



CAPILANO



HONEY LIMITED

ABN 55 009 686 435

**ANNUAL
REPORT
2015**







15

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CAPILANO



SUPPLIED BY
500
AUSTRALIAN
BEEKEEPING
FAMILIES!

100% PURE AUSTRALIAN

Honey

500g NET

CHAIRMAN'S REPORT



Capilano has just completed another very good year with improved sales and a substantial increase in profit.

This has been achieved during a year where the supply of quality Australian honey has remained tight with significant competition for the limited supply available.

The acquisition of the Chandlers Honey business during the year and its relocation into our existing Maryborough facility will help to contribute to the continued sales growth we have achieved and importantly strengthen our presence in south-east Australia.

Results

The net profit before tax of \$11,128k for this financial year is a very good result, being an impressive 71% improvement over the previous year.

With tax expense of \$3,283k this financial year leaving a net profit after tax of \$7,845k, a 70% improvement over last years \$4,619k.

Based on these results for the year a fully franked dividend of 37.5 cents per share was declared in June and paid to shareholders on 24 July 2015.

Business Focus

The focus for Capilano continues to be the development of the Capilano brand while maintaining our position as market leader by expanding the honey category and honey usage.

The introduction of more premium branded offerings both locally and overseas and new products like Apple Cider Vinegar along with expansion of health and wellness products such as Manuka honey and Beevital have helped to maintain the momentum achieved in recent years.

We are also determined to be the lowest cost operator in the category by continuing to improve our operational cost structure. The installation of a new processing system and a new retail packing line during the year will contribute to improved efficiency and increased versatility in packaging.

Honey Supply

A good supply of Australian honey remains vital to Capilano's business and future.

The last season has seen another year of mixed fortune for beekeepers in Australia which has resulted in a limited supply of honey overall. This has restricted Capilano's ability to take advantage of all the market opportunities available during the year.

The acquisition of Chandlers Honey in Melbourne and subsequent relocation to Capilano's existing, recommissioned facility in Maryborough, should help to re-establish a stronger presence in that area, improving our ability to source more honey from that important production region.

A great deal of effort has gone into offering enhanced beekeeper services to our suppliers during the year. The production of a Pest Management Pack for Varroa, a potentially serious pest of bees if or when it arrives in Australia, and a Manuka Information Pack are two examples of the initiatives undertaken.

To further secure the future of our honey producers and Capilano it is crucial that we are seen as the best, most reliable option for Australian beekeepers to sell their honey. Particularly with the forecast for another El Nino event coming up that has the potential to significantly reduce rainfall in the eastern and southern region of the country where much of the local honey is normally produced.





CHAIRMAN'S REPORT



Our People

While we can spend a lot of time and effort developing improved facilities and systems for the business the most important asset we have are the people who work in it.

Managing Director, Ben McKee and all his team have done an outstanding job steering the business through the hurdles encountered over the last year with an excellent outcome that has been beneficial to all the stakeholders in the company.

This success has been recognised by the market that has seen a significant increase in the price for Capilano shares over the last year.

My thanks also go to my fellow Directors who have continued to work very well together, offering a diverse range of skills to effectively protect the interests of all stakeholders while building an increasingly stable and profitable business.

Looking Forward

The Board and Management of Capilano will strive to maintain and enhance Capilano's position as market leader in Australia while developing further market opportunities overseas for our great product.

We will also be looking to develop improved mechanisms for building even stronger relationships with our suppliers in an effort to obtain the most consistent and reliable supply of honey possible and to have the strength to offer them the best price available.

We also continue to look at potential merger and acquisition opportunities that can offer improvement or synergistic benefits to our core business.

For a more detailed outline of the operation and outcomes for the business over the last financial year please refer to the Managing Directors' Review of Operations' included in this report.

A handwritten signature in black ink, reading 'T R Morgan'.

T R Morgan
Chairman





BOARD OF DIRECTORS



Mr Trevor R Morgan, FAICD

Chairman, Independent Non-Executive Director, Commercial Apiarist

Age 60

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 39

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 12 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, Independent Non-Executive Director, Commercial Apiarist

Age 58

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, FAICD

Independent Non-Executive Director

Age 67

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

Independent Non-Executive Director

Age 56

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



It is pleasing to inform shareholders again of the continued financial improvement of Capilano, with growth achieved within all key segments of the business. For the financial year 2015, a net profit after tax of \$7,845k was achieved, which is an improvement of \$3,226k (70%) on last year's result of \$4,619k.

If we ignore the 2014 financial year impact of the fire insurance claim settlement leading to net gains of \$1,406k, business profit this financial year has improved \$4,632 (144%) on last year.

Australian honey supply conditions have been better than the previous season's lowest ever production, but remained abnormally low when compared to historical averages. Raw honey prices paid have remained high in a market of short supply; however, we have seen some improvement in inventory holdings of Australian honey as the year has progressed.

Despite low domestic supply conditions, Capilano Brand has remained 100% Australian honey within all Australian markets, which has been an enduring priority for us. The importation of honey to Australia has remained a necessary reality in order to service our non-Capilano brand customers during times of

continued low local supply. International honey markets have remained stable at relatively high prices. Capilano imports honey from established long-term international partners who deliver product that meets our inflexible strict quality conditions and Australian foods standards.

**For the financial year 2015,
a net profit after tax of \$7,845k
was achieved, an improvement of
\$3,226k'**

Revenue has grown from \$86.0m last year to \$120.9m this year as we have provided customers with new offerings, whilst having honey supply to meet the needs of new customers. The acquisition of Chandler's Honey in February 2015 was a seamless integration that has delivered the gain in honey supply we anticipated. We are pleased to report that we have retained all of the customers. The Maryborough, Victoria, factory has been recommissioned and we are now processing honey at this upgraded facility. We have retained the skilled services of the staff of Chandler's Honey who are now contributing to the success of our renewed regional base in south eastern Australia.





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MANAGING DIRECTOR'S REVIEW OF OPERATIONS

The Year In Review – Performance

At a glance:

Revenue

\$120.8m

Expenses

10.8%

EBIT

\$11.6m

Earnings per shares

91.3¢

Net Debt

4.7m

Net Assets

33.7m

Dividend

37.5¢ Per Share

The 2015 financial year has seen the continuation of profit and revenue growth stemming from both export and domestic sales. Most notably, domestic market share has risen as we have been able to deliver improved customer offerings utilising a range of Brands.

The 2015 performance includes the impacts of:

A revenue increase of \$34.9m (41%) as domestic and export retail sales continued to grow.

Expenses as a percentage of net sales reduced from 14.3% last year to 10.8% as the operation benefited from increased volumes.

EBIT improved \$4.41m (62%) on last year as revenue grew and sales mix improved.

Earnings per share increase of 37.1¢ (68%) to 91.3¢.

Operating cash flow decreased as there was no insurance cash reimbursements included and the larger business required greater working capital to fund more inventories.

Incoming cash flows were used to decrease borrowings some \$2.93m, leading to a 38.6% reduction in net debt this year to a new low of \$4.67m.

An increased tax expense of \$3.34m this year, compared with \$1.95m last year.

The statement of financial position remains strong with net assets increasing by \$5.12m (18%) this year.

This year the dividend payout was increased from 20¢ to 37.5¢ per share and was declared on 19 June 2015 for payment to eligible shareholders on 24 July 2015. A provision for this dividend is included in current liabilities.

Table 1

(\$,000's)

	2013	2014	2015
Revenue	72,160	86,003	120,863
Earnings before Interest & Tax (EBIT)	5,903	7,140	11,554
EBIT Depreciation & Amortisation (EBITDA)	7,762	9,054	13,206
Net Profit before tax (NPBT)	4,995	6,490	11,128
Net Profit after tax (NPAT)	3,447	4,619	7,845
Operating Cash Flow	3,244	11,801	7,621
Net Debt	16,053	7,593	4,665
Net Assets	26,947	28,583	33,705
Current Ratio (Current Assets / Current Liabilities)	2.73	2.26	1.54
Debt Ratio (Total Liabilities / Total Assets)	50.7%	42.5%	50.8%
Interest Cover (EBITDA / Interest)	8.5x	13.9x	31x

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MANAGING DIRECTOR'S REVIEW OF OPERATIONS



Operations & Honey Supply

This year has seen major upgrades to our operational capability, in particular the implementation of a new secondary production. This investment in capacity and automation improves the flexibility of operations whilst reducing costs. The introduction of the Maryborough, Victoria facility delivers us a low cost bulk honey production operation where costs are minimised. This also gives the company a presence in south-east Australia where many of our beekeepers are located. The Western Australian (WA) plant is specialised to deliver retail products under the Wescobee Brand for localised markets in the west whilst delivering some premium export retail. Food safety quality systems and factory operations in all our packing plants are independently audited and remain graded with the prestigious 'A rating' under the BRC quality assurance system. This grade illustrates our ongoing commitment to quality and maintaining best practice.

Honey processing capability in Queensland was modified to better suit the delivery and conservation of high value honeys. This will enable us to process smaller specialised batches as well as producing a deaerated creamed honey product that is stable in texture and consistency over its shelf life. This capability will assist us market premium honeys internationally.

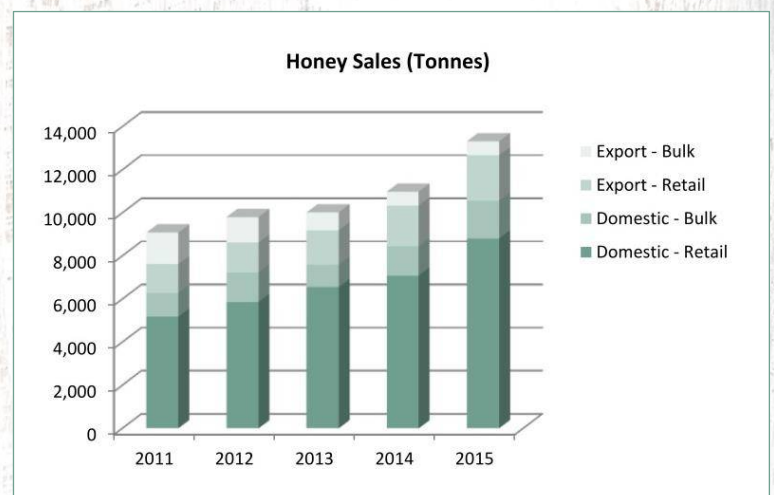
Capilano has the operational capability and business infrastructure to grow production considerably.

Honey supply was adversely affected by the hang-over of last season's limited production, whereby inventory was low and beekeepers had limited surplus honey to sell. Unlike last winter, this year we have been able to meet the peak sales demand for honey during the higher consuming periods of winter.

Domestic honey receivals were 9,265 tonnes, including the acquisition of Chandler's Honey, which compares to 7,744 tonnes last year.

