

Half-Year Report to Shareholders

for the six months ended 31 December 2014

CAPILANO'S IMPROVING PROFIT PERFORMANCE CONTINUES

Dear Shareholder,

We report our half-year result being a net profit before tax (NPBT) of \$5.12 million, which compares to \$2.45 million for the same period last year, before the impact of the Richlands fire and insurance reimbursements. Revenue has increased 34% to \$57.9 million due to growth in domestic and export markets.

Net interest bearing debt has been reduced to \$4.29 million, down from \$7.59 million at the end of June 2014 and \$9.75 million for the same period to December 2013. Debt is associated with working capital requirements (inventory) and we continue to improve our gearing using incoming cash flows.

The average cost of domestic supplier honey for the 6 months to 31 December has risen to \$4.61/kg compared with \$3.49/kg for the same period last year. This increase reflects heightened competition in the market as packers compete for supply in a period of reduced domestic production. Such increases in honey price have delivered our beekeepers a better reward for their effort and will help maintain the continuing viability of their businesses. Raw material cost increases have been effectively recovered from the market with wholesale price increases. Recent rains bring welcomed relief to many production regions and will help orchestrate a return to better seasons in the future as trees respond with increased flowering patterns.

Capilano Honey Limited Group - 6 months to 31 December	Current Half Year \$million	FY14 Half Year \$million
Revenue	\$57.9	\$43.2
Earnings Before Interest and Tax (EBIT)	\$5.36	\$3.33
Net Profit Before Tax (NPBT)	\$5.12	\$2.95
Average Domestic Honey Price / Kg	\$4.61	\$3.49
Current Ratio	1.88	2.66
Debt Ratio (Total Liabilities/Total Assets)	46%	42%
Gearing Ratio (Net Interest Bearing Debt/Equity)	13%	35%
Interest Cover	25.9	11.5
Net Assets	\$32.2	\$27.7
Earnings Per Share (EPS)	\$0.42	\$0.24
Net Assets Backing/Share	\$3.78	\$3.26

The Board has recently announced the acquisition of Victorian honey packer, Yellow Pty Ltd (trading as Chandlers Honey). The assets acquired and skilled staff within this honey business will be deployed to recommission Capilano's existing factory in Maryborough, Victoria. The reopening of this facility will expand Capilano's operational capability and will prepare the company to meet future sales targets, whilst absorbing an increase of packing demand of over 1,000 tonnes as a consequence of the acquisition.

International interest in the quality premium range of retail products we market continues to grow, with expanding ranges in the Middle East and Asia, with overall export sales increasing 19% year to date.

Capilano's Directors will continue the practice of considering only an annual dividend.

Yours sincerely



Ben McKee
Managing Director

9 February 2015