



ABN 55 009 686 435

Half-Year Financial Report 14

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**FINANCIAL AND STATUTORY REPORTS
FOR CAPILANO HONEY LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

Report of the Directors

Your directors present their report on the consolidated financial statements of the company and its controlled entities for the half-year ended 31 December 2014.

Directors

The following persons held office as directors of Capilano Honey Limited during or since the end of the half-year:

Trevor Richard Morgan, Chairman
Phillip Francis McHugh, Deputy Chairman
Ben McKee, Managing Director
Robert Neville Newey
Simon Lucien Tregoning

Principal Activities

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

Consolidated Results

The net profit of the consolidated entity for the half-year before income tax was \$5,118,379 (2013 \$2,954,851) and after income tax was \$3,597,742 (2013 \$2,075,954).

Review of Operations

Capilano's profitability continues to be driven by our local and international retail markets, in conjunction with the continuation of operational cost controls. Domestic market share has risen; assisted by an expanded ranging of branded products. Revenue has increased by 34%, including a 19% increase in sales to Asia.

Refer to the Half Year Report to Shareholders for more information.

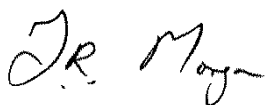
Significant Changes

There were no significant changes in operations during the half-year.

Auditor's Independence Declaration

The Auditor's Independence Declaration has been received and can be found on page 2 of this financial report.

Signed at Brisbane this 9th day of February 2015, in accordance with a resolution of the directors.



T R Morgan
Chairman



B McKee
Managing Director

Auditor's Independence Declaration



The Directors
Capilano Honey Limited
399 Archerfield Road
RICHLANDS QLD 4077

Auditor's Independence Declaration

As lead auditor for the review of Capilano Honey Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Capilano Honey Limited and the entities it controlled during the period.

William Buck

William Buck (Qld)
ABN 11 603 627 400

A handwritten signature in black ink, appearing to read 'M Ayooob', written over a horizontal line.

M Ayooob
A member of the firm

Brisbane 9 February 2015

CHARTERED ACCOUNTANTS & ADVISORS

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Independent Auditor's Review Report

To the Members of Capilano Honey Limited



Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Capilano Honey Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Capilano Honey Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Capilano Honey Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'William Buck'.

William Buck (Qld)
ABN 11 603 627 400

A handwritten signature in black ink that appears to read 'M Ayoub'.

M Ayoub
A Member of the Firm

Brisbane 9 February 2015

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Directors' Declaration

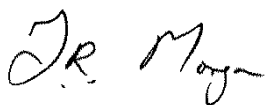
The directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 5 to 10:
 - (i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
- (b) the company will be able to pay its debts as and when they become due and payable.

Signed at Brisbane this 9th day of February 2015, in accordance with a resolution of the directors.



T R Morgan
Chairman



B McKee
Managing Director

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the half-year ended 31 December 2014

	Note	31 December 2014 \$	31 December 2013 \$
Revenue		57,871,333	43,182,005
Other income		261,930	133,657
Finance costs		(352,004)	(490,489)
Other expenses		(52,662,880)	(40,375,913)
		5,118,379	2,449,260
<i>Impact of fire damage at Richlands' plant</i>			
Insurance proceeds		-	809,400
Damage to assets and consequential expenses		-	(303,809)
Profit before income tax		5,118,379	2,954,851
Income tax expense		(1,520,637)	(878,897)
Net profit attributable to members of Capilano Honey Limited		3,597,742	2,075,954
Other comprehensive income		-	-
Total comprehensive income for the period attributable to members of Capilano Honey Limited		3,597,742	2,075,954
Basic earnings per share (cents)		42.23	24.37
Diluted earnings per share (cents)		42.23	24.37

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2014

	31 December 2014	30 June 2014
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	3,449,657	1,103,559
Trade and other receivables	18,305,538	14,922,176
Inventories	16,615,755	13,736,111
Other current assets	612,718	262,519
TOTAL CURRENT ASSETS	38,983,668	30,024,365
NON-CURRENT ASSETS		
Property, plant and equipment	20,551,168	19,634,969
Intangible assets	4,067	24,467
Deferred tax assets	142,321	-
TOTAL NON-CURRENT ASSETS	20,697,556	19,659,436
TOTAL ASSETS	59,681,224	49,683,801
CURRENT LIABILITIES		
Trade and other payables	16,952,836	9,394,986
Short term borrowings	1,273,930	1,291,904
Provision for dividend	-	1,704,285
Provision for income tax	2,491,689	891,972
TOTAL CURRENT LIABILITIES	20,718,455	13,283,147
NON-CURRENT LIABILITIES		
Long term borrowings	6,465,734	7,404,958
Long term provisions	315,378	303,128
Deferred tax liabilities	-	108,653
TOTAL NON-CURRENT LIABILITIES	6,781,112	7,816,739
TOTAL LIABILITIES	27,499,567	21,099,886
NET ASSETS	32,181,657	28,583,915
EQUITY		
Issued capital	7,728,221	7,728,221
Reserves	4,042,851	4,042,851
Retained earnings	20,410,585	16,812,843
TOTAL EQUITY	32,181,657	28,583,915