The new honey season will begin in spring and we are hoping for a much greater production of honey to build inventory further and enable greater market expansion. We continue to work to increase our supplier base as we strive to lead a competitive honey market in price and remain attractive to beekeepers selling honey.

'Capilano has the operational capability and business infrastructure to grow production considerably'





MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Sales & Marketing

It has been encouraging to see consumer demand for our natural products remaining strong.

We have been active in communicating to consumers the realities behind honey price increases brought about because of low production and the unfortunate plight of our beekeepers. This has been both direct and indirect marketing using traditional and social media platforms to keep consumers informed.

Our home market of Australia has performed well and we have achieved strong growth, with sales growing well with all major retailer partners. Honey has become the largest local spread in the category by value.

The Australian supermarket retail category is valued at \$129.6m (MAT to 12/07/15), up from \$114.3m last year. Unit sales have remained steady at 19.5m units per annum.

Capilano's sales revenue performance has been impressive:

- Record earnings of \$120m up 41%;
- Domestic sales increasing by 43%;
- Export retail sales increasing by 29%;
- Growth in key export markets of Asia (29%), North America (36%) and the Middle East (33%);
- Food service segment improved 25%;
- Bulk industrial honey up 28%;
- Health & Wellness products up 46%.

Selling and marketing premium products with beneficial health and wellness attributes have delivered heightened revenue and growth for Capilano.

We have been investing further in consumer research, innovation and product development to ensure ongoing sales objectives can be met and expanded. Consumer interest in honey continues to grow as part of a wider consumer interest in health and wellness and we are focused on opportunities to increase communication to consumers to drive product knowledge, usage occasions and the frequency of purchase.

We continue to expand our emphasis and resources in key export markets. New in-market sales support in North America and Asia has been put in place to render us in a position to develop these markets as Australian honey supply improves. Considerable effort is being made on implementing digital sales, website and social media platforms overseas where consumers are changing their shopping habits and purchasing online. Honey and our product range is well suited to on-line sales.



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MANAGING DIRECTOR'S REVIEW OF OPERATIONS



Outlook

Capilano remains the market leader for honey with an improved market share and growing export business. We will be working hard to preserve this success and to continue growth. Our products continue to be aligned with prevailing consumer trends associated with natural, healthy foods and we see a great future as we continue to innovate.

Capilano is well positioned to purchase a larger honey crop to improve inventory, blending capability and continue growth in key markets that will deliver a sustained future value chain. Growing Australian honey supply, servicing new beekeepers and creating better access to resources for our contracted loyal beekeeper suppliers remains a priority as we get more involved with the industry sector. Continuing to improve our relationships with beekeepers who supply us remains a priority.

Having a new base in the primary production sector will enable us to develop and cultivate new capable industry entrants, who will facilitate expansion and succession within the industry, whether they become sole trader suppliers or remain part of a corporate operation.

This year's result builds on the improving financial performance of the last 5 years, including growth on the last 2 year's record earnings. Conserving our return to a sustained profitability and delivering consistency in earnings whilst managing our gearing remains a priority.

Capilano has a competent Management and Board that have illustrated their ability to invest sensibly and deliver growth despite the complexities of selling and marketing an agriculture product. It is pleasing to see the business growth and financial rewards for the tireless efforts of our employees who have stepped up and contributed in an environment of change and rapid expansion.

'Capilano remains the market leader for honey with an improved market share and growing export business.'

The business has been built to manage higher input honey costs that have been necessary to make our beekeepers businesses viable and sustainable. As always shareholders can expect us to preserve our focus on quality, service and cost whilst looking to deliver new innovations to our range.

Ben McKee
Managing Director





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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 2015.

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, Independent NED*
Benjamin A McKee, *Managing Director*
Trevor R Morgan, *Chairman, Independent NED*
Robert N Newey, *Independent NED*
Simon L Tregoning, *Independent NED*

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 \$7,845,047 (2014: \$4,619,011).

Distributions

On 19 June 2015 the directors declared a fully franked ordinary dividend of 37.5 cents per share amounting to \$3,223,922.

The final dividend is payable on ordinary shares held at 30 June 2015 and was paid on 24 July 2015.

Review of Operations

Sales revenue of \$120,475,709 for the consolidated entity was \$34,582,444 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 7 to 11 for further information.

Matters subsequent to the End of the Financial Year

On 30 July 2015 a Share Sale Agreement was signed to acquire 100% of the share capital in KirksBees Honey Pty Ltd and the transaction will proceed as soon as the contractual conditions are satisfied. Capilano will purchase the shares at \$5.25 million and the land and buildings at \$750k.

This beekeeping enterprise is one of Australia's largest active Manuka honey producers, which is located in Evans Head, New South Wales. Active Manuka honey is produced from the *Leptospermum* species of plants that are native to Australia and New Zealand. This honey is recognised for its scarcity and unique clinically proven antibacterial qualities and consequential premium price.

The acquisition includes the assets required to operate the business including bee hives, apiary sites, vehicles, related property, sheds and honey extraction equipment. The beekeeping enterprise produced over \$2 million worth of bee products last financial year and was attractive to Capilano as a consequence of:

- the notable Manuka floral apiary sites the business has access to;
- the provision of future assurances in our supply chain with regard to high valued Manuka honey supply;
- the potential to grow production over time;
- the ability to train and foster new industry entrants to the beekeeping industry.

Due diligence investigations by Capilano on the relevant assets and business operations have been satisfactorily completed.

Capilano recognises that growing premium honey supply and industry capability by investing in our supply chain will deliver increased product security, whilst delivering a material benefit to our earnings.

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

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.

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.

REPORT OF THE DIRECTORS



Information on Directors

	Qualifications/ Experience	Special Responsibilities	Shares held in Parent entity
Phillip Francis McHUGH	MAICD Commercial apiarist Independent Non-Executive Director Director since 8 October 1993 Deputy Chairman since 6 November 2007	Independent Non-Executive <u>Deputy Chairman</u> of Capilano Honey Limited and Chairman of the Honey Supply & Industry Committee and a Member of the Audit & Compliance, Human Resource & Remuneration and Nomination Committees. Foundation Shareholders' appointed Beekeeper Director. Deputy Chairman of Capilano Beekeepers Ltd.	P F McHugh holds 10,600 shares directly and 33,676 shares indirectly.
Benjamin Alexander McKEE	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; <i>1 July 2014 - 6 February 2015:</i> A member of the Human Resource & Remuneration, Audit & Compliance and Honey Supply & Industry Committees. <i>7 February - 30 June 2015:</i> A member of the Human Resource & Remuneration Committee.	B A McKee indirectly holds 90,300 shares.
Trevor Richard MORGAN	FAICD Commercial apiarist Independent Non-Executive Director Director since 4 February 1998 Deputy Chairman from 1 October 2004 until 7 October 2005 Chairman since 7 October 2005	Independent Non-Executive <u>Chairman</u> of Capilano Honey Limited and; <i>1 July 2014 - 6 February 2015:</i> Chairman of the Nomination Committee and a Member of the Honey Supply & Industry, Human Resource & Remuneration and Audit & Compliance Committees. <i>7 February - 30 June 2015:</i> Chairman of the Nomination Committee and a Member of the Honey Supply & Industry and Human Resource & Remuneration Committees. Foundation Shareholders' appointed Beekeeper Director. Also Chairman of Capilano Beekeepers Ltd.	T R Morgan holds 12,128 shares directly and 2,000 shares indirectly.
Robert Neville NEWAY	GAICD Independent Non-Executive Director Director since 23 November 2012	Independent Non-Executive Director of Capilano Honey Limited and; <i>1 July 2014 - 6 February 2015:</i> Chairman of the Human Resource & Remuneration Committee and a Member of the Audit & Compliance, Honey Supply & Industry and Nomination Committees. <i>7 February - 30 June 2015:</i> Chairman of the Audit & Compliance Committee and a Member of the Human Resource & Remuneration, Honey Supply & Industry and Nomination Committees.	Nil
Simon Lucien TREGONING	B.Com, FAICD Independent Non-Executive Director Director since 1 July 2006	Independent Non-Executive Director of Capilano Honey Limited and; <i>1 July 2014 - 6 February 2015:</i> Chairman of the Audit & Compliance Committee and a member of the Human Resource & Remuneration, Honey Supply & Industry and Nomination Committees. <i>7 February - 30 June 2015:</i> Chairman of the Human Resource & Remuneration and a member of the Audit & Compliance Committee, 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.



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REPORT OF THE DIRECTORS

Information on Company Secretary

	Qualifications/ Experience	Special Responsibilities	Shares held in Parent entity
Dirk KEMP	CIMA, MBA, CPA, Bcompt (Hons) Appointed Company Secretary on 31 May 2012	Appointed Financial Controller and Company Secretary of Capilano Honey Limited and Capilano Beekeepers Ltd, effective 31 May 2012 and promoted to General Manager Operations & Finance in June 2015. Mr Kemp has over 20 years experience in finance roles including management, financial accounting and reporting in similarly sized SME's to Capilano.	D Kemp holds 1,000 shares directly.

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	10 of 10	6 of 6	6 of 6	6 of 6	1 of 1	1 of 1
B McKee	10 of 10	6 of 6	6 of 6	6 of 6	1 of 1	1 of 1
T Morgan	10 of 10	6 of 6	6 of 6	6 of 6	1 of 1	1 of 1
R Newey	10 of 10	6 of 6	6 of 6	6 of 6	1 of 1	1 of 1
S Tregoning	10 of 10	6 of 6	6 of 6	6 of 6	1 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.

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:

- a) 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.
- b) 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>	
P McHugh	6 of 6
B McKee	6 of 6
T Morgan	6 of 6
R Newey	6 of 6
S Tregoning	6 of 6



REPORT OF THE DIRECTORS



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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.



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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.

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 2014, 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, Independent NED
B McKee	Managing Director
T Morgan	Chairman, Independent NED
R Newey	Independent NED
S Tregoning	Independent NED

Details of Remuneration for Key Management Personnel

L Gowans	Operations Performance Manager <i>Returned from Maternity leave on 13 January 2015</i>
D Kemp	Company Secretary, Financial Controller
P McDonald	Sales Director
L Morrison	Operations Manager

Gross Remuneration of Directors

	1 July 2014 – 30 June 2015						
	Short Term Benefits				Post Employment Benefits Super-annuation	Total	Percentage of Remuneration related to performance
	Cash salary and fees	Non monetary benefits	Bonuses FY 2014 ¹	Bonuses FY 2015 ²			
	\$	\$	\$	\$			
B McKee	277,548	9,111	110,250	121,551	30,607	549,067	42%
P McHugh	69,760	-	-		6,627	76,387	-
T Morgan	62,376	-	-		35,495	97,871	-
R Newey	43,917	-	-		32,470	76,387	-
S Tregoning	56,417	-	-		19,970	76,387	-
TOTAL	510,018	9,111	110,250	121,551	125,169	876,099	

1. 2014 financial year bonuses approved in August 2014 and paid in the 2015 financial year.

