934,969</b>	<b>19,744,122</b>
a) <b>Reconciliations</b>		
Reconciliations of the movements in carrying amounts for each class of property, plant and equipment are set out below:		
<b>Freehold land (level 2)</b>		
Carrying amount at beginning of year	5,990,000	5,990,000
Carrying amount at end of year	5,990,000	5,990,000



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



		Consolidated	
		2014 \$	2013 \$
10.	<b>PROPERTY, PLANT AND EQUIPMENT</b> (continued)		
a)	<b>Reconciliations</b> (continued)		
	<b>Buildings (level 2)</b>		
	Carrying amount at beginning of year	4,548,210	4,461,257
	Additions	73,744	328,310
	Disposals	-	(79,149)
	Depreciation	(170,213)	(162,208)
	Carrying amount at end of year	4,451,741	4,548,210
	<b>Plant and equipment</b>		
	Carrying amount at beginning of year	8,884,996	9,009,982
	Additions	1,405,862	1,960,719
	Disposals	-	(437,351)
	Depreciation	(1,689,451)	(1,648,354)
	Impairment loss	(300,000)	-
	Carrying amount at end of year	8,301,407	8,884,996
	<b>Motor Vehicles</b>		
	Carrying amount at beginning of year	73,908	71,713
	Additions	22,681	44,199
	Disposals	(5,127)	(32,516)
	Depreciation	(14,292)	(9,488)
	Carrying amount at end of year	77,170	73,908
	<b>Capital works in progress</b>		
	Carrying amount at beginning of year	247,008	33,192
	Net movement	567,643	213,816
	Carrying amount at end of year	814,651	247,008
b)	If land and buildings were stated at historical cost, amounts disclosed would be as follows:		
	<b>Freehold land</b>		
	Cost	797,400	797,400
	Carrying amount at end of year	<b>797,400</b>	<b>797,400</b>
	<b>Buildings</b>		
	Cost	7,927,112	7,853,368
	Less: accumulated depreciation	(3,580,913)	(3,384,192)
	Carrying amount at end of year	<b>4,346,199</b>	<b>4,469,176</b>

## Valuations

The independent valuation of the consolidated entity's freehold land and buildings carried out in October 2013 was on the basis of open market values for existing use. The revaluation surplus net of applicable deferred income tax was credited to an asset revaluation reserve in shareholders equity.

## Fair value hierarchy

The consolidated entity's assets and liabilities, measured or disclosed at fair value, 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, including investment properties, have been valued based on similar assets, location and market conditions.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		2014 \$	2013 \$
11.	<b>INTANGIBLE ASSETS</b>		
	Trademarks and brand names	4,065,845	4,065,845
	Less: accumulated amortisation	(4,041,378)	(4,001,022)
		<b>24,467</b>	<b>64,823</b>
	<b>Reconciliation</b>		
	<b>Intangibles</b>		
	Carrying amount at beginning of year	64,823	103,253
	Amortisation	(40,356)	(38,430)
	Carrying amount at end of year	<b>24,467</b>	<b>64,823</b>
12.	<b>TAX</b>		
a)	<b>Liabilities</b>		
	Current income tax	891,972	-
	Non-current deferred tax liability	108,653	-
	Deferred tax liabilities comprises:		-
	Provisions	(369,496)	-
	Tax allowances related to property, plant and equipment	(7,865)	-
	Revaluation adjustments taken directly to equity	1,732,650	-
	Intangible assets	(1,127,511)	-
	Other	(119,125)	-
		<b>(108,653)</b>	<b>-</b>
b)	<b>Assets</b>		
	Deferred tax assets comprise:		
	Provisions	-	269,197
	Deferred tax assets attributable to tax losses	-	1,086,777
	Tax allowances relating to property plant and equipment	-	(143,709)
	Revaluation adjustments taken directly to equity	-	(1,732,650)
	Intangible assets	-	1,104,242
	Other	-	221,082
		<b>-</b>	<b>804,939</b>
c)	<b>Reconciliation</b>		
	The overall movement in deferred taxes is as follows:		
	Opening balance	804,939	2,353,145
	Charge to income statement	(913,592)	(1,548,206)
	<b>Closing balance</b>	<b>(108,653)</b>	<b>804,939</b>
13.	<b>TRADE AND OTHER PAYABLES</b>		
	Beekeeper creditors	3,907,807	5,996,575
	Trade creditors	1,941,311	2,174,826
	Other creditors	2,971,817	2,490,111
	Employee entitlements	574,051	458,452
		<b>9,394,986</b>	<b>11,119,964</b>
14.	<b>SHORT TERM BORROWINGS</b>		
	Secured (note 19)		
	Commercial bills	1,000,000	1,000,000
	Hire purchase	291,904	355,887
		<b>1,291,904</b>	<b>1,355,887</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



