



ABN: 55 009 686 435

FINANCIAL STATEMENTS

Half Year ended 31 December 2015

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REPORT OF THE DIRECTORS

Your directors present their report on the consolidated financial statements of the company and its controlled entities for the half-year ended 31 December 2015.

Directors

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

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

Principal Activities

The principal activities of the consolidated entity during the half-year were beekeeping and packing of honey for domestic and export sales.

Consolidated Results

The net profit of the consolidated entity for the half-year before income tax was \$7,770,737 (2014 \$5,118,379) and after income tax was \$5,502,504 (2014 \$3,597,742).

Review of Operations

Capilano's profitability continues to be driven by our local and international retail markets, in conjunction with the continuation of operational cost controls. Domestic market share has risen; assisted by an expanded ranging of branded products. Revenue has increased by 16%, including a 53% increase in sales to Asia.

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

Significant Changes

On 30 July 2015, Capilano Honey Limited acquired 100% of the share capital in Kirksbees Honey Pty Ltd and integrated its beekeeping operations.

Auditor's Independence Declaration

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

Signed at Brisbane this 5th day of February 2016, in accordance with a resolution of the directors.

T R Morgan
Chairman

B McKee
Managing Director



AUDITOR'S INDEPENDENCE DECLARATION



The Directors
Capilano Honey Limited
399 Archerfield Road
RICHLANDS QLD 4077

Auditor's Independence Declaration

As lead auditor for the review of Capilano Honey Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

William Buck

William Buck (Qld)
ABN 11 603 627 400

A handwritten signature in black ink, appearing to read 'M Ayooob'.

M Ayooob
A member of the firm

Brisbane 5 February 2016

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Capilano Honey Limited



Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Capilano Honey Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Capilano Honey Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

William Buck

William Buck (Qld)
ABN 11 603 627 400



M Ayoob
A Member of the Firm

Brisbane 5 February 2016

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◆ DIRECTORS' DECLARATION

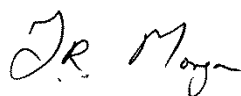
The directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 5 to 11:
 - (i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date.

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

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

Signed at Brisbane this 5th day of February 2016, in accordance with a resolution of the directors.



T R Morgan
Chairman



B McKee
Managing Director



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2015

	31 December 2015	31 December 2014
	\$	\$
Revenue	67,099,006	57,871,333
Other income	203,955	261,930
Finance costs	(369,129)	(352,004)
Other expenses	(59,163,095)	(52,662,880)
Profit before income tax	7,770,737	5,118,379
Income tax expense	(2,268,233)	(1,520,637)
Net profit attributable to members of Capilano Honey Limited	5,502,504	3,597,742
Other comprehensive income	-	-
Total comprehensive income for the period attributable to members of Capilano Honey Limited	5,502,504	3,597,742
Basic earnings per share (cents)	64.00	42.23
Diluted earnings per share (cents)	64.00	42.23

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	31 December 2015 \$	30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents	5	203,618	1,424,491
Trade and other receivables		19,896,490	20,933,909
Inventories	8	32,596,143	23,344,295
Other current assets		706,818	1,336,259
TOTAL CURRENT ASSETS		53,403,069	47,038,954
NON-CURRENT ASSETS			
Property, plant and equipment	6	25,693,952	21,395,309
Intangibles	6	2,000,000	-
Biological assets	6	128,000	-
Deferred tax assets		479,046	67,069
TOTAL NON-CURRENT ASSETS		28,300,998	21,462,378
TOTAL ASSETS		81,704,067	68,501,332
CURRENT LIABILITIES			
Trade and other payables		19,856,609	22,483,212
Short term borrowings		10,466,160	2,267,729
Provision for dividend		245	3,224,167
Provision for income tax		1,835,339	2,642,811
TOTAL CURRENT LIABILITIES		32,158,353	30,617,919
NON-CURRENT LIABILITIES			
Long term borrowings		10,000,000	3,821,843
Long term provisions		338,170	356,530
TOTAL NON-CURRENT LIABILITIES		10,338,170	4,178,373
TOTAL LIABILITIES		42,496,523	34,796,292
NET ASSETS		39,207,544	33,705,040
EQUITY			
Issued capital		8,228,221	8,228,221
Reserves		4,042,851	4,042,851
Retained earnings		26,936,472	21,433,968
TOTAL EQUITY		39,207,544	33,705,040

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2015

	Issued capital		Reserves	Retained earnings	Total equity
	Ordinary	Foundation	Asset Revaluation		
	\$	\$	\$	\$	\$
Balance at 1 July 2015	8,228,220	1	4,042,851	21,433,968	33,705,040
Total comprehensive income for the period	-	-	-	5,502,504	5,502,504
Dividend recognised for the period	-	-	-	-	-
Balance at 31 December 2015	8,228,220	1	4,042,851	26,936,472	39,207,544
Balance at 1 July 2014	7,728,220	1	4,042,851	16,812,843	28,583,915
Total comprehensive income for the period	-	-	-	3,597,742	3,597,742
Dividend recognised for the period	-	-	-	-	-
Balance at 31 December 2014	7,728,220	1	4,042,851	20,410,585	32,181,657