2. 2015 financial year bonuses approved and accrued in June 2015 for payment in 2016 financial year.

The remuneration amounts listed above are gross earnings before tax.

REPORT OF THE DIRECTORS



Remuneration Report (continued)

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

	1 July 2013 – 30 June 2014						
	Short Term Benefits				Post Employment Benefits	Total	Percentage of Remuneration related to performance
	Cash salary and fees	Non monetary benefits	Bonuses FY 2013 ⁴		Super-annuation		
	\$	\$	\$		\$	\$	
B McKee	245,763	17,158	100,000	-	28,147	391,068	26%
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	-
TOTAL	483,175	17,158	100,000	-	101,849	702,182	

4. 2013 financial year bonuses approved in August 2013 and paid in 2014 Financial Year.

The remuneration amounts listed above are gross earnings before tax.

Details of Remuneration for Key Management Personnel

	1 July 2014 – 30 June 2015						
	Short Term Benefits				Post Employment Benefits	Total	Percentage of Remuneration related to performance
	Cash salary and fees	Non monetary benefits	Bonuses FY 2014 ¹	Bonuses FY 2015 ²	Super-annuation		
	\$	\$	\$	\$	\$		
L Gowans ³	69,623	-	9,209	9,608	7,489	95,929	20%
D Kemp	152,243	-	61,950	68,300	20,351	302,844	43%
P McDonald	145,753	26,625	72,275	79,684	21,728	346,065	44%
L Morrison	94,174	22,689	25,000	25,063	11,092	178,018	28%
TOTAL	461,793	49,314	168,434	182,655	60,660	922,856	

1. 2014 financial year bonuses approved in August 2014 and paid in the 2015 financial year.

2. 2015 financial year bonuses approved and accrued in June 2015 for payment in 2016 financial year.

3. Returned from maternity leave on 13 January 2015.

The remuneration amounts listed above are gross earnings before tax.

	1 July 2013 – 30 June 2014						
	Short Term Benefits				Post Employment Benefits	Total	Percentage of Remuneration related to performance
	Cash salary and fees	Non monetary benefits	Bonuses FY 2013 ⁴		Super-annuation		
	\$	\$	\$		\$	\$	
L Gowans ⁵	68,605	-	26,250	-	8,774	103,629	25%
D Kemp	141,594	-	37,500	-	16,582	195,676	19%
P McDonald	151,081	12,852	70,000	-	20,685	254,618	27%
L Morrison ⁶	74,549	-	-	-	6,306	80,855	-
TOTALS	435,829	12,852	133,750	-	52,347	634,778	

4. 2013 financial year bonuses approved in August 2013 and paid in 2014 Financial Year.

5. On maternity leave from 5 November 2013.

6. Appointed Operations Manager on 9 October 2013.

The remuneration amounts listed above are gross earnings before tax.



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 net profit before tax (NPBT) earns 0% - 25% of TEC prorata
100% - 120% of budget net profit before tax (NPBT) earns 25% - 40% of TEC prorata

2013/14 Incentives: At the Board Meeting on 29 August 2014, the Directors approved the Tier 1 incentive payments of 40% of TEC for Messrs McKee, McDonald and Kemp in accordance with the approved incentive scheme and results achieved.

2014/15 Incentives: at the Board Meeting on 19 June 2015, the Directors approved the Tier 1 incentive payments of 40% of TEC for Messrs McKee, McDonald and Kemp in accordance with the approved incentive scheme and results achieved.

Incentives disclosed on pages 18 to 19 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:

	2011	2012	2013	2014	2015
Earnings per share	52.6¢	30.0¢	40.4¢	54.2¢	91.8¢
Net Asset Value	\$22,225,578	\$23,500,370	\$26,946,974	\$28,583,915	\$33,705,040
Dividends Per Share	15¢	15¢	-	20¢	37.5¢
Closing Share Price	\$1.15	\$2.05	\$2.45	\$6.10	\$12.80
Key Management Personnel Remuneration (including Managing Director)	\$1,274,545	\$1,008,061	\$738,783	\$1,025,846	\$1,471,923

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 2014 – 30 June 2015			
	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	-	(25,000)	14,128
R Newey	-	-	-	-
S Tregoning	-	-	-	-
<i>Key Management Personnel</i>				
L Gowans	-	-	-	-
D Kemp	-	-	1,000	1,000
P McDonald	42,425	-	(4,000)	38,425
L Morrison	-	-	-	-
	216,129	-	(28,000)	188,129

REPORT OF THE DIRECTORS



Remuneration Report (continued)

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:

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

Directors' Fees

At the 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 2014/15 year of \$318,541 is within the previously approved amount:

Distribution of Directors' Fees by position for the 2014/15 year is detailed below.

Organisation	Position	Directors' Fees \$
Capilano Honey Limited	Chairman	89,380
	Non-Executive Directors	69,760 ea

Superannuation Guarantee contribution - \$28,372.
Directors and Officers Liability Insurance - 2015: \$18,570 (2014: \$25,680)



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 2015:

	\$
Taxation Services	9,000
Other	-
Total	9,000

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 2015 has been received and can be found on page 22 of the annual report.

Signed at Brisbane this TENTH day of AUGUST 2015, 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 2015 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

M Ayoub
A Member of the Firm

Brisbane

10 August 2015

CHARTERED ACCOUNTANTS & ADVISORS

Level 21, 307 Queen Street
Brisbane QLD 4000
GPO Box 563
Brisbane QLD 4001
Telephone: +61 7 3229 5100
Williambuck.com

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CORPORATE GOVERNANCE STATEMENT



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

For the period 1 July 2014 to 7 August 2015, the Company complied with the 2nd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**). The Board adopted the 3rd edition of the ASX Principles from 7 August 2015. Therefore, this Corporate Governance Statement as required by ASX Listing Rule 4.10, reports within the framework of the 3rd edition ASX Principles to the extent as described in this Corporate Governance Statement; however readers should acknowledge that the Company operated under the 2nd edition of the ASX Principles during the reporting period and where the Company's corporate governance practices have not followed the ASX Principles, the Board has provided its reasons for not following the ASX Principles and disclosed what, if any, alternative practices the Company has or will adopt instead of those in the ASX Principles.

This Corporate Governance Statement is current as at 7 August 2015 and was approved by the Board and is available on the Company's website at www.capilano.com.au/investors/

The following governance-related documents referenced in this Corporate Governance Statement can be found on the Company's website at: www.capilano.com.au/investors/. These documents were reviewed by the Board in August 2015 to align the Company's Charters and Policies with the 3rd edition Principles.

Charters

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

Policies

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

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the functions reserved to the Board, the Managing Director and Senior Executives and these are set out in the Board Charter.

The Board is responsible for promoting the success of the Company through its key functions of:

- defining the strategic direction for the Company;
- overseeing the management of the Company;
- appointing and removing the Managing Director, Chief Financial Officer and Company Secretary;

- overseeing the overall corporate governance of the Company;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- monitoring the financial performance of the Company and approving the annual budget of the Company;
- reviewing and monitoring systems of risk management, codes of conduct and legal compliance;
- monitoring compliance with all of the Company's legal and regulatory obligations; and
- ensuring the Board is appropriately skilled.

The Board has delegated authority and responsibility to the Managing Director for running the affairs of the Company and to implement the policies and strategy set by the Board.

Senior Executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board.

The functions delegated to the Managing Director and Senior Executives are set out in the Board Charter.

Recommendation 1.2

In determining candidates for the Board, the Nomination Committee follows a prescribed process where it will evaluate the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee is to identify the particular skills and diversity that will best increase the Board's effectiveness.

Consideration will also be given to the balance of independent Directors. Potential candidates will be identified and, if relevant, the Nomination Committee will recommend an appropriate candidate for appointment to the Board. Any appointment made by the Board will be subject to approval by shareholders.

At the commencement of the Non-Executive Director selection process, the Company undertakes appropriate checks on potential candidates to consider their suitability to fill a casual vacancy on the Board or for election as a Non-Executive Director.

Prior to appointment, candidates are required to provide the Chairman with details of other commitments and an indication of time involved, and to acknowledge that they will have adequate time to fulfil his or her responsibilities as a Non-Executive Director of the Company.

Directors available for re-election at a general meeting will be reviewed by the Nomination Committee and recommended to the Board. Directors are re-elected in accordance with the Company's Constitution and the ASX Listing Rules. Shareholders will be provided with all material information for a Director's election in the Notice of Meeting that would be relevant for shareholders to make a decision on whether or not to elect or re-elect a Director, such as the Director's qualifications, experience and contribution to the Board.



15 CORPORATE GOVERNANCE STATEMENT

Principle 1: Lay solid foundations for management and oversight *(continued)*

Recommendation 1.3

Newly appointed Non-Executive Directors receive formal letters of appointment setting out the key terms, conditions, responsibilities and expectations of their appointment. Additionally, the Company enters into employment contracts with each newly employed Senior Executive, setting out in further detail the responsibilities specifically delegated to them.

Recommendation 1.4

The Company reports its measurable objectives set for the reporting period and its progress for achieving them as at 30 June 2015:

	Objective		Actual	
Number of women on the Board	1	20%	Nil	Nil%
Number of women in Senior Executive positions ¹	1	20%	2	40%
Number of women employees in the whole organisation	69	50%	57	41%

The table below outlines the proportion of women and men employed by the Company as at 30 June 2015:

	Women		Men	
Board	Nil	Nil	5	100%
Senior Executives ¹	2	40%	3	60%
Managers ²	3	33%	6	67%
Whole Organisation	57	41%	82	59%

As at 30 June 2016, the Company has set the following measurable objectives:

	Objective	
Number of women on the Board	1	20%
Number of women in Senior Executive positions ¹	2	40%
Number of women employees in the whole organisation	70	50%

For the purpose of the above Diversity calculations:

¹ Senior Executives - includes all employees who report directly to the Managing Director on the Organisational Chart.

² Managers – includes all employees in the first tier of management for each Department and Site.

Recommendation 1.6

The Board has the overall responsibility for evaluating the performance of the Board as a whole, of the Board Committees and individual Directors. The process employed

by the Board for performance evaluation involves completion of Board Self-Assessment forms, Board Peer Review forms, a Chairman's Assessment form and a Managing Director's Assessment form. The Managing Director's performance is reviewed annually by the Board against achievement of set financial performance objectives based on half year and full year results, leadership and business operations.