		Consolidated	
		2014 \$	2013 \$
15.	<b>LONG TERM BORROWINGS</b>		
	Secured (note 19)		
	Commercial bills	6,664,000	7,864,000
	Bank loans	-	6,040,783
	Hire purchase	740,958	1,032,861
		<b>7,404,958</b>	<b>14,937,644</b>
16.	<b>LONG TERM PROVISIONS</b>		
	Employee entitlements	303,128	338,870

		Consolidated Entity			
		No. of Shares	2014 \$	No. of Shares	2013 \$
17.	<b>ISSUED CAPITAL</b>				
a)	<i>Foundation Share</i>				
	Opening Balance	1	1	1	1
	Movements	-	-	-	-
	<b>Closing Balance</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

At the Annual General Meeting held on 30 November 2009, Shareholders voted to amend the Constitution, with the following major changes:

- 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			
		No. of Shares	2014 \$	No. of Shares	2013 \$
b)	<i>Ordinary Shares</i>				
	Opening Balance	8,520,198	7,728,220	8,520,198	7,728,220
	Movements	-	-	-	-
	<b>Closing Balance</b>	<b>8,520,198</b>	<b>7,728,220</b>	<b>8,520,198</b>	<b>7,728,220</b>

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) 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%.

		Consolidated	
		2014 \$	2013 \$
	Notes		
Total Borrowings	13, 14, 15	18,091,848	27,413,495
Less: cash and cash equivalents	25	(1,103,559)	(239,902)
Net debt		16,988,289	27,173,593
Total equity		28,583,915	26,946,974
Total capital		45,572,204	54,120,567
Gearing ratio		<b>37%</b>	<b>50%</b>





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		2014	2013
		\$	\$
18.	<b>RESERVES</b>		
	<b>Revaluation Surplus</b>	4,042,851	4,042,851
	The revaluation surplus is used to record increments and decrements in the value of non-current assets		
19.	<b>SECURED BORROWINGS</b>		
	The loans and commercial bills amounting to \$7,664,000 (2013: \$14,904,783) are secured by a registered mortgage over all land and buildings and a fixed and floating charge over all the company's and controlled entity's assets and undertakings. Hire purchase liabilities are secured over the related assets		
20.	<b>CONTINGENT LIABILITIES</b>		
	The Directors are not aware of any significant contingent liabilities at the date of this report		
21.	<b>COMMITMENTS</b>		
	Capital expenditure commitments		
	Contracted for but not provided for or payable at 30 June:		
	Not longer than one year	1,274,427	163,410
	Operating lease commitments		
	Future operating lease rentals not provided for in the financial statements or payable:		
	Not longer than one year	394,157	394,157
	Longer than one year but not longer than five years	1,032,228	1,426,385
		<b>1,426,385</b>	<b>1,820,542</b>
22.	<b>AUDITOR'S REMUNERATION</b>		
	Remuneration of the auditor of the parent entity for:		
	▪ auditing or reviewing the financial statements	98,439	96,600
	▪ audit of the share register	-	-
	▪ taxation services	9,060	8,930
	▪ other	1,500	1,875
		<b>108,999</b>	<b>107,465</b>
23.	<b>RELATED PARTIES</b>		
a)	<b>Directors and key management personnel remuneration:</b>		
	Short term employee benefits	1,182,764	889,257
	Post employment benefits	154,196	85,855
	Termination payments	-	44,143
	Total director and key management personnel remuneration	<b>1,336,960</b>	<b>1,019,255</b>

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 9(a).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 24. 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.

