Annual Report 2016

ABN 55 009 686 435

Busy

Pollen gatherers make between 7-13 trips per day and can fly as quickly as 25km per hour.

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DID YOU KNOW ….

- honey has no fat or additives and is 100% natural;
- honey is rich in carbohydrates thanks to its naturally occurring sugars;
- honey has a favourable GI rating;
- honey offers a natural 'punch' for sports or physical activity thanks to its quick-absorption glucose;
- honey has been clinically proven to sustain blood sugar levels for longer periods than other types of sugar, sports gels or 'carbo snacks';
- honey is a good alternative natural sweetener for those with diabetes thanks to its high carbohydrates and low GI rating;
- the taste and colour of honey is dependent on its floral source, which is diverse in Australia and includes:

Alfalfa | Apple Angophora | Apple Box | Banksia | Bimble Box | Black Box | Black Butt |

Nutritious

and versatile. Perfect on fruit, cereal, crumpets, ribs, sweet potato chips and in smoothies ... check out our range of delicious sweet & savoury recipes on our website.

Capilano continues to grow.

We began the financial year with a little apprehension about the forecast El Niño event and its possible effect on honey production in Australia. While not all production areas escaped the consequences, most producers were able to harvest a worthwhile crop and this has allowed Capilano an improved ability to meet its sales requirements.

Results

The net profit before tax of $13,443k for this financial year is a very good result, giving a substantial 21% improvement over the previous year.

With a tax expense of $3,959k paid this financial year leaving a net profit after tax of $9,483k, a 20.9% improvement over last years $7,845k.

Based on these results for the year a fully franked dividend of 40 cents per share was declared in May and paid to shareholders on 29 July 2016.

Capital Raising

During the year Capilano conducted a fully underwritten 1 for 10 pro-rata non-renounceable Rights Issue which resulted in the issue of 860,360 additional new ordinary shares with gross proceeds of $16,777k.

These funds will be used to accelerate growth by strengthening both the financial and competitive position of Capilano and will:

- strengthen the balance sheet by reducing debt and provide flexibility for further acquisitions;
- help fund the acquisition of beekeeping enterprises;
- increase working capital to support business growth and new export sales;
- allow capital investment in selected production efficiency upgrades and new product capabilities;
- provide a dedicated marketing budget to support new product development and export growth.

I would like to thank shareholders for their outstanding support of this Rights Issue.

Beekeeping Enterprises and Medibee Joint Venture

In a significant departure from our previous dependence on the purchase of honey and bee products from other beekeeping enterprises, Capilano has begun to vertically integrate by investing in selected beekeeping enterprises, primarily in the production of high value *Leptospermum* honey used in our premium range of medical and natural health products. These operations will be managed by Medibee, a 50/50 Joint Venture with Comvita who are a New Zealand company that have extensive production and marketing expertise from their own operations in New Zealand and who currently operate in Australia in a sales and marketing capacity.

We expect this new joint venture to assist our business by increasing the security of supply and by expanding our involvement in the international value chain for *Leptospermum* or Manuka honeys.

In addition, Capilano has entered a joint venture with an existing contracted honey supplier in Western Australia to assist the expansion of this already large honey producing enterprise.

While these enterprises will help to secure Capilano's supply base they will also give us a platform to train and assist potential new entrants into honey production either as employees or ultimately in their own right.

We will endeavour to use them to assist rather than compete with our existing contracted supplier base who are mostly very efficient family based businesses.

Honey Supply

Although not all beekeepers have had a good season, Capilano has seen a gradual improvement in the supply of honey during this financial year both from contracted suppliers and from other honey producers who are showing renewed interest in becoming regular suppliers to our company. Hopefully the good winter rains that have occurred in many areas will see this trend continuing into next season.

We are pleased to have a more acceptable stock level, particularly during the peak consumption period through winter and look forward to a good honey production season next year to allow us to maintain current production efficiencies and quality of finished products.

Dedicated

65% of Australian Agriculture production depends on honeybees for the quantity and quality of their crops.

Our People

Once again I cannot stress enough how important the people who work at Capilano are in achieving the outstanding results we have had in recent years, and with the addition of some new faces in the operations, sales and marketing departments I am confident we have a team that can deliver the best possible outcomes going forward.

It has also been pleasing to see the promotion of Annette Zbasnik to the position of Company Secretary, she has been a tireless worker for Capilano for many years and is rewarding us by doing an excellent job in her new role.

I would also like to thank my fellow Directors for their continuing dedication and skill at achieving the best outcomes for all our stakeholders. It is a pleasure to work with them.

Looking Forward

The Board and Management of Capilano will continue to strive to preserve and extend Capilano's position as market leader in Australia while developing further market opportunities overseas for our great product, and with the introduction of some exciting new products that we have in the pipe line to augment the existing products. We look forward to the continuing growth of the business.

For a more detailed explanation of the operation and outcome for the financial year just concluded, please refer to the Managing Director's Review of Operations included in this Annual Report.

T R Morgan
Chairman

FROM HIVE TO HOME, NATURALLY

100% PURE AUSTRALIAN HONEY

NO ADDED PRESERVATIVES,

ARTIFICIAL FLAVOURS OR COLOURS.

Forage

A honeybee visits 50 to 100 flowers during a collection trip.

Mr Trevor R Morgan, FAICD

Chairman, Independent Non-Executive Director, Commercial Apiarist
Age 61
Appointed and elected Director 1998, then Deputy Chairman 2004, and Chairman in 2005

Mr Morgan is a second generation beekeeper with over 40 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.Agri.Sci (Hons), PhD, GAICD

Managing Director
Age 40
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. Dr McKee has 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 59
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 68
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.

Mr Robert N Newey, GAICD

Independent Non-Executive Director
Age 57
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, and member of the senior manager group of Woolworths.

Production

Capilano has modern production facilities to deliver cost efficiencies and quality production.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

It is with pleasure that I can once again report on the continued growth of Capilano within the 2015/16 financial year. Our key market segments of domestic retail, export retail and industrial bulk business have all increased both in volume and revenue this year. For the financial year 2016, a net profit after tax of $9,483k was achieved, which is an improvement of $1,638k (20.9%) on last year's result of $7,845k. Revenue has grown from $120.9m last year to $133.6m (10.6%) this year.