Measures against which the performance of the Board, its Committees and individual Directors will be measured include:

- assessment of the skills, performance and contribution of individual members of the Board;
- the performance of the Board as a whole and of its various committees;
- awareness of Directors of their responsibilities and duties as Directors of the Company and of corporate governance and compliance requirements;
- awareness of Directors of the Company's strategic direction;
- understanding by the Directors of the Company's business and the industry and environment in which it operates; and
- avenues for continuing improvement of Board functions and further development of Director skill base.

The Board undertakes a performance evaluation of the Board and its Committees at least annually. During the reporting period, the Board conducted a performance evaluation using the aforementioned forms, following which, the Board conducted a round-table discussion on the results of the performance evaluation.

Recommendation 1.7

The Managing Director and the Board evaluate the performance of Senior Executives bi-annually. The Managing Director meets with each Senior Executive individually on a six-monthly basis to review performance against the Senior Executive's responsibilities as outlined in his or her contract with the Company and reports this to the Board.

During the reporting period, performance evaluations were conducted for the Senior Executives in accordance with the processes outlined above. The outcome of the performance evaluations were reported to the Human Resources & Remuneration Committee to consider remuneration changes based on Senior Executive performance and external benchmarking recommendations. Subsequently, these recommendations were recommended to the Board for approval.

Principle 2: Structure the board to add value

Recommendation: 2.1

The Board has a Nomination Committee comprising Mr Trevor Morgan (Chairman), Mr Phillip McHugh, Mr Robert Newey and Mr Simon Tregoning, all of whom are Independent Non-Executive Directors. The Chairman of the Committee is an Independent Non-Executive Director.

The Company has a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee.

A profile of each of the Nomination Committee members and their attendance at Nomination Committee meetings during the reporting period are set out in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT



Principle 2: Structure the board to add value (continued)

Recommendation: 2.2

The Nomination Committee assists the Board in developing a Board skills matrix to identify and assess necessary and desirable Director skills and competencies, and provide advice to the Board on the skills and competency levels of Directors with a view to enhancing the Board composition.

The following table summarises the key skills and experience of the Directors:

Skills and Attributes	Number of Directors
ASX listed	5
Accounting and corporate finance	5
Beekeeping Industry knowledge	3
Fast Moving Consumer Goods knowledge	5
Retail	3
Manufacturing	5
Governance and compliance	5
Marketing	5
Risk Management	5
Management and growth of business	5
Strategy	5
Senior management positions (past and present)	3
International	5

The Board considers these skills and experience are appropriate for the Company.

Recommendation: 2.3

For the reporting period, the independence of Directors was measured having regard to the Company's Policy on Independence of Directors, which has recently been updated to reflect the relationships listed below of the 3rd edition ASX Principles.

The following sets out the Directors of the Company during the reporting period, including their length of service and non-executive and independent status.

Mr Trevor Morgan, FAICD Chairman

- Foundation Shareholder's appointed Beekeeper
- Director since: 26 November 2010
- Independent: Yes
- Non-Executive: Yes
- Length of Service: 17 years and 6 months
- Director since: 4 February 1998
- Deputy Chairman: 1 October 2004 - 7 October 2005
- Chairman since: 7 October 2005

Mr Phillip McHugh, MAICD Deputy Chairman

- Foundation Shareholder's appointed Beekeeper
- Director since: 26 November 2010
- Independent: Yes
- Non-Executive: Yes
- Length of Service: 21 years and 10 months
- Director since: 8 October 1993
- Deputy Chairman since: 6 November 2007

Dr Benjamin McKee, B.Agric.Sci (Hons), PhD, GAICD Managing Director

- Independent: No
- Non-Executive: No
- Length of Service: 12 years and 5 months
- Managing Director since: 31 May 2013

Mr Robert Newey, GAICD Director

- Independent: Yes
- Non-Executive: Yes
- Length of Service: 3 years and 8 months
- Director since: 23 November 2012

Mr Simon Tregoning, B.Com, FAICD Director

- Independent: Yes
- Non-Executive: Yes
- Length of Service: 9 years and 2 months
- Director since: 1 July 2006

The current Board has five Directors comprising one Executive Director and four Independent Non-Executive Directors.

Mr Trevor Morgan, Mr Phillip McHugh and Mr Simon Tregoning were appointed as Directors prior to the listing of the Company on 9 July 2012. The Board does not consider the length of service of the Directors to compromise the independence of the Directors.

The Foundation Shareholder (as defined in the Company's Constitution) of the Company i.e. Capilano Beekeepers Ltd is entitled to appoint two Directors on the Board of the Company referred to as the Beekeeper Directors. Currently, Mr Trevor Morgan and Mr Phillip McHugh are the Beekeeper Directors.

Recommendation 2.4

The Board has a majority of Directors who are independent. The Company's Managing Director, Mr Benjamin McKee is the only non-independent Director on the Board.

Recommendation 2.5

The Chairman of the Board, Mr Trevor Morgan is an Independent Non-Executive Director, and is not the same person as the Managing Director of the Company.

Recommendation: 2.6

New Directors undergo a formal induction program in which they are given a full briefing on the Company, its operations and the industry in which it operates. This includes meeting members of the existing Board, Company Secretary and the Senior Management for new Directors to familiarise themselves with the Company and Board practices and procedures. The Board, with the assistance of the Company Secretary, is responsible for reviewing induction procedures for newly appointed Directors to facilitate their ability to discharge their responsibilities.

To achieve continuing improvement in Board performance and to enhance the skills of Board members, all Directors have access to ongoing education and professional development. On a periodic rotational basis, different parts of the business are required to present to the Board and Committees key developments in the Company and in the industry and environment in which it operates.



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CORPORATE GOVERNANCE STATEMENT

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1

Code of Conduct

The Company has a Code of Conduct that establishes the standards of behaviour expected of the Directors, employees, contractors and consultants (Personnel) of the Group when dealing with each other, shareholders, other stakeholders and the broader community.

The Code of Conduct prescribes the practices necessary to maintain confidence in the Company and its subsidiaries' integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board monitors implementation of the Code of Conduct. Any breach of compliance with the Code of Conduct is to be reported directly to the Company Secretary, the Managing Director, or the Chairman. Anyone breaching the Code of Conduct may be subject to disciplinary action, including termination.

Securities Trading Policy

The Securities Trading Policy applies to all Personnel. The Securities Trading Policy prohibits Personnel from dealing in the Company's securities while in possession of price-sensitive or inside information.

In addition, Key Personnel (as defined in the Securities Trading Policy), are prohibited from dealing in Company's Securities (subject to exceptional circumstances) during certain prohibited periods (black out periods as defined in the Securities Trading Policy) and may deal in the Company's securities during periods outside of the black out periods, subject to approval requirements as outlined in the Securities Trading Policy.

Key Personnel are prohibited from entering into hedging arrangements or otherwise permitting a grant of a charge over the Company's Securities.

Senior Executives and Non-Executive Directors are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration plan currently in operation or which may be offered by the Company in the future.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1

The Board has an Audit & Compliance Committee comprising Mr Robert Newey (Chairman), Simon Tregoning and Mr Phillip McHugh a majority of whom are independent Non-Executive Directors and chaired by an Independent Non-Executive Director who is not the Chairman of the Board.

The Company has an Audit & Compliance Committee Charter which describes its role, composition, functions and responsibilities of the Audit & Compliance Committee.

All Audit & Compliance Committee members consider themselves to be financially literate and have industry knowledge.

A profile of each of the Audit & Compliance Committee members and their attendance at Audit & Compliance Committee meetings during the reporting period are set out in the Directors' Report.

Recommendation 4.2

Prior to Board approval of the half-year and annual financial statements, the Managing Director and the Chief Financial Officer must provide a declaration to the Board in accordance with section 295A of the *Corporations Act 2001 (Cth)* and the statement under Recommendation 4.2 of the ASX Principles.

For the financial year ended 30 June 2015, the Managing Director and Chief Financial Officer provided the Board with declarations that, in their opinion, the financial records of the Company had been properly maintained and that the financial statements complied with the appropriate accounting standards and gave a true and fair view of the financial position and performance of the Company and that the opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

An equivalent declaration will be given by the Managing Director and Chief Financial Officer for the half-year ended 31 December 2015.

Recommendation 4.3

The Company's external auditor attends each Annual General Meeting (**AGM**) and is available to answer shareholder questions about the conduct of the audit and preparation and conduct of the Independent Auditor's Report. The Company believes this is important in both promoting and encouraging shareholder participation in the meeting and providing balanced and understandable information. The Company also considers that this reflects and underlines the role of the auditor and the auditor's accountability to shareholders.

Principle 5: Make timely and balanced disclosures

Recommendation 5.1

In the period preceding the finalisation of this Corporate Governance Statement, the Company rationalised a number of its policies and procedures, and as a result, a new Continuous Disclosure and Shareholder Communication Policy was adopted to remove the administrative need for separate policies in relation to Continuous Disclosure, Compliance Procedures and Shareholder Communications.

The Board has recently adopted a Continuous Disclosure Policy and Shareholder Communications Policy to ensure the Company's compliance with its disclosure obligations under the *Corporations Act 2001 (Cth)* and ASX Listing Rules. The Continuous Disclosure and Shareholder Communications Policy outlines the procedures that apply to the central collection, control, assessment and if required, release to ASX, of material information.

The only persons authorised to speak to ASX or externally (such as analysts, investors, brokers or shareholders) in relation to the Company are the:

Chairman;
Managing Director;
Company Secretary; and
Chief Financial Officer

CORPORATE GOVERNANCE STATEMENT



Principle 6: Respect the rights of shareholders

Recommendation 6.1

The Board is committed to providing shareholders with sufficient information to enable them to assess the performance of the Company, and to inform shareholders of major developments affecting the state of affairs of the Company. Information is communicated to shareholders by lodging all relevant financial and other information with the ASX and publishing information on the Company's website, www.capilano.com.au/investor/.

The Company's corporate website contains an overview of the Company's profile and business. The following Company and governance information is available on the website:

- Annual Reports;
- ASX announcements;
- Board and Committee Charters and Policies;
- Board and Management profiles;
- Company profile;
- Key dates; and
- Share price information.

Recommendation 6.2

The Company will hold its AGM on 20 November 2015 and the Chairman, Managing Director and Company Secretary will engage with shareholders in advance of the AGM, as appropriate.

Should shareholders wish to contact the Company, the contact details of the Company and its Share Registry (refer to Recommendation 6.4) are available on the Company's website.

The Company recognises the importance of its relationships with investors and analysts. The Managing Director is the primary contact for communicating with the investment community. Further details are contained in the Continuous Disclosure and Shareholder Communications Policy.