### Basis of accounting for purposes of reporting by operating segment.

#### Accounting Policies

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.

#### Intersegment 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.

30 June 2014			
	Domestic \$	Export \$	Consolidated \$
a) <b>Segment Performance</b>			
Sales revenue	68,529,435	17,363,831	85,893,266
Other revenue	91,368	18,546	109,914
<b>Total segment revenue</b>	<b>68,620,803</b>	<b>17,382,377</b>	<b>86,003,180</b>
Unallocated revenue less unallocated expenses			(79,513,057)
<b>Profit before income tax</b>			<b>6,490,123</b>

30 June 2013			
	Domestic \$	Export \$	Consolidated \$
Sales revenue	56,800,328	15,162,890	71,963,218
Other revenue	196,762	-	196,762
<b>Total segment revenue</b>	<b>56,997,090</b>	<b>15,162,890</b>	<b>72,159,980</b>
Unallocated revenue less unallocated expenses			(67,165,170)
<b>Profit before income tax</b>			<b>4,994,810</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24. SEGMENT REPORTING (continued)

b) Segment Assets	Domestic \$	Export \$	Unallocated \$	Consolidated \$
30 June 2013	11,600,012	3,750,047	39,349,280	54,699,339
30 June 2014	12,766,406	3,126,126	33,791,269	49,683,801
<b>Change in total assets</b>	<b>1,166,394</b>	<b>(623,921)</b>	<b>(5,558,011)</b>	<b>(5,015,538)</b>

The decrease in Group assets is predominantly due to a decrease in inventories of \$4,592,598. This is largely due to the lower supply of raw honey

c) Segment Liabilities	Domestic \$	Export \$	Unallocated \$	Consolidated \$
30 June 2013	5,907,037	133,746	21,711,582	27,752,365
30 June 2014	-	-	21,099,886	21,099,886
<b>Change in total liabilities</b>	<b>(5,907,037)</b>	<b>(133,746)</b>	<b>(611,696)</b>	<b>(6,652,479)</b>

The decrease in Group liabilities is mainly due to lower long term borrowings (\$7,532,686 reduction).

	Consolidated	
	2014 \$	2013 \$
d) <b>Change in identification of segments</b>		
There have been no changes in operating segments since the previous year.		
e) <b>Revenue by geographical region</b>		
Australia	67,519,448	56,915,034
Foreign countries	18,483,732	15,244,946
<b>Total revenue</b>	<b>86,003,180</b>	<b>72,159,980</b>
Revenue attributable to external customers is based on the location of the customer		
f) <b>Assets by geographical region</b>		
Australia	49,678,303	54,507,729
Foreign countries	5,498	191,610
<b>Total assets</b>	<b>49,683,801</b>	<b>54,699,339</b>
The location of segment assets is by geographical location of the asset		
g) <b>Major customers</b>		
The Group has a number of customers to whom it provides products. The Group supplies ten major customers accounting for 66% of revenue (2013: 69%). The next most significant customer accounts for 1.6% of revenue (2013: 2.1%).		
25. <b>RECONCILIATION OF CASH</b>		
For the purpose of the statement of cash flows, cash includes cash on hand and at banks and short term investments in the money market, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	1,103,559	239,902
Bank overdraft	-	-
<b>Total cash and cash equivalents</b>	<b>1,103,559</b>	<b>239,902</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



26.