From our lowest ever Australian production season of just 7,744 tonnes in 2013/14, Australian honey supply conditions have steadily improved with honey receivals this financial year reaching 10,500 tonnes compared to 9,265 tonnes last year. Raw honey prices paid to our contracted beekeepers have been sustained and continue to remain high.

Capilano has continued to be an active purchaser of pure Australian honey over the last 12 months, allowing us to rebuild our depleted inventory holdings of honey. Recently, improved rain patterns in key production areas have made us optimistic towards the potential for increased honey production in the coming seasons.

International bulk honey markets have seen some softening in price, which has naturally increased competition in select overseas markets. Despite this, Capilano has worked hard to retain its margin and competitive advantage when selling its high quality, Australian honey. We sell 100% pure Australian honey within the Australian market under the Capilano brand, which remains a fundamental priority for us.

Proceeds from recent capital raising efforts have strengthened Capilano's balance sheet and enhanced our capacity to deliver on growth strategies. In addition, Capilano's ability to acquire honey and fund ample inventory over subsequent production seasons will be an important component of the future security of supply chain strategies.

'FOR THE FINANCIAL YEAR 2016, A NET PROFIT AFTER TAX OF $9,483K WAS ACHIEVED, AN IMPROVEMENT OF $1,638K (20.9%)'

The increasing price of honey and greater inventory needs of a growing business have demanded higher working capital requirements, with the value of inventory increasing from $23.3m to $38.8m over the financial year. Stock levels have improved from 2,901 tonnes to more sustainable levels of 4,960 tonnes, which is currently supporting packing requirements in excess of 1,000 tonnes per month.

Capilano has a genuine interest in bee welfare and the on-going sustainability of the Australian honey bee industry. To this cause, we continue to be the largest voluntary funder of the Australian Honey Bee Industry Council whose role is to foster, promote, enhance and protect the interests of the Australian Honey Bee Industry and the vitality of its members. Tangible actions to protect the interests of Australian honey bees has begun as we take up the fight to safeguard our bees from increasing environmental pressures, including the proliferation of herbicides and insecticides such as neonicotinoids.

Furthermore, we are establishing a beekeeping academy to nurture, train and support the next generation of beekeepers and will be recruiting a number of new candidates as part of a scholarship or apprenticeship program within our existing beekeeping enterprises. We believe this to be a proactive and vital investment in the future development of the apicultural industry.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

The Year in Review - Performance

AT A GLANCE:

REVENUE
▲ $133.6M

EBIT
▲ $14.1M

EARNINGS PER SHARE
▲ $1.10

NET DEBT
▲ 9.6M

NET ASSETS
▲ 55.8M

DIVIDEND
▲ 40¢ PER SHARE

The 2016 financial year has seen the continuation of profit and revenue growth stemming from both export and domestic sales. The notable gains in domestic market share we achieved in the previous financial year were retained and built upon with improvements to both volume and revenue. The 2016 performance includes the impacts of:

- a revenue increase of $12.8m (10.6%) as domestic and export retail sales continued to grow;
- expenses as a percentage of net sales have been controlled to 10.7% with the operation continuing to benefit from increased volumes;
- EBIT improved $2.51m (22%) on last year as revenue grew and we again delivered some sales mix improvements;
- earnings per share increased from 91.3¢ to $1.10 (20%);
- operating cash flow was impacted as a consequence of the need to rebuild inventory from levels that were extremely low at the opening of the financial year;
- debt increased with inventory and a number of acquisitions, which was later reduced as a consequence of the capital raising to a net debt of $9.63m;
- an increased tax expense of $3.96m this year, compared with $3.28m last year;
- the statement of financial position remains strong with net assets increasing by $22.1m (66%) this year;
- the dividend payout was increased from 37.5¢ to 40¢ per share and was declared on 23 May 2016 for payment to eligible shareholders on 29 July 2016. A provision for this dividend is included in current liabilities.

Table 1 *($,000's)*	**2014**	**2015**	**2016**
Revenue	86,003	120,863	133,617
Earnings before Interest & Tax (EBIT)	7,140	11,554	14,068
EBIT Depreciation & Amortisation (EBITDA)	9,054	13,206	15,938
Net Profit before tax (NPBT)	6,490	11,128	13,443
Net Profit after tax (NPAT)	4,619	7,845	9,483
Operating Cash Flow	11,801	7,621	(8,387)
Net Debt	7,593	4,665	9,626
Net Assets	28,583	33,705	55,764
Current Ratio (Current Assets / Current Liabilities)	2.26	1.54	2.33
Debt Ratio (Total Liabilities / Total Assets)	42.5%	50.8%	44.1%
Interest Cover (EBITDA / Interest)	13.9x	31x	25x

Operations & Honey Supply

Capilano has established a network of national packing operations that has ample packing capability and infrastructure to meet our growing business needs. The geographical positioning of our operations enables efficient interactions with our beekeepers and minimises unnecessary freight.

The Maryborough, Victoria facility is now fully operational and contributing as planned to our production needs. We have a number of newly appointed employees and we are pleased to be operating in a rural and regional community. It is pleasing to see that despite the re-commissioning of our Maryborough facility and the operation of a new plant, our expenses as a percent of net sales have been conserved.

Considerable effort is placed into ensuring Capilano operations are best practice with respect to food safety and quality systems. 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 highlights our ongoing commitment to quality and is a credit to our high performing team and inspiring culture at Capilano.

Adequate honey stocks have enabled us to maximise distribution and meet our peak winter sales demand for honey. Production of honey is low in the cooler winter months and the new honey season will begin in spring. We are constantly seeking to increase our supplier base and, as such, we have moved additional resources into our supply chain management division with Mathew Storey appointed as our Supply Chain Manager. His sole function will be to expand and support our network of quality Australian beekeepers.