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2015

		<i>Inflows (Outflows)</i>	
	Note	31 December 2015	31 December 2014
		\$	\$
<i>Cash flows from operating activities</i>			
Receipts from customers		68,546,106	54,678,832
Payments to suppliers and employees		(71,242,671)	(48,923,742)
Interest received		4	973
Net goods and services tax recovered		1,299,529	1,388,495
Income tax paid		(3,487,682)	(171,894)
Interest paid		(249,100)	(238,458)
Net cash (used in) provided by operating activities		(5,133,814)	6,734,206
<i>Cash flows from investing activities</i>			
Acquisition of Kirksbees Honey Pty Ltd		(5,279,502)	-
Payment for property, plant and equipment		(1,960,223)	(1,741,598)
Proceeds from sale of property, plant and equipment		-	14,973
Net cash used in investing activities		(7,239,725)	(1,726,625)
<i>Cash flows from financing activities</i>			
Payment of dividend		(3,223,922)	(1,704,285)
Increase (Repayment) of borrowings		14,411,037	(957,198)
Net cash provided by (used in) financing activities		11,187,115	(2,661,483)
Net (decrease) increase in cash and cash equivalents held		(1,186,424)	2,346,098
Cash and cash equivalents at the beginning of the financial period		739,874	1,103,559
Cash and cash equivalents at the end of the financial period	5	(446,550)	3,449,657

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

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the *Corporations Acts 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

The interim financial statements are intended to provide users with an update on the latest financial statements of Capilano Honey Limited and its controlled entities (the consolidated entity). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2015, together with any public announcements made during the half-year.

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

The consolidated entity has adopted all of the new and revised pronouncements which became mandatory for annual reporting periods beginning on or after 1 July 2015. In adopting these new and revised pronouncements, the consolidated entity has determined that there has been no impact to the consolidated entity's reported position or performance.

2. EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There is at the date of this report no matter or circumstance which has arisen since 31 December 2015 that has significantly affected or may significantly affect:-

- i) the operations of the consolidated entity;
- ii) the results of those operations; or
- iii) the state of affairs of the consolidated entity in future financial years.

3. ISSUED CAPITAL

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

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

4. OPERATING SEGMENTS		31 December 2015		
(a) Segment Performance		Domestic \$	Export \$	Consolidated \$
Sales revenue		52,771,883	14,327,123	67,099,006
Other revenue		52,889	151,066	203,955
Total segment revenue		52,824,772	14,478,189	67,302,961
Unallocated revenue less unallocated expenses				(59,532,224)
Profit before income tax				7,770,737

		31 December 2014		
		Domestic \$	Export \$	Consolidated \$
Sales revenue		47,016,981	10,854,352	57,871,333
Other revenue		29,977	231,953	261,930
Total segment revenue		47,046,958	11,086,305	58,133,263
Unallocated revenue less unallocated expenses				(53,014,884)
Profit before income tax				5,118,379

(b) Segment Assets	Domestic \$	Export \$	Unallocated \$	Consolidated \$
30 June 2015	16,368,830	7,161,780	44,970,722	68,501,332
31 December 2015	15,428,003	4,213,740	62,062,324	81,704,067
Change in total assets	(940,827)	(2,948,040)	17,091,602	13,202,735

(c) Segment Liabilities	Domestic \$	Export \$	Unallocated \$	Consolidated \$
30 June 2015	299,997	-	34,496,295	34,796,292
31 December 2015	9,214,258	-	33,282,265	42,496,523
Change in total liabilities	8,914,261	-	(1,214,030)	7,700,231

5. 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:

	Note	CONSOLIDATED	
		31 December 2015 \$	30 June 2015 \$
Cash and cash equivalents		203,618	1,424,491
Bank overdraft		(650,168)	(684,617)
Total cash and cash equivalents		(446,550)	739,874

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

6. ACQUISITION OF ASSETS AND BUSINESS OPERATION

On 30 July 2015, Capilano Honey Limited acquired 100% of the share capital in Kirksbees Honey Pty Ltd for \$5.3 million. Capilano Honey Limited also purchased the land and buildings associated with the business for \$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.

Total assets at fair value acquired are detailed below:

	\$
Land and buildings	750,057
Plant and equipment	3,151,502
Intangibles	2,000,000
Biological assets	128,000
Total consideration paid	6,029,559

Kirksbees Honey Pty Ltd has been successfully integrated into the business and has not been reported separately.

7. FAIR VALUE

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements are a reasonable approximation of their fair value.

8. INVENTORY

Inventory value for the period has increased from \$23.3m to \$32.6, with stock growing to 4,288 tonnes from the historical low of 2,223 for the same time last year.

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Capilano Group of Companies	Capilano Honey Limited
	Capilano Apiaries Pty Ltd
	Honey Corporation of Australia Pty Ltd
	Kirksbees Honey Pty Ltd
Bankers	HSBC Bank Australia Limited
Auditors	William Buck (Qld)
Share Register	Link Market Services



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