## RECONCILIATION OF NET CASH GENERATED FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX

	Consolidated	
	2014 \$	2013 \$
Profit after income tax	4,619,011	3,446,604
Decrease in provision for doubtful debts	-	(492,078)
Depreciation	1,873,956	1,820,051
Amortisation	40,356	38,430
Plant and equipment written off	-	539,824
Impairment loss	300,000	-
Loss / (Profit) on sale of equipment	(1,373)	25,974
Increase in tax payable	891,972	-
Decrease in deferred tax assets	913,592	1,548,206
Change in assets and liabilities		
Decrease (increase) in assets		
Trade debtors	331,106	(4,472,036)
Other debtors	37,857	353,843
Inventory	4,592,598	(2,257,912)
Prepayments	4,158	(31,672)
Goods and Services Tax received	(40,972)	(68,620)
Increase (decrease) in liabilities		
Trade creditors	(233,515)	481,847
Other creditors	481,706	694,101
Beekeeper creditors	(2,088,768)	1,602,227
Employee entitlements	79,857	15,061
Net cash generated from operating activities	<b>11,801,541</b>	<b>3,243,850</b>





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		2014 \$	2013 \$
27.	<b>FINANCING ARRANGEMENTS</b>		
	Total facilities		
	Unrestricted access was available at the end of the reporting period to the following lines of credit:		
	Multi-Option	10,000,000	10,000,000
	Fixed bill facility	2,614,000	2,614,000
	Debtor finance	8,000,000	8,000,000
		<b>20,614,000</b>	<b>20,614,000</b>
	Used at the end of the reporting period		
	Multi-Option	6,300,000	6,500,000
	Fixed bill facility	1,364,000	2,364,000
	Debtor finance	-	6,040,783
		<b>7,664,000</b>	<b>14,904,783</b>
	Unused at the end of the reporting period		
	Multi-Option	3,700,000	3,500,000
	Fixed bill facility	1,250,000	250,000
	Debtor finance	8,000,000	1,959,217
		<b>12,950,000</b>	<b>5,709,217</b>
28.	<b>EARNINGS PER SHARE (EPS)</b>		
	Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted EPS	8,520,198	8,520,198
	Earnings used in the calculation of basic and diluted EPS	<b>4,619,011</b>	<b>3,446,604</b>

## 29. 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 may include forward exchange and currency option contracts. 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 29(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 2014 approximately 95% of consolidated entity debt is floating (2013: 95%). 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 29. FINANCIAL INSTRUMENTS (continued)

### Financial Risk Management

#### Liquidity risk

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

#### 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	
		2014 \$	2013 \$
a)	<b>Interest Rate Sensitivity Analysis</b>		
	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 2%	(218,000)	(273,000)
	decrease in interest rate by 2%	218,000	273,000
	Change in equity		
	increase in interest rate by 2%	(218,000)	(273,000)
	decrease in interest rate by 2%	218,000	273,000
b)	<b>Foreign Currency Risk Sensitivity Analysis</b>		
	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%	(103,000)	(179,000)
	increase in AUD:CAD rate by 10%	(30,000)	(52,000)
	increase in AUD:CNY rate by 10%	(10,000)	-
	increase in AUD:NZD rate by 10%	-	(11,000)
	increase in AUD:MYR rate by 10%	(14,000)	-
	decrease in AUD:USD rate by 10%	125,000	219,000
	decrease in AUD:CAD rate by 10%	37,000	63,000
	decrease in AUD:CNY rate by 10%	12,000	-
	decrease in AUD:NZD rate by 10%	-	13,000
	decrease in AUD:MYR rate by 10%	17,000	-





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29. FINANCIAL INSTRUMENTS (continued)