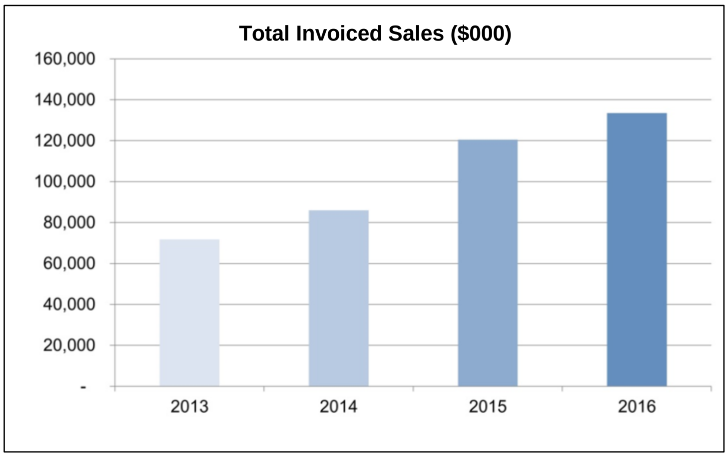
Capital investment in select production efficiency upgrades has centred on the delivery of new product capabilities and the installation of several new packing lines at our Maryborough site. The replacement of temporary hotrooms following the 2012 fire at Richlands (QLD) will progress following council approval, forming a key site improvement at our major production facility.

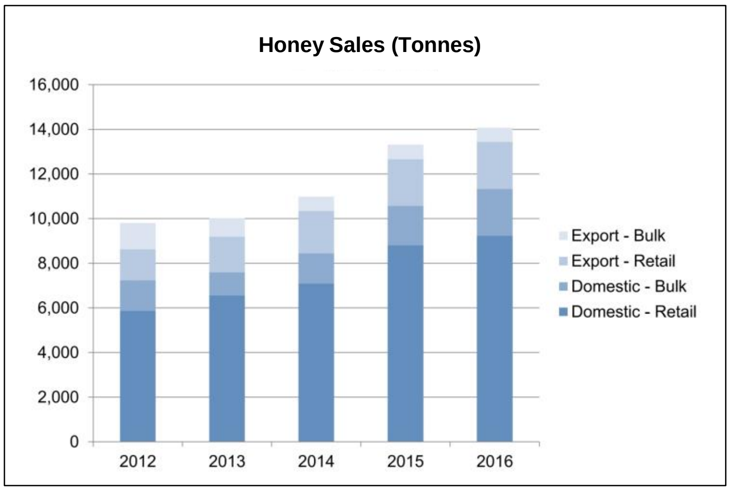
This year saw Capilano acquire primary production beekeeping enterprises aimed at strengthening our security of supply, in particular for Manuka honeys. This approach will be enhanced with a joint venture with New Zealand-based Manuka honey specialist, Comvita, which we hope will grow the net production of Manuka honeys in Australia.

In addition, July saw the commencement of a second joint-venture with our largest West Australian honey supplier. This is again aimed at strengthening the security of supply for Capilano and will provide a mechanism to train beekeepers and help build the next generation of Capilano suppliers.

'CONSIDERABLE EFFORT IS PLACED INTO ENSURING CAPILANO OPERATIONS ARE BEST PRACTICE WITH RESPECT TO FOOD SAFETY AND QUALITY SYSTEMS.'

'FACTORY OPERATIONS IN ALL OUR PACKING PLANTS ARE INDEPENDENTLY AUDITED AND REMAIN GRADED WITH THE PRESTIGIOUS 'A RATING' UNDER THE BRC QUALITY ASSURANCE SYSTEM.'





Sales & Marketing

Demand for honey as a truly natural food has remained strong. Capilano endeavours to give consumers choice in both price point and flavour variety through a selection of products within our family of brands.

Capilano will strive to provide a heightened marketing presence going forward as we communicate with consumers around the natural health and wellness credentials of honey and the important 'plight of the bees'. We will be launching new website platforms both locally and in key export markets.

Capilano's total market share domestically achieved a modest increase, which was bolstered by the performance of export sales. Total tonnes sold increased in excess of 1,006 tonnes this year, with the sales revenue highlights as follows:

- record earnings of $134m up 11%;
- domestic sales increasing by 9%;
- export retail sales increasing by 17%;
- growth in export markets of Asia (32%), South Pacific (59%) and Africa (80%);
- food service segment improved 12%;
- bulk industrial honey up 26%;
- health & wellness products up 30%.

Consumer attention towards honey continues to grow as part of a broader interest in health and wellness functional foods. As we have previously stated, selling and marketing premium products with beneficial health and wellness attributes have delivered amplified revenue and growth for Capilano and is on-trend with consumer motivations. Capilano has progressed with a record investment in scientific research to further uncover and validate the health and wellness attributes of honey, and we look forward to commercialising the findings and bringing new functional products to market.

CAPILANO WILL STRIVE TO PROVIDE A HEIGHTENED MARKETING PRESENCE GOING FORWARD AS WE COMMUNICATE WITH CONSUMERS AROUND THE NATURAL HEALTH AND WELLNESS CREDENTIALS OF HONEY AND THE IMPORTANT 'PLIGHT OF THE BEES'.

Sales to greater China increased by 56.9% and we continue to approach this market with a view of long-term sustainable relationships in mind. We have a number of e-commerce and premium pharmacy sales plans, which are increasing our distribution and presence in the market.

In the domestic market, we were delighted to further bolster our quality credentials by taking out the "Most Trusted Honey" award at the 2016 Australian Reader's Digest Awards.

Outlook

Capilano is well positioned to continue inventory improvements and maintain growth in key markets that will deliver a sustainable future value chain. Capilano's loyal Australian beekeeper suppliers remain key to our success and we are grateful for their continued support.

Capilano's evolving position in the primary production sector is targeted at delivering an increased level of support for our industry at a 'grass roots' level. Cultivating and training new and capable industry entrants remains a focus to ensure we mobilise the industry's best talent and future potential.

This year's financial result again builds on Capilano's improving performance, which has been clearly shown over the last six years. It is pleasing to deliver the conservation of record earnings and to see a sustained profitability for the business, despite fluctuations in supply and increased price competition.

Capilano is operated by a driven, motivated and enthusiastic Board, Management and employee network. As the business has grown, we have seen a notable contribution by new members of our team who are well skilled to support a larger functioning business with a high degree of professionalism.

Capilano markets a wonderful natural product and has a promising future, as it remains the market leader for honey in Australia and operates a growing export business.

Ben McKee
Managing Director

CAPILANO SOURCES 100% PURE AUSTRALIAN HONEY FROM OVER 600 AUSTRALIAN BEEKEEPERS

Move

Beekeepers spend long hours driving between apiary sites, checking hives and collecting honey-filled combs. They can travel more than 100,000km per year moving hives between sites.

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16 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 2016.