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

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2014

	Issued capital		Reserves	Retained earnings	Total equity
	Ordinary	Foundation	Asset Revaluation		
	\$	\$	\$	\$	\$
Balance at					
1 July 2014	7,728,220	1	4,042,851	16,812,843	28,583,915
Total comprehensive income for the period	-	-	-	3,597,742	3,597,742
Dividend recognised for the period	-	-	-	-	-
Balance at					
31 December 2014	7,728,220	1	4,042,851	20,410,585	32,181,657
Balance at					
1 July 2013	7,728,220	1	4,042,851	15,175,902	26,946,974
Total comprehensive income for the period	-	-	-	2,075,954	2,075,954
Dividend recognised for the period	-	-	-	(1,278,030)	(1,278,030)
Balance at					
31 December 2013	7,728,220	1	4,042,851	15,973,826	27,744,898

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

	Inflows (Outflows)	
	31 December 2014	31 December 2013
	\$	\$
<i>Cash flows from operating activities</i>		
Receipts from customers	54,678,832	45,390,120
Payments to suppliers and employees	(48,923,742)	(38,491,240)
Interest received	973	-
Net goods and services tax recovered	1,388,495	1,048,698
Income tax paid	(171,894)	-
Insurance proceeds	-	809,400
Interest paid	(238,458)	(377,798)
Net cash provided by operating activities	6,734,206	8,379,180
<i>Cash flows from investing activities</i>		
Payment for property, plant and equipment	(1,741,598)	(802,151)
Proceeds from sale of property, plant and equipment	14,973	6,500
Net cash used in investing activities	(1,726,625)	(795,651)
<i>Cash flows from financing activities</i>		
Payment of dividend	(1,704,285)	(1,278,030)
Repayment of borrowings	(957,198)	(5,974,735)
Net cash used in financing activities	(2,661,483)	(7,252,765)
Net increase in cash and cash equivalents held	2,346,098	330,764
Cash and cash equivalents at the beginning of the financial period	1,103,559	239,902
Cash and cash equivalents at the end of the financial period	3,449,657	570,666

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

Notes to the Financial Statements

For the half-year ended 31 December 2014

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Acts 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

The interim financial statements are intended to provide users with an update on the latest financial statements of Capilano Honey Limited and its controlled entities (the consolidated entity). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2014, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in the interim financial statements as were applied in the most recent annual financial statements.

The consolidated entity has adopted all of the new and revised pronouncements which became mandatory for annual reporting periods beginning on or after 1 July 2014. In adopting these new and revised pronouncements, the consolidated entity has determined that there has been no impact to the consolidated entity's reported position or performance.

2. EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

Since 31 December 2014, Capilano Honey Limited has entered into a contract to purchase the net assets of Yellow Pty Ltd (trading as Chandlers Honey) as at 30 January 2015. The net assets acquired meet the definition of a business in accordance with AASB 3 and accordingly the transaction will be accounted for as a business combination.

The net assets purchased comprised plant and equipment and inventory as well as employee benefits obligations.

The acquisition will result in an increase in honey supply to the company.

The consideration for the acquisition is outlined as below:

<i>Consideration</i>	
Cash payment	\$ 618,795
Issue of shares	\$ 500,000
	<hr/>
Total consideration	\$1,118,795
	=====

Due to timing of the transaction, accounting for the transaction is incomplete and fair values have not yet been assigned to the individual identifiable assets and liabilities.

3. ISSUED CAPITAL

There have been no shares issued since the last annual reporting date.

Notes to the Financial Statements

For the half-year ended 31 December 2014

4. OPERATING SEGMENTS		31 December 2014			
(a)	Segment Performance	Domestic \$	Export \$	Consolidated \$	
	Sales revenue	47,016,981	10,854,352	57,871,333	
	Other revenue	29,977	231,953	261,930	
	Total segment revenue	47,046,958	11,086,305	58,133,263	
	Unallocated revenue less unallocated expenses			(53,014,884)	
	Profit before income tax			5,118,379	
		31 December 2013			
		Domestic \$	Export \$	Consolidated \$	
	Sales revenue	34,129,944	9,009,288	43,139,232	
	Other revenue	42,773	-	42,773	
	Total segment revenue	34,172,717	9,009,288	43,182,005	
	Unallocated revenue less unallocated expenses			(40,227,154)	
	Profit before income tax			2,954,851	
(b)	Segment Assets	Domestic \$	Export \$	Unallocated \$	Consolidated \$
	30 June 2014	12,766,406	3,126,126	33,791,269	49,683,801
	31 December 2014	15,546,761	4,955,148	39,179,315	59,681,224
	Change in total assets	2,780,355	1,829,022	5,388,046	9,997,423
(c)	Segment Liabilities	Domestic \$	Export \$	Unallocated \$	Consolidated \$
	30 June 2014	-	-	21,099,886	21,099,886
	31 December 2014	-	-	27,499,567	27,499,567
	Change in total liabilities	-	-	(6,399,681)	(6,399,681)