Recommendation 6.3

To encourage shareholder engagement and participation at the AGM, shareholders have the opportunity to attend the AGM, ask questions on the floor, participate in voting and meet the Board and Management in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form accompanying the Notice of Meeting. Shareholders have the opportunity to submit written questions to the Company and external auditor, or make comments on the management of the Company and access AGM presentations and speeches made by the Chairman and Managing Director prior to the commencement of the meeting. The Company will publish results of the meeting to the ASX and on its website following the conclusion of the AGM.

Recommendation 6.4

Shareholders have the option of receiving all shareholder communications (including notification that the Annual Report is available to view, Notices of Meeting and dividend payment statements) by email. Electronic communications have the added advantage of being more timely and cost effective, which benefits all shareholders.

The Company and Share Registry's contact details are available on the Company's website. Shareholders have the option of contacting the Company and Share Registry via email.

Principle 7: Recognise and manage risk

Recommendation 7.1

During the reporting period, the Company's risk function and responsibilities were allocated to the Audit & Compliance Committee comprising Mr Robert Newey (Chairman), Mr Simon Tregoning and Mr Phillip McHugh. A majority of the Committee members are Independent Non-Executive Directors and the Committee is chaired by an Independent Non-Executive Director.

The Company has adopted an Audit & Compliance Committee Charter which describes its role, composition, functions and responsibilities.

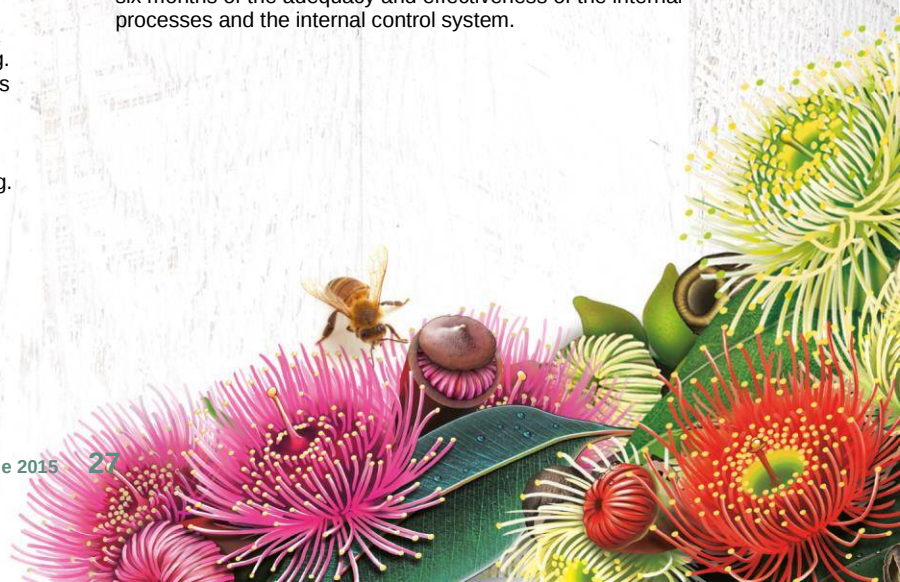
A profile of each of the Audit & Compliance Committee members and their attendance at Audit & Compliance Committee meetings during the reporting period are set out in the Directors' Report.

Recommendation 7.2

During the reporting period, the Board, through the Audit & Compliance Committee, conducted an biannual review of the Company's risk management framework and is satisfied that it continues to be sound.

Recommendation 7.3

During the reporting period, the Company did not have an internal audit function given the size and scale of operations of the Company. The Company has in place policies and procedures in relation to internal control and internal processes. The external auditor carries out an analysis and gives the Audit & Compliance Committee an appraisal every six months of the adequacy and effectiveness of the internal processes and the internal control system.



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CORPORATE GOVERNANCE STATEMENT

Principle 7: Recognise and manage risk (continued)

Recommendation 7.4

The Board recognises that material risks facing the Company are the more significant areas of uncertainty or exposure to the Company that could adversely affect the achievement of the Company's objectives and successful implementation of its business strategies.

The material risks facing the Company are as follows:

- apiculture industry;
- access to honey supply at required volume, quality and price;
- bulk export sales;
- climatic conditions;
- counterparty risk;
- change in consumer behaviour and perceptions;
- funding;
- general economic conditions;
- hedging;
- industrial action;
- low barriers to entry;
- market concentration;
- overseas activities and conditions;
- price competition;
- product concentration;
- product contamination; and
- regulatory issues.

The Board will consider these material risks as part of its periodic risk management review, on an as required basis upon advices from Audit & Compliance Committee and/or Senior Management.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

The Board has a Human Resource & Remuneration Committee (HRR) comprising Mr Simon Tregoning (Chairman), Mr Robert Newey, Mr Trevor Morgan, Mr Phillip McHugh and Mr Benjamin McKee. A majority of the Committee members are independent Non-Executive Directors and the Committee is chaired by an Independent Non-Executive Director.

The Company has adopted a Human Resource & Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Human Resource & Remuneration Committee.

A profile of each of the Human Resource & Remuneration Committee members and their attendance at Remuneration Committee meetings during the reporting period are set out in the Directors' Report.

Recommendation 8.2

The Company's policy is to remunerate Non-Executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. The maximum aggregate

amount of fees (including superannuation payments) that can be paid to Non-Executive Directors is subject to approval by shareholders. There are no termination or retirement benefits for Non-Executive Directors other than for superannuation entitlements.

Senior Executives 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 Senior Executives' remuneration to the Company's financial and operational performance.

In addition, the following remuneration incentive plans are in place:

incentive plans – established by the Directors to 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; and short term plans (annual) – the Managing Director, Senior Executives 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.

Capilano has no broad based share plans for the benefit of employees. The Board may recommend the introduction of an employee plan at some time in the future.

Key Management personnel's remuneration is detailed in the Remuneration Report and reviewed annually by the Board.

Details of remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms part of the Directors' Report. The Company's remuneration policies are reflected in the Company's Reward Philosophy (as set out at the start of the Remuneration Report).

Recommendation 8.3

Directors and Senior Executives are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme which may be offered by the Company at any time in the future.





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 2015, 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 2015 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 16 to 21 of the directors' report for the year ended 30 June 2015. 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 2015 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 2015 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 (QLD)
ABN 11 603 627 400



M Ayoub
A Member of the Firm

Brisbane
10 August 2015

CHARTERED ACCOUNTANTS & ADVISORS

Level 21, 307 Queen Street
Brisbane QLD 4000
GPO Box 563
Brisbane QLD 4001
Telephone: +61 7 3229 5100
Williambuck.com



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 2015 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;
 - c) the financial statements and notes for the financial year give a true and fair view; and
 - d) his opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.
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 TENTH day of AUGUST 2015 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 2015

	Notes	2015 \$	2014 \$
Revenue	2	120,863,001	86,003,491
Finance costs	3(b)	(645,831)	(863,070)
Other Expenses	3(a)	(109,089,286)	(80,055,896)
		11,127,884	5,084,525
<i>Impact of fire damage at Richlands' Plant</i>			
Insurance proceeds	3(c)	-	2,296,993
Damage to assets and consequential expenses	3(c)	-	(891,395)
Profit before income tax		11,127,884	6,490,123
Income tax expense	4	(3,282,837)	(1,871,112)
Net profit for the year attributable to members of CZZ		7,845,047	4,619,011
Other comprehensive income		-	-
Total Comprehensive income for the year attributable to members of CZZ		7,845,047	4,619,011
Earnings per share (cents)	28	91.3	54.2
Diluted earnings per share (cents)	28	91.3	54.2

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



15 FINANCIAL POSITION

Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents	25	1,424,491	1,103,559
Trade and other receivables	6	20,933,909	14,922,176
Inventories	7	23,344,295	13,736,111
Other current assets	8	1,336,259	262,519
TOTAL CURRENT ASSETS		47,038,954	30,024,365
NON-CURRENT ASSETS			
Property, plant and equipment	10	21,395,309	19,634,969
Intangible assets	11	-	24,467
Deferred tax assets	12	67,069	-
TOTAL NON-CURRENT ASSETS		21,462,378	19,659,436
TOTAL ASSETS		68,501,332	49,683,801
CURRENT LIABILITIES			
Trade and other payables	13	22,483,212	9,394,986
Short term borrowings	14	2,267,729	1,291,904
Provision for dividend		3,224,167	1,704,285
Income tax payable	12	2,642,811	891,972
TOTAL CURRENT LIABILITIES		30,617,919	13,283,147
NON-CURRENT LIABILITIES			
Long term borrowings	15	3,821,843	7,404,958
Long term provisions	16	356,530	303,128
Deferred tax liability	12	-	108,653
TOTAL NON-CURRENT LIABILITIES		4,178,373	7,816,739
TOTAL LIABILITIES		34,796,292	21,099,886
NET ASSETS		33,705,040	28,583,915
EQUITY			
Issued capital	17	8,228,221	7,728,221
Reserves	18	4,042,851	4,042,851
Retained earnings		21,433,968	16,812,843
TOTAL EQUITY		33,705,040	28,583,915

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

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CHANGES IN EQUITY

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Share Capital		Reserves Revaluation Surplus	Retained Earnings	Total Equity
	Ordinary	Foundation			
	\$	\$	\$	\$	\$
Balance at 30 June 2013	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)
Balance at 30 June 2014	7,728,220	1	4,042,851	16,812,843	28,583,915
Total comprehensive income for the year	-	-	-	7,845,047	7,845,047
Shares Issued	500,000	-	-	-	500,000
Dividend recognised for the year	-	-	-	(3,223,922)	(3,223,922)
Balance at 30 June 2015	8,228,220	1	4,042,851	21,433,968	33,705,040

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



15 CASH FLOWS

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Inflows (Outflows)	
	2015	2014
	\$	\$
Cash flows from operating activities		
Receipts from customers	114,817,936	86,365,643
Payments to suppliers and employees	(107,236,398)	(75,651,930)
Interest received	1,641	311
Goods and services tax received	2,171,410	1,802,891
Income tax paid	(1,707,720)	(65,548)
Interest paid	(426,125)	(649,826)
Net cash generated from operating activities (Note 26)	7,620,744	11,801,541
Cash flows from investing activities		
Payment for property, plant and equipment	(3,524,837)	(2,069,930)
Proceeds from sale of property, plant and equipment	36,355	6,500
Net cash used in investing activities	(3,488,482)	(2,063,430)
Cash flows from financing activities		
Issue of shares	500,000	-
Dividend paid	(1,704,040)	(1,277,785)
Decrease in borrowings	(3,291,907)	(7,596,669)
Net cash used in financing activities	(4,495,947)	(8,874,454)
Net (decrease) increase in cash and cash equivalents held	(363,685)	863,657
Cash and cash equivalents at the beginning of the financial year	1,103,559	239,902
Cash and cash equivalents at the end of the financial year (Note 25)	739,874	1,103,559

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

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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 7 August 2015.