Directors

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

- Trevor R Morgan, *Chairman, Independent NED*
- Phillip F McHugh, *Deputy Chairman, Independent NED*
- Benjamin A McKee, *Managing Director*
- 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 $9,483,463 (2015: $7,845,047).

Distributions

On 23 May 2016 the directors declared a fully franked ordinary dividend of 40 cents per share amounting to $3,782,992.

The final dividend was payable on ordinary shares held at 30 June 2016 and was paid on 29 July 2016.

Review of Operations

Sales revenue of $133,429,924 for the consolidated entity was $12,954,215 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.

Refer to the Review of Operations on pages 7 to 11 for further information.

Matters subsequent to the End of the Financial Year

Medibee Apiaries Pty Ltd (Joint Venture)

On 29 July 2016, Capilano's Manuka beekeeping assets were sold to Medibee Apiaries Pty Ltd for $9.225 million in cash.

Medibee Apiaries Pty Ltd is a 50/50 Joint Venture with global natural health products company Comvita, formed to operate a number of *Leptospermum* honey producing apiaries in Australia, to deliver premium honey for a range of medical and natural health products.

Western Honey Supplies Pty Ltd (Joint Venture)

On 7 July 2016, Capilano Honey Limited acquired 50% of the share capital in Western Honey Supplies Pty Ltd for a cash consideration of $2.5 million and established a 50/50 Joint Venture with Western Australian honey producer, Spurge Apiaries to provide geographic diversity, secure supply and grow production over time.

Significant Changes

Other than the Capital Raising, 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 and its Controlled Entities

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

The company and its controlled entities was not a party to any such proceedings during the year.

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 Deputy Chairman 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 7,000 shares directly and 35,476 shares indirectly.
Benjamin Alexander **McKEE**	B.Agri.Sci (Hons), PhD, GAICD Appointed Chief Executive Officer on 1 July 2012 Appointed Managing Director on 31 May 2013	Managing Director of Capilano Honey Limited and a member of the Human Resource & Remuneration Committee. Also a Director of Medibee Apiaries Pty Ltd, Western Honey Supplies Pty Ltd, Capilano Apiaries Pty Ltd, Honey Corporation of Australia Pty Ltd and Kirksbees Honey Pty Ltd.	B A McKee indirectly holds 55,530 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 Chairman of Capilano Honey Limited and 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 and Medibee Apiaries Pty Ltd.	T R Morgan holds 13,341 shares directly and 2,000 shares indirectly.
Robert Neville **NEWEY**	GAICD Independent Non-Executive Director Director since 23 November 2012	Independent Non-Executive Director of Capilano Honey Limited and Chairman of the Audit & Compliance Committee and a Member of the Human Resource & Remuneration, Honey Supply & Industry and Nomination Committees. Also a Director of Capilano Beekeepers Ltd.	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 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 Limited (since 2 December 2008).	Nil

No Directors hold options over unissued ordinary shares.

Information on Company Secretary

	Qualifications/ Experience	Special Responsibilities	Shares held in Parent entity
Dirk **KEMP**	CIMA, MBA, CPA, Bcompt (Hons) Company Secretary 31 May 2012 until 31 December 2015	Appointed Financial Controller and Company Secretary of Capilano Honey Limited and Capilano Beekeepers Ltd, on 31 May 2012 and promoted to General Manager Operations & Finance in June 2015 and General Manager – Finance in January 2016. 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 1,150 shares directly.
Annette **ZBASNIK**	GIA (Cert) Appointed Company Secretary on 1 January 2016	Appointed Company Secretary of Capilano Honey Limited, effective 1 January 2016 and Capilano Beekeepers Ltd, effective 24 March 2016. Mrs Zbasnik has a broad range of experience in company secretariat and governance roles. Prior to this appointment she held the position of Corporate Secretary.	Nil

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	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	No. of Meetings Attended / Held (*)
P McHugh	13 of 13	6 of 6	6 of 6	6 of 6	2 of 2	1 of 1
B McKee	13 of 13	6 of 6	6 of 6	6 of 6	1 of 1	1 of 1
T Morgan	13 of 13	6 of 6	6 of 6	6 of 6	2 of 2	1 of 1
R Newey	12 of 13	6 of 6	6 of 6	6 of 6	2 of 2	1 of 1
S Tregoning	11 of 13	4 of 6	4 of 6	4 of 6	1 of 2	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.

Remuneration Report *(continued)*

2. CAPILANO'S REMUNERATION POLICY (AUDITED)

- **Reward Philosophy**

Capilano's remuneration philosophy is that:

a) remuneration should emphasise performance;

b) the balance between fixed and variable remuneration should reflect market conditions and the extent to which the role contributes directly to performance;

c) individual objectives reflect the need to deliver sustainable outcomes for shareholders; and

d) 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:

1. external parity;
2. internal parity; and
3. 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:

a) Managing Director - reviewed by the Board with advice from the Board HRR Committee;

b) Senior Executives reporting to the Managing Director - reviewed by the Managing Director and subject to endorsement by the Board HRR Committee; and

c) All other salaried staff – reviewed by Functional Managers (Heads of Departments) and subject to approval by the Managing Director.

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. The Board will recommend to Shareholders at the 2016 AGM the introduction of an employee share plan for Senior Executives.

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 2015, 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**

N Gledhill	General Manager - Operations
D Kemp	General Manager - Finance
P McDonald	Sales Director
L Morrison	General Manager - Primary Production
A O'Reilly	General Manager - Marketing
M Storey	General Manager - Honey Supply

- **Gross Remuneration of Directors**

	1 July 2015 – 30 June 2016					
	Short Term Benefits			Post Employment Benefits	Total	Percentage of Remuneration related to performance
	Cash salary and fees $	Non monetary benefits $	Bonuses FY 2016 $	Super-annuation $	$	
B McKee	386,002	-	150,000	30,000	566,002	27%
P McHugh	69,760	-	-	6,627	76,387	-
T Morgan	130,000	-	-	12,350	142,350	-
R Newey	69,760	-	-	6,627	76,387	-
S Tregoning	69,760	-	-	6,627	76,387	-
TOTAL	**725,282**	**-**	**150,000**	**62,231**	**937,513**	

The remuneration amounts listed above are gross earnings before tax.