#### b) Foreign Currency Risk Sensitivity Analysis (continued)

	Consolidated	
	2014 \$	2013 \$
Change in equity		
increase in AUD:USD rate by 10%	(103,000)	(179,000)
increase in AUD:CAD rate by 10%	(30,000)	(52,000)
increase in AUD:CNY rate by 10%	(10,000)	-
increase in AUD:NZD rate by 10%	-	(11,000)
increase in AUD:MYR rate by 10%	(14,000)	-
decrease in AUD:USD rate by 10%	125,000	219,000
decrease in AUD:CAD rate by 10%	37,000	63,000
decrease in AUD:CNY rate by 10%	12,000	-
decrease in AUD:NZD rate by 10%	-	13,000
decrease in AUD:MYR rate by 10%	17,000	-
c) <b>Honey Price Sensitivity Analysis</b>		
At 30 June, the effect on profit and equity as a result of changes in the purchase price of futures honey already delivered, with all other variables remaining constant would be as follows		
Change in profit		
increase in honey purchase price of 10%	(329,000)	(513,000)
decrease in honey purchase price of 10%	329,000	513,000
Change in equity		
increase in honey purchase price of 10%	(329,000)	(513,000)
decrease in honey purchase price of 10%	329,000	513,000

#### 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. 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 (2013: 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 no outstanding currency options (2013: US\$800,000).

##### ii) Net Fair Values

The net fair values of:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 29. FINANCIAL INSTRUMENTS (continued)

### iii) Liquidity Risk

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

	2014					Total
	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 than 1 year	
		\$	\$	\$	\$	\$
Financial assets						
Cash	0%	1,101,951	-	-	1,608	1,103,559
Receivables	-	-	-	-	14,922,176	14,922,176
<b>Total financial assets</b>		<b>1,101,951</b>	<b>-</b>	<b>-</b>	<b>14,923,784</b>	<b>16,025,735</b>
Financial liabilities						
Commercial bills	3.83%	7,664,000	-	-	-	7,664,000
Hire purchase	7.18%	-	291,904	740,958	-	1,032,862
Beekeeper creditors	-	-	-	-	3,907,807	3,907,807
Bank loans	5.8%	-	-	-	-	-
Trade & sundry creditors	-	-	-	-	4,913,128	4,913,128
<b>Total financial liabilities</b>		<b>7,664,000</b>	<b>291,904</b>	<b>740,958</b>	<b>8,820,935</b>	<b>17,517,797</b>

	2013					Total
	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 than 1 year	
		\$	\$	\$	\$	\$
Financial assets						
Cash	0.24%	236,578	-	-	3,324	239,902
Receivables	-	-	-	-	15,250,167	15,250,167
<b>Total financial assets</b>		<b>236,578</b>	<b>-</b>	<b>-</b>	<b>15,253,491</b>	<b>15,490,069</b>
Financial liabilities						
Commercial bills	6.32%	8,864,000	-	-	-	8,864,000
Hire purchase	6.98%	-	355,887	1,032,861	-	1,388,748
Beekeeper creditors	-	-	-	-	5,996,575	5,996,575
Bank loans	5.8%	6,040,783	-	-	-	6,040,783
Trade & sundry creditors	-	-	-	-	5,123,389	5,123,389
<b>Total financial liabilities</b>		<b>14,904,783</b>	<b>355,887</b>	<b>1,032,861</b>	<b>11,119,964</b>	<b>27,413,495</b>

Other than that disclosed in Note 14, commercial bills and bank loans are expected to mature between 1-5 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2014 \$	2013 \$
<b>30. PARENT ENTITY INFORMATION</b>		
Net profit attributable to members of CZZ	4,475,484	3,303,078
<b>Total comprehensive income for the year attributable to members of CZZ</b>	<b>4,475,484</b>	<b>3,303,078</b>
Current assets	30,024,365	34,085,455
<b>Total assets</b>	<b>50,087,964</b>	<b>55,247,028</b>
Current liabilities	13,283,147	12,475,851
<b>Total liabilities</b>	<b>21,099,886</b>	<b>27,752,365</b>
Issued capital	7,728,221	7,728,221
Revaluation surplus	4,042,851	4,042,851
Retained earnings	17,217,006	15,723,591
<b>Total equity</b>	<b>28,988,078</b>	<b>27,494,663</b>
Capital expenditure commitments not provided for in the financial statements	1,274,427	163,410
Future operating leases not provided for in the financial statements	1,426,385	1,820,542





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 31. 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, AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127], AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8], AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Part C] and AASB 2014-1 Amendments to Australian Accounting Standards [Part E] (applicable for annual reporting periods commencing on or after 1 January 2018)*

AASB 9 includes requirements for the classification and measurement of financial assets and the accounting requirements for financial liabilities.