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 2015 and the results of all controlled entities for the year then ended. Capilano Honey Limited and its controlled entities together are referred to in the financial statements as the consolidated entity. Subsidiaries are all those entities over which the consolidated entity has control. The 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 affect those returns through the power to direct the activities at the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date the control ceases.

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

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

d) **Property, plant and equipment** (*continued*)

Plant and equipment

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

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

Depreciation

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

The principal rates of depreciation in use are:-

Buildings	2.50 - 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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) Financial instruments (continued)

Loans and receivables

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

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

m) Intangible Assets (continued)

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

t) Fair Value Measurement *(continued)*

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	
		2015 \$	2014 \$
2.	REVENUE		
	Sales revenue	120,475,709	85,893,265
	Interest received	1,641	311
	Profit on disposal of property, plant and equipment	-	1,373
	Net foreign exchange gain	329,517	18,546
	Sundry	56,134	89,996
		120,863,001	86,003,491
3.	OPERATING PROFIT		
a)	Expenses		
	Raw materials and consumables	69,908,430	48,144,663
	Impairment loss on plant and equipment	-	300,000
	Loss on disposal of property, plant and equipment	100,397	-
	Employee benefits	10,575,405	8,337,219
	Superannuation	741,488	625,744
	Depreciation of property, plant and equipment	1,627,745	1,873,956
	Amortisation of intangibles	24,467	40,357
	Transportation costs	3,891,078	2,750,212
	Factory costs	4,100,384	3,018,737
	Marketing and promotion	14,275,200	11,896,539
	Other	3,844,692	3,068,469
		109,089,286	80,055,896
b)	Profit before income tax expense includes the following specific expenses:		
	Finance costs		
	Borrowing expenses	219,706	213,244
	Interest and finance charges paid	426,125	649,826
		645,831	863,070
c)	Impact of fire at Richlands premises		
	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
	Loss of plant and equipment and consequential expenses	-	(891,395)
		-	1,405,598
4.	INCOME TAX		
a)	Income tax expense	3,458,559	957,520
	Deferred tax	(175,722)	913,592
		3,282,837	1,871,112
	Deferred income tax expense included in the income tax expense comprises:		
	Decrease in deferred tax assets	(67,069)	804,939
	Increase in deferred tax liabilities	(108,653)	108,653
		(175,722)	913,592



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		2015 \$	2014 \$
4.	INCOME TAX (continued)		
b)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Profit before income tax expense	11,127,884	6,490,123
	Tax at the Australian tax rate of 30% (2014: 30%)	3,338,365	1,947,037
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Amortisation of intangibles	(43,058)	(43,058)
	Entertainment	14,178	7,133
	Legal expenses	19,105	4,672
	(Over) under provision in prior years	(45,753)	(44,672)
	Income tax expense	3,282,837	1,871,112

Realisation of the deferred tax 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	
		2015 \$	2014 \$
5.	DIVIDENDS		
	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 shares.	-	1,704,040
	A fully franked final dividend of 37.5 cents per ordinary share has been declared for the year ended 30 June 2015 based on shares held at 30 June 2015.	3,223,922	-
	Franking Credits		
	Franking credits available for subsequent financial years	2,276,698	969,446

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 2015.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



			Consolidated		
			2015 \$	2014 \$	
6.	TRADE AND OTHER RECEIVABLES				
	Trade debtors		20,713,569	14,604,627	
	Other debtors		220,340	317,549	
			20,933,909	14,922,176	
		Gross Amount	Past due and impaired	Past due but not impaired	
			>120 days	(days overdue)	
		\$	\$	1-30	>30
				\$	\$



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 maturity dates attached to these investments.

These investments are carried at cost.

	Country of Incorporation	Class of Share	2015 % holding	2014 % holding
Investments are unlisted and comprise:-				
Honey Corporation of Australia Pty Ltd	Australia	Ord	100	100
The Manuka Honey Company Pty Ltd	Australia	Ord	-	50

The Shareholding of the Manuka Honey Company Pty Ltd was disposed of on 10 July 2014.

10.

	Consolidated	
	2015 \$	2014 \$
PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Freehold land – at valuation	5,990,000	5,990,000
Buildings – at cost	1,001,753	376,913
Buildings – at valuation	5,010,000	5,010,000
Less: accumulated depreciation	(1,142,637)	(935,172)
	4,869,116	4,451,741
Total land and buildings	10,859,116	10,441,741
Plant and equipment		
Cost	29,964,103	32,252,252
Less: accumulated depreciation	(19,516,254)	(23,650,845)
Less: accumulated impairment loss *	(300,000)	(300,000)
Total plant and equipment	10,147,849	8,301,407
* 2014: Due to the refocus of product range and operations an impairment of \$300,000 was recognised in respect of a packing line		
Motor vehicles		
Cost	252,189	155,448
Less: accumulated depreciation	(26,532)	(78,278)
Total motor vehicles	225,657	77,170
Capital work in progress	162,687	814,651
	21,395,309	19,634,969
a) Reconciliations		
Reconciliations of the movements in carrying amounts for each class of property, plant and equipment are set out below:		
Freehold land (level 2)		
Carrying amount at beginning of year	5,990,000	5,990,000
Carrying amount at end of year	5,990,000	5,990,000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



		Consolidated	
		2015 \$	2014 \$
10.	PROPERTY, PLANT AND EQUIPMENT <i>(continued)</i>		
a)	Reconciliations <i>(continued)</i>		
	Buildings (level 2)		
	Carrying amount at beginning of year	4,451,741	4,548,210
	Additions	624,840	73,744
	Disposals	(7,948)	-
	Depreciation	(199,517)	(170,213)
	Carrying amount at end of year	4,869,116	4,451,741
	Plant and equipment		
	Carrying amount at beginning of year	8,301,407	8,884,996
	Additions	3,354,342	1,405,862
	Disposals	(104,191)	-
	Depreciation	(1,403,709)	(1,689,451)
	Impairment loss	-	(300,000)
	Carrying amount at end of year	10,147,849	8,301,407
	Motor Vehicles		
	Carrying amount at beginning of year	77,170	73,908
	Additions	197,602	22,681
	Disposals	(24,591)	(5,127)
	Depreciation	(24,524)	(14,292)
	Carrying amount at end of year	225,657	77,170
	Capital works in progress		
	Carrying amount at beginning of year	814,651	247,008
	Net movement	(651,964)	567,643
	Carrying amount at end of year	162,687	814,651
b)	If land and buildings were stated at historical cost, amounts disclosed would be as follows:		
	Freehold land		
	Cost	797,400	797,400
	Carrying amount at end of year	797,400	797,400
	Buildings		
	Cost	8,551,953	7,927,112
	Less: accumulated depreciation	(3,791,481)	(3,580,913)
	Carrying amount at end of year	4,760,472	4,346,199

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		2015 \$	2014 \$
11.	INTANGIBLE ASSETS		
	Trademarks and brand names	4,065,845	4,065,845
	Less: accumulated amortisation	(4,065,845)	(4,041,378)
		-	24,467
	Reconciliation		
	Intangibles		
	Carrying amount at beginning of year	24,467	64,823
	Amortisation	(24,267)	(40,356)
	Carrying amount at end of year	-	24,467
12.	TAX		
a)	Liabilities		
	Current income tax	2,642,811	891,972
	Non-current deferred tax asset (liability)	67,069	(108,653)
	Deferred tax liabilities comprises:		
	Tax allowances related to property, plant and equipment	(72,629)	(82,135)
	Revaluation adjustments taken directly to equity	(1,732,650)	(1,732,650)
	Gross deferred tax liabilities	(1,805,279)	(1,814,785)
b)	Assets		
	Deferred tax assets comprise:		
	Provisions	425,021	369,496
	Intangible assets	1,146,013	1,127,511
	Other	301,377	209,125
	Gross deferred tax asset	1,872,411	1,706,132
c)	Reconciliation		
	The overall movement in deferred taxes is as follows:		
	Opening balance	(108,653)	804,939
	Charge to income statement	175,722	(913,592)
	Closing balance	67,069	(108,653)
13.	TRADE AND OTHER PAYABLES		
	Beekeeper creditors	11,753,303	3,907,807
	Trade creditors	2,697,858	1,941,311
	Other creditors	7,356,967	2,971,817
	Employee entitlements	675,084	574,051
		22,483,212	9,394,986
14.	SHORT TERM BORROWINGS		
	Secured (note 19)		
	Debtor Finance	299,997	-
	Overdraft	684,617	-
	Commercial bills	1,000,000	1,000,000
	Hire purchase	283,115	291,904
		2,267,729	1,291,904

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



		Consolidated	
		2015 \$	2014 \$
15.	LONG TERM BORROWINGS		
	Secured (note 19)		
	Commercial bills	3,364,000	6,664,000
	Hire purchase	457,843	740,958
		3,821,843	7,404,958
16.	LONG TERM PROVISIONS		
	Employee entitlements	356,530	303,128

		Consolidated Entity			
		No. of Shares	2015 \$	No. of Shares	2014 \$
17.	ISSUED CAPITAL				
a)	<i>Foundation Share</i>				
	Opening Balance	1	1	1	1
	Movements	-	-	-	-
	Closing Balance	1	1	1	1

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	2015 \$	No. of Shares	2014 \$
b)	<i>Ordinary Shares</i>				
	Opening Balance	8,520,198	7,728,220	8,520,198	7,728,220
	Movements	76,923	500,000	-	-
	Closing Balance	8,597,121	8,228,220	8,520,198	7,728,220

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.

Shares issued for the year were in relation to the acquisition of Chandlers Honey (note 33).

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	
		2015 \$	2014 \$
	Notes		
Trade and other payables	13	22,483,212	9,394,986
Short term borrowings	14	2,267,729	1,291,904
Long term borrowings	15	3,821,843	7,404,958
Total Borrowings		28,572,784	18,091,848
Less: cash and cash equivalents	25	(1,424,491)	(1,103,559)
Net debt		27,148,293	16,988,289
Total equity		33,705,040	28,583,915
Total capital		60,853,333	45,572,204
Gearing ratio		45%	37%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		2015	2014
		\$	\$
18.	RESERVES		
	Revaluation Surplus	4,042,851	4,042,851
	The revaluation surplus is used to record increments and decrements in the value of non-current assets		
19.	SECURED BORROWINGS		
	The overdraft and commercial bills amounting to \$5,348,614 (2014: \$7,664,000) 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.	CONTINGENT LIABILITIES		
	The Directors are not aware of any significant contingent liabilities at the date of this report.		
21.	COMMITMENTS		
	Capital expenditure commitments		
	Contracted for but not provided for or payable at 30 June:		
	Not longer than one year	121,396	1,274,427
	Operating lease commitments		
	Future operating lease rentals not provided for in the financial statements or payable:		
	Not longer than one year	404,872	394,157
	Longer than one year but not longer than five years	667,395	1,032,228
		1,072,267	1,426,385
22.	AUDITOR'S REMUNERATION		
	Remuneration of the auditor of the parent entity for:		
	auditing or reviewing the financial statements	102,000	98,439
	taxation services	9,000	9,060
	other	-	1,500
		111,000	108,999
23.	RELATED PARTIES		
a)	Directors and key management personnel remuneration:		
	Short term employee benefits	1,613,126	1,182,764
	Post employment benefits	185,829	154,196
	Total director and key management personnel remuneration	1,798,955	1,336,960
	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.		