Remuneration Report *(continued)*

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

	1 July 2014 – 30 June 2015						
	Short Term Benefits				Post Employment Benefits	Total	Percentage of Remuneration related to performance [3]
	Cash salary and fees $	Non monetary benefits $	Bonuses FY 2014 [1] $	Bonuses FY 2015 [2] $	Super-annuation $	$	
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.
3. The percentage of remuneration related to performance incorporates bonus payments approved for both 2014 and 2015 years.

The remuneration amounts listed above are gross earnings before tax.

- **Details of Remuneration for Key Management Personnel**

	1 July 2015 – 30 June 2016					
	Short Term Benefits			Post Employment Benefits	Total	Percentage of Remuneration related to performance
	Cash salary and fees $	Non monetary benefits $	Bonuses FY 2016 $	Super-annuation $	$	
N Gledhill [1]	74,465	-	-	7,074	81,539	-
D Kemp	191,781	-	88,000	24,708	304,489	29%
P McDonald	221,062	-	88,000	25,644	334,706	26%
L Morrison	132,420	-	58,000	14,961	205,381	28%
A O'Reilly [2]	34,633	-	-	3,277	37,910	-
M Storey [3]	136,986	-	60,000	13,117	210,103	29%
TOTAL	**791,347**	**-**	**294,000**	**88,781**	**1,174,128**	

1. Commenced employment as General Manager Operations on 11 January 2016.
2. Commenced employment as General Manager Marketing on 14 March 2016.
3. Promoted to General Manager Supply Chain in April 2016.

The remuneration amounts listed above are gross earnings before tax.

	1 July 2014 – 30 June 2015						
	Short Term Benefits				Post Employment Benefits	Total	Percentage of Remuneration related to performance [4]
	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.
4. The percentage of remuneration related to performance incorporates bonus payments approved for both 2014 and 2015 years.

The remuneration amounts listed above are gross earnings before tax.

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

2015/16 incentives have been accrued pending Board approval in August 2016.

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:

	2012	2013	2014	2015	2016
Earnings	2,552,822	3,446,604	4,619,011	7,845,647	9,483,463
Earnings per share	30.0¢	40.4¢	54.2¢	91.3¢	$1.10
Net Asset Value	$23,500,370	$26,946,974	$28,583,915	$33,705,040	$55,764,122
Dividends Per Share	15¢	-	20¢	37.5¢	40¢
Closing Share Price	$2.05	$2.45	$6.10	$12.80	$21.00
Key Management Personnel Remuneration (including Managing Director)	$1,008,061	$738,783	$1,025,846	$1,471,923	$1,740,130

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 2015 – 30 June 2016				
	Opening Balance	Granted as Remuneration during the year	Other Changes during the year		Closing Balance
			Sell	Purchase	
Directors					
P McHugh	44,276	-	(3,600)	1,800	42,476
B McKee	90,300	-	(40,000)	5,230	55,530
T Morgan	14,128	-	-	1,213	15,341
R Newey	-	-	-	-	-
S Tregoning	-	-	-	-	-
Key Management Personnel					
D Kemp	1,000	-	-	150	1,150
P McDonald	38,425	-	-	3,843	42,268
	188,129	**-**	**(43,600)**	**12,236**	**156,765**

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 2015/16 year of $339,280 is within the previously approved amount:

Distribution of Directors' Fees by position for the 2015/16 year is detailed below.

Position	**Directors' Fees $**
Chairman	130,000
Non-Executive Directors	69,760 ea

Superannuation Guarantee contribution - $32,231.
Directors and Officers Liability Insurance - 2016: $18,570 (2015: $18,570).

10. INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified its directors and executives for costs incurred in their capacity as director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the cover.

This marks the end of the audited remuneration report.

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 2016:

	$
Taxation Services	10,545
Other	3,880
Total	14,425

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 2016 has been received and can be found on page 22 of the annual report.

Signed at Brisbane this FIFTH day of AUGUST 2016, in accordance with a resolution of the directors.

T R Morgan, Director

B A McKee, Director

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 2016 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 Ayoob
A Member of the Firm

Brisbane

5 August 2016

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

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.

The Board adopted the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**) from 7 August 2015. This Corporate Governance Statement as required by ASX Listing Rule 4.10, reports within the framework of the 3rd edition ASX Principles. 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 5 August 2016 and was approved by the Board and is available on the Company's website at www.capilano.com.au/au/corporate

The following governance-related documents referenced in this Corporate Governance Statement can be found on the Company's website at: www.capilano.com.au/au/corporate

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
- Privacy
- 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 and monitoring implementation;
- overseeing the management of the Company;
- appointing the Chairman;
- 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 approved 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 identifies the particular skills and diversity that will best increase the Board's effectiveness.

Consideration is also given to the balance of independent Directors. Potential candidates are identified and, if relevant, the Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is 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 are 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 are provided with all material information for a Director's election in the Notice of Meeting that is 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.

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 Secretary is accountable directly to the Board through the Chair on all matters to do with the proper functioning of the Board. The responsibilities of the Company Secretary are set out in the Board Charter.

Recommendation 1.5

The Company reports its measurable objectives set for the reporting period and its progress for achieving them as at 30 June 2016:

	Objective 2015/16		Actual 2015/16	
Number of women on the Board	1	20%	Nil	Nil%
Number of women in Senior Executive [1] positions	3	40%	3	38%
Number of women employees in the whole organisation	70	50%	69	39%

The table below outlines the proportion of women and men employed by the Company as at 30 June 2016:

	Women		Men	
Board	Nil	Nil	5	100%
Senior Executives [1]	3	38%	5	62%
Managers [2]	4	33%	8	67%
Whole Organisation	69	39%	108	61%

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

	Objective 2016/17	
Number of women on the Board	1	15%
Number of women in Senior Executive [1] positions	3	40%
Number of women in Management [2] positions	3	25%
Number of women employees in the whole organisation	80	45%

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.

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	3
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.

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:* 18 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:* 22 years and 10 months
  - *Director since:* 8 October 1993
  - *Deputy Chairman since:* 6 November 2007

- **Dr Benjamin McKee,** B.Agri.Sci (Hons), PhD, GAICD
  Managing Director

  - *Independent:* No
  - *Non-Executive:* No
  - *Length of Service:* 13 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:* 10 years and 1 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, Dr 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.

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 and officers 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), Mr 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 2016, 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 2016.

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

The Board has 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

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/au/corporate

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 18 November 2016 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 a 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.