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;
- 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;
- 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 own credit risk to be presented in other comprehensive income;

- adding Chapter 6 Hedge Accounting which supersedes the general hedge accounting requirements as they exist in AASB 139 and the addition of new disclosure requirements. The Chapter 6 requirements include a new approach to hedge accounting, intended to more closely align hedge accounting with risk management activities.

The Group has not yet assessed the impact of this standard.

- *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (applicable for annual reporting periods commencing on or after 1 January 2014)*

This standard adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The standard is not expected to impact the Group.

- *AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014)*

This Standard amends the disclosure requirements in AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The standard is not expected to impact the Group.

- *AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139] (applicable for annual reporting periods commencing on or after 1 January 2014)*

This Standard makes amendments to AASB 139 to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The standard is not expected to impact the Group.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. STANDARDS ISSUED BUT NOT YET EFFECTIVE

#### New Accounting Standards for Application in Future Periods (continued)

- *AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139] (applicable for annual reporting periods commencing on or after 1 January 2014)*

This standard makes amendments to define an investment entity and require that, with limited exceptions, an investment entity not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities to AASB 12 *Disclosure of Interests in Other Entities* and AASB 127 *Separate Financial Statements*. The standard is not expected to impact the Group.

- *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Part B] (applicable for annual reporting periods commencing on or after 1 January 2014) and AASB 2014 -1 Amendments to Australian Accounting Standards [Part C] (applicable for annual reporting periods commencing on or after 1 July 2014)*

The changes made to AASB 1031 in respect of materiality withdraw the substantive content contained within the standard and provide signpost references to materiality in other Australian Accounting Standards. The standard is not expected to impact the Group.

- *AASB 2014 -1 Amendments to Australian Accounting Standards [Part A] (applicable for annual reporting periods commencing on or after 1 July 2014)*

Part A of this Standard makes various amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle, including:

- AASB 1 – clarification in the basis of conclusion.
- AASB 2 – amendments to certain definitions contained within the standard.

- AASB 3 – clarification that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date and clarification that AASB 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- AASB 8 – amendments to disclosures.

- AASB 13 – clarification regarding the measurement of short-term receivables and payables and clarification that the scope of the portfolio exception in paragraph 52 of AASB 13 includes all contracts accounted for within the scope of AASB 139 or AASB 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in AASB 132.

- AASB 116 and AASB 138 – clarification that when an item of property, plant and equipment or intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- AASB 124 – clarification that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

- AASB 140 – clarification that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 Business Combinations and investment property as defined in AASB 140 Investment Property requires the separate application of both standards independently of each other.

The standard is not expected to impact the Group

- *AASB 2014 -1 Amendments to Australian Accounting Standards [Part B] (applicable for annual reporting periods commencing on or after 1 July 2014)*

Part B of this Standard makes amendments to AASB 119 Employee Benefits in relation to the requirements for contributions from employees or third parties that are linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method applied to the gross benefit.

The standard is not expected to impact the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 31. STANDARDS ISSUED BUT NOT YET EFFECTIVE

### New Accounting Standards for Application in Future Periods (continued)

- *IFRS 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017)*

IFRS 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

IFRS 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.

IFRS 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 Group has not yet assessed the impact of this standard.

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

## 32. 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.

Any new revised or amending accounting standards or interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the account policies of the consolidated entity from the adoption of these accounting standards and interpretations are disclosed below. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following accounting standards and interpretations are most relevant to the consolidated entity.

### AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2014, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

### AASB 13 Fair Value Measurement and AASB 2011-8 amendments to Australian Accounting Standards arising from AASB 13.

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2014. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

### AASB 119 Employee Benefits (September 2011) and ASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33. ACQUISITION OF ASSETS AND BUSINESS OPERATION

On 8 April 2013, Capilano completed the acquisition of assets and business operation of Wescobee Limited (Wescobee) in Western Australia. Total cost of acquisition amount to \$4,234,266. Total assets and liabilities acquired, including other acquisition costs are detailed below:

	\$
Inventories	3,097,562
Plant and equipment	1,185,501
Employee entitlement	(214,498)
Total consideration paid	4,068,565
Other acquisition costs	165,701
Total cost of acquisition	4,234,266

### 34. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The directors are not aware of any significant events since the end of the reporting period.









## SHAREHOLDERS' INFORMATION

as at 30 June 2014

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 CBL. 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	2,170,258	25.47
50,001 to 100,000			4	285,735	3.35
10,001 to 50,000			164	3,054,161	35.85
5,001 to 10,000			200	1,543,425	18.12
1,001 to 5,000			479	1,315,557	15.44
1 to 1,000	1	1	310	151,062	1.77
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>1,163</b>	<b>8,520,198</b>	<b>100.00</b>

d) **Shareholders holding less than a marketable parcel**

There are 36 shareholders holding 391 shares which the company considers to be less than a marketable parcel of shares (value \$500), when using a value of \$6.10 per share, being the high price on 30 June 2014.

e) **Twenty largest shareholders**

The names of the twenty largest holders of quoted shares are:			Number of Ordinary Shares	Percentage of Ordinary Shares
1	Wroxby Pty Ltd <small>Note:1</small>		1,065,025	12.50%
2	RBC Investor Services Australia Nominees Pty Ltd <Picredit>		385,111	4.52%
3	National Nominees Limited		287,583	3.38%
4	J P Morgan Nominees Australia Limited		197,023	2.31%
5	HSBC Custody Nominees (Australia) Limited		135,513	1.59%
6	Capefin Pty Ltd <Ballantyne Super Fund A/C>		100,003	1.17%
7	Dr Benjamin McKee & Mrs Sophie McKee <B A McKee Super Fund A/c>		90,300	1.06%
8	Barnes Apiaries Pty Ltd <The Barnes Family A/C>		70,000	0.82%
9	UBS Wealth Management Australia Nominees Pty Ltd		64,700	0.76%
10	Mr Enrico Albertani & Ms Alison Woodbury <Forest Wild Honey>		60,735	0.71%
11	Rubicon Nominees Pty Ltd		45,000	0.53%
11	Mr Cain William Treanor		45,000	0.53%
12	Muirhead Electrical Pty Ltd		43,400	0.51%
13	Mr Colin James Smith & Mr Maurice William Smith		43,252	0.51%
14	Mr Peter McDonald		42,425	0.50%
15	Ginga Pty Ltd		40,000	0.47%
15	Mrs Marlene Rosemary Nelson		40,000	0.47%
16	Ruge Super Pty Ltd <Ruge Super Fund A/C>		37,978	0.45%
17	Mr Peter Roy Barnes		37,520	0.44%
18	Mr Trevor Richard Morgan & Mrs Penelope Ann Morgan		37,128	0.44%
19	Mr Donald Gordon Keith & Mrs Lorice Ruth Keith		36,979	0.43%
20	Mr Jonathan William Williams & Mrs Maxine Alice Williams		36,960	0.43%
<b>Totals</b>			<b>2,941,635</b>	<b>34.53%</b>

Note:1 - Substantial Shareholder

f) **Company Secretary** - Mr Dirk Kemp

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

h) **Register of Securities** - The Register of Securities is held at Link Market Services, Level 15, 324 Queen Street, Brisbane. Ph: 1300 554 474 or from outside Australia on +61 1300 554 474