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 2015		
		Domestic \$	Export \$	Consolidated \$
a)	Segment Performance			
	Sales revenue	97,892,706	22,583,003	120,475,709
	Other revenue	56,134	329,516	385,650
	Total segment revenue	97,948,840	22,912,519	120,861,359
	Unallocated interest received			1,642
	Total revenue			120,863,001
	Unallocated expenses			(109,735,117)
	Profit before income tax			11,127,884
		30 June 2014		
		Domestic \$	Export \$	Consolidated \$
	Sales revenue	68,529,435	17,363,831	85,893,266
	Other revenue	91,368	18,546	109,914
	Total segment revenue	68,620,803	17,382,377	86,003,180
	Unallocated interest received			311
	Total revenue			86,003,491
	Unallocated expenses			(79,513,368)
	Profit before income tax			6,490,123



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. SEGMENT REPORTING (continued)

b) Segment Assets	Domestic \$	Export \$	Unallocated \$	Consolidated \$
30 June 2014	12,766,406	3,126,126	33,791,269	49,683,801
30 June 2015	16,368,830	7,161,780	44,970,722	68,501,332
Change in total assets	3,602,424	4,035,654	11,179,453	18,817,531

The increase in Group assets is predominantly due to an increase in inventories of \$9,608,184 and trade receivables of \$6,011,733. This is mainly due to an increase in revenue.

c) Segment Liabilities	Domestic \$	Export \$	Unallocated \$	Consolidated \$
30 June 2014	-	-	21,099,886	21,099,886
30 June 2015	299,997	-	34,496,295	34,796,292
Change in total liabilities	299,997	-	13,396,409	13,696,406

The increase in Group liabilities is mainly due to higher working capital required for increased revenue.

	Consolidated	
	2015 \$	2014 \$
d) Change in identification of segments		
There have been no changes in operating segments since the previous year.		
e) Revenue by geographical region		
Australia	97,948,840	68,620,803
Foreign countries	22,912,519	17,382,377
Total revenue	120,861,359	86,003,180
Revenue attributable to external customers is based on the location of the customer		
f) Assets by geographical region		
Australia	68,501,332	49,678,303
Foreign countries	-	5,498
Total assets	68,501,332	49,683,801
The location of segment assets is by geographical location of the asset		
g) Major customers		
The Group has a number of customers to whom it provides products. The Group supplies ten major customers accounting for 78% of revenue (2014: 66%). The next most significant customer accounts for 1.84% of revenue (2014: 1.6%).		
Two domestic customers account for \$65 million of the total revenue of the Group. This represents 54% of total revenue.		
25. RECONCILIATION OF CASH		
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	1,424,491	1,103,559
Bank overdraft	(684,617)	-
Total cash and cash equivalents	739,874	1,103,559

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



26.

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

	Consolidated	
	2015 \$	2014 \$
Profit after income tax	7,845,047	4,619,011
Depreciation	1,627,745	1,873,956
Amortisation	24,467	40,356
Impairment loss	-	300,000
Loss / (Profit) on sale of equipment	100,397	(1,373)
Increase in tax payable	1,750,839	891,972
Decrease in deferred tax assets	(175,722)	913,592
Change in assets and liabilities		
Decrease (increase) in assets		
Trade debtors	(6,108,942)	331,106
Other debtors	101,873	37,857
Inventory	(9,608,184)	4,592,598
Prepayments	(1,073,740)	4,158
Goods and Services Tax received	(4,664)	(40,972)
Increase (decrease) in liabilities		
Trade creditors	756,547	(233,515)
Other creditors	4,385,150	481,706
Beekeeper creditors	7,845,496	(2,088,768)
Employee entitlements	154,435	79,857
Net cash generated from operating activities	7,620,744	11,801,541





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		2015	2014
		\$	\$
27.	FINANCING ARRANGEMENTS		
	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
		20,614,000	20,614,000
	Used at the end of the reporting period		
	Multi-Option		
	- Commercial Bill	4,000,000	6,300,000
	- Overdraft	684,617	-
	Fixed bill facility	364,000	1,364,000
	Debtor finance	299,997	-
		5,348,614	7,664,000
	Unused at the end of the reporting period		
	Multi-Option	5,315,383	3,700,000
	Fixed bill facility	2,250,000	1,250,000
	Debtor finance	7,700,003	8,000,000
		15,265,386	12,950,000
28.	EARNINGS PER SHARE (EPS)		
	Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted EPS	8,590,756	8,520,198
	Earnings used in the calculation of basic and diluted EPS	7,845,047	4,619,011

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 include forward exchange and currency option contracts for economic purposes. The consolidated entity does not speculate in the trading of derivative instruments.

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

Foreign currency risk

The consolidated entity is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the consolidated entity's functional currency. Senior executives of the consolidated entity meet on a regular basis to analyse currency exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. Refer note 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 2015 approximately 95% of consolidated entity debt is floating (2014: 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.

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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.

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

Credit risk

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

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

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

Sensitivity Analysis

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

		Consolidated	
		2015 \$	2014 \$
a)	Interest Rate Sensitivity Analysis		
	At 30 June, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:		
	Change in profit		
	increase in interest rate by 2%	(123,000)	(218,000)
	decrease in interest rate by 2%	123,000	218,000
	Change in equity		
	increase in interest rate by 2%	(123,000)	(218,000)
	decrease in interest rate by 2%	123,000	218,000
b)	Foreign Currency Risk Sensitivity Analysis		
	At 30 June, the effect on profit and equity as a result of changes in receivables following changes in the value of the Australian Dollar to foreign currencies, with all other variables remaining constant would be as follows:		
	Change in profit		
	increase in AUD:USD rate by 10%	(208,000)	(103,000)
	increase in AUD:CAD rate by 10%	(74,000)	(30,000)
	increase in AUD:CNY rate by 10%	(5,000)	(10,000)
	increase in AUD:MYR rate by 10%	(21,000)	(14,000)
	decrease in AUD:USD rate by 10%	255,000	125,000
	decrease in AUD:CAD rate by 10%	90,000	37,000
	decrease in AUD:CNY rate by 10%	6,000	12,000
	decrease in AUD:MYR rate by 10%	26,000	17,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (continued)

b) Foreign Currency Risk Sensitivity Analysis (continued)

	Consolidated	
	2015 \$	2014 \$
Change in equity		
increase in AUD:USD rate by 10%	(208,000)	(103,000)
increase in AUD:CAD rate by 10%	(74,000)	(30,000)
increase in AUD:CNY rate by 10%	(5,000)	(10,000)
increase in AUD:MYR rate by 10%	(21,000)	(14,000)
decrease in AUD:USD rate by 10%	255,000	125,000
decrease in AUD:CAD rate by 10%	90,000	37,000
decrease in AUD:CNY rate by 10%	6,000	12,000
decrease in AUD:MYR rate by 10%	26,000	17,000

c) Honey Price Sensitivity Analysis

At 30 June, the effect on profit and equity as a result of changes in the purchase price of futures honey already delivered, with all other variables remaining constant would be as follows

Change in profit		
increase in honey purchase price of 10%	(949,000)	(329,000)
decrease in honey purchase price of 10%	949,000	329,000
Change in equity		
increase in honey purchase price of 10%	(949,000)	(329,000)
decrease in honey purchase price of 10%	949,000	329,000

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 for economic purposes. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Forward exchange contracts

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

At the end of the period, there were no outstanding forward exchange contracts in respect of the consolidated entity (2014: 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 US\$1,000,000 and CAD\$200,000 in currency options (2014: Nil). The net unrealised loss on the foreign currency contracts and options at 30 June 2015 amounted to \$26,028.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



29. FINANCIAL INSTRUMENTS (continued)

iii) Liquidity Risk

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

	2015					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	-	1,421,345	-	-	3,146	1,424,491
Receivables	-	-	-	-	20,932,628	20,932,628
Total financial assets	-	1,421,345	-	-	20,935,774	22,357,119
Financial liabilities						
Commercial bills	3.14%	4,364,000	-	-	-	4,364,000
Hire purchase	7.19%	-	283,115	457,843	-	740,958
Beekeeper creditors	-	-	-	-	11,753,303	11,753,303
Overdraft and debtor finance	7.11%	984,614	-	-	-	984,614
Trade & sundry creditors	-	-	-	-	10,054,825	10,054,825
Total financial liabilities		5,348,614	283,115	457,843	21,808,128	27,897,700

	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	-	1,101,951	-	-	1,608	1,103,559
Receivables	-	-	-	-	14,922,176	14,922,176
Total financial assets		1,101,951	-	-	14,923,784	16,025,735
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
Overdraft and debtor finance	5.8%	-	-	-	-	-
Trade & sundry creditors	-	-	-	-	4,913,128	4,913,128
Total financial liabilities		7,664,000	291,904	740,958	8,820,935	17,517,797

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2015 \$	2014 \$
30. PARENT ENTITY INFORMATION		
Net profit attributable to members of CZZ	7,701,520	4,475,484
Total comprehensive income for the year attributable to members of CZZ	7,701,520	4,475,484
Current assets	47,038,954	30,024,365
Total assets	68,761,968	50,087,964
Current liabilities	30,617,919	13,283,147
Total liabilities	34,796,292	21,099,886
Issued capital	8,228,221	7,728,221
Revaluation surplus	4,042,851	4,042,851
Retained earnings	21,694,604	17,217,006
Total equity	33,965,676	28,988,078
Capital expenditure commitments not provided for in the financial statements	121,396	1,274,427
Future operating leases not provided for in the financial statements	1,072,267	1,426,385



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 Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

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

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

The changes made to accounting requirements by these standards include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances;
- simplifying the requirements for embedded derivatives;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- 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;
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements; and
- requirements for impairment of financial assets.

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

AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) - Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2015)

This standard limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015.

AASB 14 Regulatory Deferral Accounts and AASB 2014 -1 Amendments to Australian Accounting Standards [Part D] (applicable for annual reporting periods commencing on or after 1 January 2016).