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 Dr 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 the Company. 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 will recommend to Shareholders at the 2016 AGM the introduction of an employee share plan for Senior Executives.

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.

William Buck

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 2016, 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 2016 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 2016. 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 2016 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 2016 included on Capilano Honey Limited's website. The company's directors are responsible for the integrity of Capilano Honey Limited's website. We have not been engaged to report on the integrity of the Capilano Honey Limited's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communication, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the website.

William Buck

William Buck (QLD)
ABN 11 603 627 400

M Ayoob
A Member of the Firm

Brisbane
5 August 2016

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

16 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 2016 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 FIFTH day of AUGUST 2016 in accordance with a resolution of the directors.

T R Morgan, Director

B A McKee, Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	2	133,617,041	120,863,001
Finance costs	3(b)	(871,725)	(645,831)
Other expenses	3(a)	(119,302,654)	(109,089,286)
Profit before income tax		13,442,662	11,127,884
Income tax expense	4	(3,959,199)	(3,282,837)
Net profit for the year attributable to members of CZZ		**9,483,463**	**7,845,047**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members of CZZ		**9,483,463**	**7,845,047**
Earnings per share (cents)	28	110.2	91.3
Diluted earnings per share (cents)	28	110.2	91.3

The above consolidated 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 30 June 2016

	Notes	2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	25	8,695,629	1,424,491
Trade and other receivables	6	22,850,501	20,933,909
Inventories	7	38,792,713	23,344,295
Other current assets	8	176,395	1,336,259
		70,515,238	47,038,954
Non-Current assets classified as held for sale	11	7,425,442	-
TOTAL CURRENT ASSETS		**77,940,680**	**47,038,954**
NON-CURRENT ASSETS			
Property, plant and equipment	10	21,499,578	21,395,309
Investments		109,397	-
Deferred tax assets	12	185,565	67,069
TOTAL NON-CURRENT ASSETS		**21,794,540**	**21,462,378**
TOTAL ASSETS		**99,735,220**	**68,501,332**
CURRENT LIABILITIES			
Trade and other payables	13	20,671,941	22,483,212
Short term borrowings	14	8,120,105	2,267,729
Provision for dividend		3,783,238	3,224,167
Income tax payable	12	836,226	2,642,811
TOTAL CURRENT LIABILITIES		**33,411,510**	**30,617,919**
NON-CURRENT LIABILITIES			
Long term borrowings	15	10,201,648	3,821,843
Long term provisions	16	357,940	356,530
TOTAL NON-CURRENT LIABILITIES		**10,559,588**	**4,178,373**
TOTAL LIABILITIES		**43,971,098**	**34,796,292**
NET ASSETS		**55,764,122**	**33,705,040**
EQUITY			
Issued capital	17	24,586,832	8,228,221
Reserves	18	4,042,851	4,042,851
Retained earnings		27,134,439	21,433,968
TOTAL EQUITY		**55,764,122**	**33,705,040**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Share Capital		Reserves	Retained Earnings	Total Equity
	Ordinary	Foundation	Revaluation Surplus		
	$	$	$	$	$
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
Total comprehensive income for the year	-	-	-	9,483,463	9,483,463
Shares issued (net of costs)	16,358,611	-	-	-	16,358,611
Dividend recognised for the year	-	-	-	(3,782,992)	(3,782,992)
Balance at 30 June 2016	24,586,831	1	4,042,851	27,134,439	55,764,122

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

16 CASH FLOWS

Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Inflows (Outflows)	
	2016 $	2015 $
Cash flows from operating activities		
Receipts from customers	131,526,686	114,817,936
Payments to suppliers and employees	(136,197,792)	(107,236,398)
Interest received	16	1,641
Goods and services tax received	2,613,953	2,171,410
Income tax paid	(5,704,962)	(1,707,720)
Interest paid	(625,394)	(426,125)
Net cash (used in) generated from operating activities (Note 26)	**(8,387,493)**	**7,620,744**
Cash flows from investing activities		
Payment for investments	(109,397)	-
Payment for intangibles	(2,722,219)	-
Payment for biological assets, property, plant and equipment	(6,865,917)	(3,524,837)
Proceeds from sale of property, plant and equipment	168,611	36,355
Net cash used in investing activities	**(9,528,922)**	**(3,488,482)**
Cash flows from financing activities		
Issue of shares	16,777,020	500,000
Capital raising costs	(597,727)	-
Dividend paid	(3,223,921)	(1,704,040)
Proceeds from (repayment of) borrowings	12,916,798	(3,291,907)
Net cash generated from (used in) financing activities	**25,872,170**	**(4,495,947)**
Net increase (decrease) in cash and cash equivalents held	7,955,755	(363,685)
Cash and cash equivalents at the beginning of the financial year	739,874	1,103,559
Cash and cash equivalents at the end of the financial year (Note 25)	**8,695,629**	**739,874**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 16

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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 5 August 2016.

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 2016 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 parent entity controls an entity when it 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 of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the parent 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.

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 it's 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 implemented 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.

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 corporate bond rate 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.

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.

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.

w) **Non-current assets or disposal groups classified as held for sale**

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

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.

		Consolidated	
		2016 $	2015 $
2.	**REVENUE**		
	Sales revenue	133,429,924	120,475,709
	Interest received	16	1,641
	Net foreign exchange gain	85,309	329,517
	Sundry	101,792	56,134
		133,617,041	**120,863,001**
3.	**OPERATING PROFIT**		
a)	**Expenses**		
	Raw materials and consumables	78,218,046	69,908,430
	Loss on disposal of property, plant and equipment	19,671	100,397
	Employee benefits	12,194,542	10,575,405
	Superannuation	898,079	741,488
	Depreciation of property, plant and equipment	1,815,143	1,627,745
	Amortisation of intangibles	55,000	24,467
	Transportation costs	3,967,986	3,891,078
	Factory costs	4,299,510	4,100,384
	Marketing and promotion	13,885,698	14,275,200
	Other	3,948,979	3,844,692
		119,302,654	**109,089,286**
b)	Profit before income tax expense includes the following specific expenses:		
	Finance costs		
	Borrowing expenses	246,331	219,706
	Interest and finance charges paid	625,394	426,125
		871,725	**645,831**
4.	**INCOME TAX**		
a)	Income tax expense	3,898,377	3,458,559
	Deferred tax	60,822	(175,722)
		3,959,199	**3,282,837**
	Deferred income tax expense included in the income tax expense comprises:		
	Decrease (increase) in deferred tax assets	60,822	(67,069)
	Increase (decrease) in deferred tax liabilities	-	(108,653)
		60,822	**(175,722)**