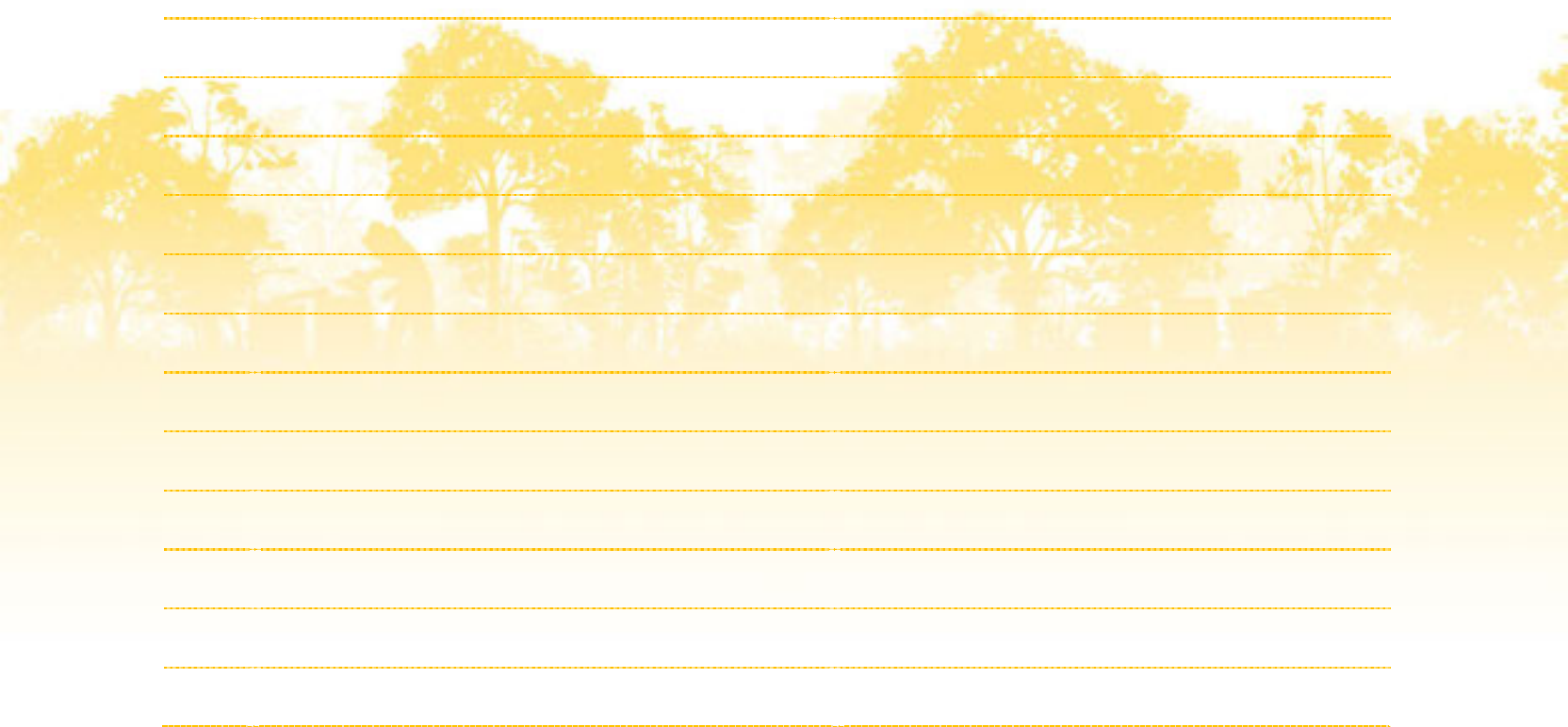


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**NOTES**

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<b>Capilano Group of Companies</b>	Capilano Honey Limited Honey Corporation of Australia Pty Ltd
<b>Bankers</b>	HSBC Bank Australia Limited
<b>Auditors</b>	William Buck (Qld) Chartered Accountants
<b>Share Register</b>	Link Market Services









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