AASB 14 applies only to an entity's first Australian-Accounting-Standards financial statements where they conduct rate regulated activity and recognise amounts that qualify as regulatory deferral account balances. AASB 2014-1 [Part D] makes consequential amendments to AASB 1 First-time Adoption of Australian Accounting Standards.

This standard is not expected to impact the Group

AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2017)

AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts, and the related Interpretations on revenue recognition Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue-Barter Transactions Involving Advertising Services.

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

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

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. STANDARDS ISSUED BUT NOT YET EFFECTIVE

New Accounting Standards for Application in Future Periods (continued)

AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations (applicable for annual reporting periods commencing on or after 1 January 2016).

This standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the principles in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 in accounting for the acquisition. AASB 2014-3 also requires disclosure of the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This standard is not expected to impact the Group

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual reporting periods commencing on or after 1 January 2016).

This standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset and to clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. The standard also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

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

AASB 2014-6 Amendments to Australian Accounting Standards - Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141] (applicable for annual reporting periods commencing on or after 1 January 2016).

This standard amends the accounting for bearer plants to now be the same as property, plant and equipment in AASB 116 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of AASB 116, instead of AASB 141 and therefore entities can choose to measure them at cost or fair value. The produce growing on bearer plants will remain within the scope of AASB 141.

This standard is not expected to impact the Group.

AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements (applicable for annual reporting periods commencing on or after 1 January 2016).

This standard will allow entities to use the equity method to account for its interest in subsidiaries, joint ventures and associates in separate financial statements and makes editorial corrections to AASB 127.

This standard is not expected to impact the Group

AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable for annual reporting periods commencing on or after 1 January 2016).

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these

assets are housed in a subsidiary.

This standard is not expected to impact the

Group.

AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140] (applicable for annual reporting periods commencing on or after 1 January 2016).

This Standard makes various amendments to Accounting Standards as part of the International Accounting Standards Board (IASB) International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2012–2014 Cycle including:

- IFRS 5 - reclassification from held for sale to held for distribution to owners or from held for distribution to owners to held for sale is considered to the continuation of the original plan of disposal;
- IFRS 7 - adds basis of conclusion to clarify disclosure requirements for transferred financial assets and offsetting arrangements;
- IAS 19 - confirms that high quality corporate bonds or national government bonds used to determine discount rates must be in the same currency as the benefits paid to the employee; and
- IAS 34 - clarifies information about cross references in the interim financial report.

This standard is not expected to impact the Group.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



31. STANDARDS ISSUED BUT NOT YET EFFECTIVE

New Accounting Standards for Application in Future Periods (continued)

AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 (applicable for annual reporting periods commencing on or after 1 January 2016).

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports.

This standard is not expected to impact the Group.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (applicable for annual reporting periods commencing on or after 1 July 2015)

This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

This standard is not expected to impact the Group.

AASB 2015-4 Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127 & AASB 128] (applicable for annual reporting periods commencing on or after 1 July 2015).

This Standard amends AASB 128 to require that, notwithstanding paragraphs 17 and 17.1 of AASB 128, the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

This standard is not expected to impact the Group.

AASB 2015-5 Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128] (applicable for annual reporting periods commencing on or after 1 January 2016).

This Standard amends AASB 10, AASB 12 and AASB 128 to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of AASB 10 is available to a parent entity that is a subsidiary of an investment entity, to clarify the applicability of AASB 12 to the financial statements of an investment entity and to introduce relief in AASB 128 to permit a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries..

This standard is not expected to impact the Group.

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.

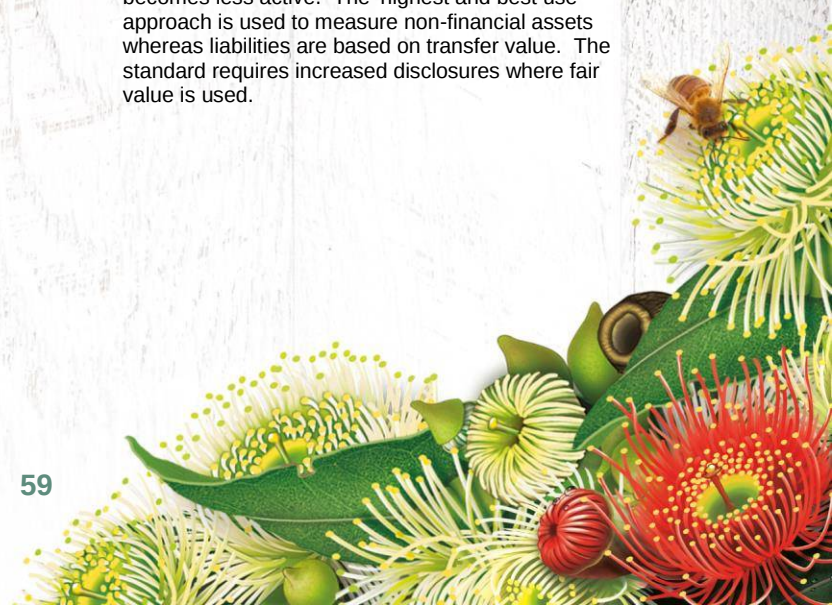
The following accounting standards and interpretations are most relevant to the consolidated entity.

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.





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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. ACQUISITION OF ASSETS AND BUSINESS OPERATION

On 30 January 2015, Capilano Honey Limited completed the purchase of the net assets of Yellow Pty Ltd (trading as Chandlers Honey). The new assets acquired meet the definition of a business in accordance with AASB3 and accordingly the transaction will be accounted for as a business combination.

The net assets purchased comprised plant and equipment, and inventory. The acquisition will result in an increase in honey supply for the company.

The consideration for the acquisition is outlined as below:

	\$
Consideration	
Cash Payment	618,795
Issue of Shares	500,000
Total consideration	1,118,795

Total assets acquired are detailed below:

	\$
Plant and Equipment	907,000
Inventories	211,795
Total assets	1,118,795

The operations of Chandlers Honey were incorporated into Capilano's activities and accordingly there is no separate result for the contributions made by the acquisition.

It is impracticable to determine the revenue and profit or loss of Yellow Pty Ltd since acquisition date and the revenue and profit or loss of the combined entity for the reporting period because although the assets are used in the supply of honey, no separate reporting of the acquired business has been established.

34. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

On 30 July 2015 a Share Sale Agreement was signed to acquire 100% of the share capital in KirksBees Honey Pty Ltd and the transaction will proceed as soon as the contractual conditions are satisfied. Capilano will purchase the shares at \$5.25 million and the land and buildings at \$750k.

This beekeeping enterprise is one of Australia's largest active Manuka honey producers, which is located in Evans Head, New South Wales. Active Manuka honey is produced from the *Leptospermum* species of plants that are native to Australia and New Zealand. This honey is recognised for its scarcity and unique clinically proven antibacterial qualities and consequential premium price.

The acquisition includes the assets required to operate the business including bee hives, apiary sites, vehicles, related property, sheds and honey extraction equipment. The beekeeping enterprise produced over \$2 million worth of bee products last financial year and was attractive to Capilano as a consequence of:

- the notable Manuka floral apiary sites the business has access to;
- the provision of future assurances in our supply chain with regard to high valued Manuka honey supply;
- the potential to grow production over time;
- the ability to train and foster new industry entrants to the beekeeping industry.

Due diligence investigations by Capilano on the relevant assets and business operations have been satisfactorily completed.

Capilano recognises that growing premium honey supply and industry capability by investing in our supply chain will deliver increased product security, whilst delivering a material benefit to our earnings.

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





SHAREHOLDERS' INFORMATION

as at 31 July 2015

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

a) **Classes of Shares**

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

b) **Voting Rights**

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

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

c) **Distribution of Shareholdings**

The number of shareholders, by size of holding are:	Foundation Share		Ordinary Shares		
	Number of Holders	Number of Shares	Number of Holders	Number of Shares	Percentage (shares)
100,001 and Over			4	2,082,410	24.22
50,001 to 100,000			5	397,602	4.63
10,001 to 50,000			122	2,137,537	24.86
5,001 to 10,000			191	1,440,925	16.76
1,001 to 5,000			748	1,927,242	22.42
1 to 1,000	1	1	1,441	611,405	7.11
Totals	1	1	2,511	8,597,121	100.00

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

There are 41 shareholders holding 150 shares which the company considers to be less than a marketable parcel of shares (value \$500), when using a value of \$15.45 per share, being the high price on 31 July 2015.

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 ^{Note:1}		1,477,892	17.19
2	RBC Investor Services Australia Nominees Pty Ltd <Picredit>		241,279	2.81
3	HSBC Custody Nominees (Australia) Limited		216,348	2.52
4	National Nominees Limited		146,891	1.71
5	Citicorp Nominees Pty Limited		97,128	1.13
6	Dr Benjamin McKee & Mrs Sophie McKee <BA McKee Super Fund A/C>		90,300	1.05
7	J P Morgan Nominees Australia Limited		79,439	0.92
8	Barnes Apiaries Pty Ltd <The Barnes Family A/C>		70,000	0.81
9	Mr Enrico Albertani & Ms Alison Woodbury <Forest Wild Honey>		60,735	0.71
10	Researched Investments Pty Ltd <Richard Cruickshank S/F A/C>		45,200	0.53
11	Mr Cain William Treanor		45,000	0.52
12	Muirhead Electrical Pty Ltd		43,400	0.50
13	Mr Peter McDonald		38,425	0.45
14	Mr Peter Roy Barnes		37,520	0.44
15	Mr Jonathan William Williams & Mrs Maxine Alice Williams		36,960	0.43
16	Simpkins Apiaries Pty Ltd		36,480	0.42
17	Mr Barry Alwyn Pobke & Mrs Karen Lee Pobke		35,000	0.41
17	Great D Pty Ltd <Great D Super Fund A/C>		35,000	0.41
18	Mr Phillip Francis McHugh <Superannuation Fund A/C>		33,676	0.39
19	Mrs Lucille Ruth Blackwell		32,640	0.38
20	Mrs Marlene Rosemary Nelson		32,116	0.37
Total			2,931,429	34.10

^{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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Registered Office	399 Archerfield Road, Richlands QLD 4077
Postal Address	PO Box 531, Inala QLD 4077
Telephone	(07) 3712 8282
Fax	(07) 3712 8286
Email	honey@capilano.com.au
Website	www.capilano.com.au
Capilano Group of Companies	Capilano Honey Limited Honey Corporation of Australia Pty Ltd
Bankers	HSBC Bank Australia Limited
Auditors	William Buck (Qld)
Share Register	Link Market Services







399 Archerfield Road, Richlands (PO Box 531, Inala) QLD 4077.
T: +(61 7) 3712 8282 F: +(61 7) 3712 8286 E: honey@capilano.com.au
www.capilano.com.au