		Consolidated 2016 $	Consolidated 2015 $
4.	**INCOME TAX** *(continued)*		
b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit before income tax expense	13,442,662	11,127,884
	Tax at the Australian tax rate of 30% (2015: 30%)	4,032,799	3,338,365
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Amortisation of intangibles	(43,058)	(43,058)
	Entertainment	7,466	14,178
	Legal expenses	13,772	19,105
	Over provision in prior years	(51,780)	(45,753)
	Income tax expense	3,959,199	3,282,837

		Parent Entity 2016 $	Parent Entity 2015 $
5.	**DIVIDENDS**		
	A fully franked final dividend of 40 cents per ordinary share was declared on 23 May 2016 based on shares held at 30 June 2016.	3,782,992	-
	A fully franked final dividend of 37.5 cents per ordinary share was 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	5,323,208	2,276,698

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 2016.

		Consolidated 2016 $	Consolidated 2015 $
6.	**TRADE AND OTHER RECEIVABLES**		
	Trade debtors	22,628,339	20,713,569
	Other debtors	222,162	220,340
		22,850,501	**20,933,909**

	Gross Amount $	Past due and impaired >120 days $	Past due but not impaired (days overdue) 1-30 $	Past due but not impaired (days overdue) >30 $	Within initial trade terms $
2016					
Trade and term receivables	22,628,339	-	8,618,056	1,315,815	12,694,468
Other receivables	222,162	-	-	-	222,162
Provision for impairment	-	-	-	-	-
Total	**22,850,501**	**-**	**8,618,056**	**1,315,815**	**12,916,630**
2015					
Trade and term receivables	20,713,569	-	8,712,662	585,171	11,415,736
Other receivables	220,340	-	-	-	220,340
Provision for impairment	-	-	-	-	-
Total	**20,933,909**	**-**	**8,712,662**	**585,171**	**11,636,076**

		Consolidated 2016 $	Consolidated 2015 $
7.	**INVENTORIES**		
	Raw materials and stores	29,300,681	15,598,431
	Work in progress	2,172,179	1,376,800
	Finished goods	7,319,853	6,369,064
		38,792,713	**23,344,295**
	Cost of goods sold		
	Honey levies	419,934	234,710
	Other cost of goods sold	93,755,944	84,254,171
	Total cost of goods sold	**94,175,878**	**84,488,881**
8.	**OTHER CURRENT ASSETS**		
	Prepayments	**176,395**	**1,336,259**

9. INVESTMENTS

Investments are available-for-sale financial assets which 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	Principle activity	Class of Share	2016 % holding	2015 % holding
Investments are unlisted and comprise:-					
Honey Corporation of Australia Pty Ltd	Australia	Dormant	Ord	100	100
Capilano Apiaries Pty Ltd	Australia	Apiaries	Ord	100	-
Kirksbees Honey Pty Ltd	Australia	Apiaries	Ord	100	-

Capilano Honey Limited also holds an investment in Medibee Apiaries Pty Ltd, a 50% holding joint venture company with Comvita Holdings Pty Ltd accounted for using the equity method (refer Note 34).

		Consolidated 2016 $	Consolidated 2015 $
10.	**PROPERTY, PLANT AND EQUIPMENT**		
	Land and buildings		
	Freehold land – at valuation	5,990,000	5,990,000
	Buildings – at valuation	6,001,970	6,011,753
	Less: accumulated depreciation	(1,338,493)	(1,142,637)
	Total buildings	4,663,477	4,869,116
	Total land and buildings	**10,653,477**	**10,859,116**
	Plant and equipment		
	Cost	30,464,551	29,964,103
	Less: accumulated depreciation	(20,761,751)	(19,516,254)
	Less: accumulated impairment loss	(300,000)	(300,000)
	Total plant and equipment	**9,402,800**	**10,147,849**
	Motor vehicles		
	Cost	283,860	252,189
	Less: accumulated depreciation	(44,278)	(26,532)
	Total motor vehicles	**239,582**	**225,657**
	Capital work in progress	**1,203,719**	**162,687**
	Total property, plant and equipment	**21,499,578**	**21,395,309**
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
	Additions	118,000	-
	Transfer to non-current assets classified as held for sale	(118,000)	-
	Carrying amount at end of year	5,990,000	5,990,000

		Consolidated 2016 $	Consolidated 2015 $
10.	**PROPERTY, PLANT AND EQUIPMENT** *(continued)*		
a)	**Reconciliations** *(continued)*		
	Buildings (level 2)		
	Carrying amount at beginning of year	4,869,116	4,451,741
	Additions	632,641	624,840
	Disposals	-	(7,948)
	Transfer to non-current assets classified as held for sale	(624,156)	-
	Depreciation	(214,124)	(199,517)
	Carrying amount at end of year	**4,663,477**	**4,869,116**
	Plant and equipment		
	Carrying amount at beginning of year	10,147,849	8,301,407
	Additions	4,708,876	3,354,342
	Disposals	-	(104,191)
	Depreciation	(1,565,858)	(1,403,709)
	Transfer to non-current asset classified as held for sale	(3,888,067)	-
	Carrying amount at end of year	**9,402,800**	**10,147,849**
	Motor Vehicles		
	Carrying amount at beginning of year	225,657	77,170
	Additions	237,368	197,602
	Disposals	(188,282)	(24,591)
	Depreciation	(35,161)	(24,524)
	Carrying amount at end of year	**239,582**	**225,657**
	Capital works in progress		
	Carrying amount at beginning of year	162,687	814,651
	Net movement	1,041,032	(651,964)
	Carrying amount at end of year	**1,203,719**	**162,687**
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	9,184,593	8,551,953
	Less: accumulated depreciation	(4,005,287)	(3,791,481)
	Carrying amount at end of year	**5,179,306**	**4,760,472**

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. An independent valuation conducted in September 2015 was in-line with current carrying value.

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.

		Consolidated 2016 $	Consolidated 2015 $
11.	**NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**		
	Land and buildings	742,156	-
	Plant and equipment	3,888,067	-
	Intangibles – licences	2,667,219	-
	Biological Assets	128,000	-
	Total non-current assets classified as held for sale	**7,425,442**	**-**
	These assets are expected to be sold within 3 months from the reporting date to the Joint Venture companies (refer note 34).		
12.	**TAX**		
a)	Liabilities		
	Current income tax	836,226	2,642,811
	Non-current deferred tax asset (liability)	185,565	67,069
	Deferred tax liabilities comprises:		
	Tax allowances related to property, plant and equipment	146,157	(72,629)
	Revaluation adjustments taken directly to equity	(1,732,650)	(1,732,650)
	Gross deferred tax liabilities	**(1,586,493)**	**(1,805,279)**
b)	Assets		
	Deferred tax assets comprise:		
	Provisions	392,167	425,021
	Intangible assets	1,157,175	1,146,013
	Other	222,716	301,314
	Gross deferred tax asset	**1,772,058**	**1,872,348**
c)	Reconciliation		
	The overall movement in deferred taxes is as follows:		
	Opening balance	67,069	(108,653)
	(Charge) credit to income statement	(60,822)	175,722
	Credit to equity	179,318	-
	Closing balance	**185,565**	**67,069**
13.	**TRADE AND OTHER PAYABLES**		
	Beekeeper creditors	12,350,372	11,753,303
	Trade creditors	2,456,640	2,697,858
	Other creditors	5,186,989	7,356,967
	Employee entitlements	677,941	675,084
		20,671,942	**22,483,212**
14.	**SHORT TERM BORROWINGS**		
	Secured (note 19)		
	Debtor finance	5,334,202	299,997
	Trade finance	2,214,408	-
	Overdraft	-	684,617
	Commercial bills	-	1,000,000
	Hire purchase	571,495	283,115
		8,120,105	**2,267,729**

		Consolidated 2016 $	Consolidated 2015 $
15.	**LONG TERM BORROWINGS**		
	Secured (note 19)		
	Commercial bills	10,000,000	3,364,000
	Hire purchase	201,648	457,843
		10,201,648	**3,821,843**
16.	**LONG TERM PROVISIONS**		
	Employee entitlements	357,940	356,530

		Consolidated Entity			
		No. of Shares	2016 $	No. of Shares	2015 $
17.	**ISSUED CAPITAL**				
a)	*Foundation Share*				
	Opening Balance	1	1	1	1
	Shares issued	-	-	-	-
	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	2016 $	No. of Shares	2015 $
b)	*Ordinary Shares*				
	Opening Balance	8,597,121	8,228,220	8,520,198	7,728,220
	Shares issued	860,360	16,777,020	76,923	500,000
	Capital raising costs (net of tax)	-	(418,409)	-	-
	Closing Balance	**9,457,481**	**24,586,831**	**8,597,121**	**8,228,220**

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 completion of the non-renounceable rights issue. 860,360 new shares were issued on 27 June 2016.

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%.

	Notes	Consolidated 2016 $	Consolidated 2015 $
Trade and other payables	13	20,671,942	22,483,212
Short term borrowings	14	8,120,105	2,267,729
Long term borrowings	15	10,201,648	3,821,843
Total Borrowings		**38,993,695**	**28,572,784**
Less: cash and cash equivalents	25	(8,695,629)	(1,424,491)
Net debt		30,298,066	27,148,293
Total equity		55,764,122	33,705,040
Total capital		86,062,188	60,853,333
Gearing ratio		**35%**	**45%**

		Consolidated 2016 $	Consolidated 2015 $
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, trade finance, debtor finance and commercial bills amounting to $17,548,610 (2015: $5,348,614) are secured by a registered mortgage over all land and buildings and a fixed and floating charge over all the company's and controlled entities' 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	160,920	121,396
	Operating lease commitments		
	Future operating lease rentals not provided for in the financial statements or payable:		
	Not longer than one year	413,067	404,872
	Longer than one year but not longer than five years	284,723	667,395
		697,790	**1,072,267**
22.	**AUDITOR'S REMUNERATION**		
	Remuneration of the auditor of the parent entity for:		
	▪ auditing or reviewing the financial statements	106,155	102,000
	▪ taxation services	10,545	9,000
	▪ other	3,880	-
		120,580	**111,000**
23.	**RELATED PARTIES**		
a)	**Directors and key management personnel remuneration:**		
	Short term employee benefits	1,960,629	1,613,126
	Post employment benefits	151,012	185,829
	Total director and key management personnel remuneration	**2,111,641**	**1,798,955**

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.

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.

- ***Inter-segment 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 2016		
	Domestic $	Export $	Consolidated $
a) **Segment Performance**			
Sales revenue	105,822,081	27,607,843	133,429,924
Other revenue	101,792	85,309	187,101
Total segment revenue	**105,923,873**	**27,693,152**	**133,617,025**
Unallocated interest received			16
Total revenue			**133,617,041**
Unallocated expenses			(120,174,379)
Profit before income tax			**13,442,662**

	30 June 2015		
	Domestic $	Export $	Consolidated $
Sales revenue	97,892,707	22,583,003	120,475,710
Other revenue	56,134	329,516	385,650
Total segment revenue	**97,948,841**	**22,912,519**	**120,861,360**
Unallocated interest received			1,641
Total revenue			**120,863,001**
Unallocated expenses			(109,735,117)
Profit before income tax			**11,127,884**

24. SEGMENT REPORTING *(continued)*

b)

Segment Assets	Domestic $	Export $	Unallocated $	Consolidated $
30 June 2015	16,368,830	7,161,780	44,970,722	68,501,332
30 June 2016	18,409,282	5,316,293	76,009,645	99,735,220
Change in total assets	**2,040,452**	**(1,845,487)**	**31,038,923**	**31,233,888**

The increase in Group assets is predominantly due to an increase in inventories of $15,448,418 and cash and cash equivalents of $7,271,138. This is mainly due to an increase in operation and capital raising.

c)

Segment Liabilities	Domestic $	Export $	Unallocated $	Consolidated $
30 June 2015	299,997	-	34,496,295	34,796,292
30 June 2016	5,334,202	2,214,408	36,422,488	43,971,098
Change in total liabilities	**5,034,205**	**2,214,408**	**1,926,193**	**9,174,806**

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

		Consolidated	
		2016 $	2015 $
d)	**Change in identification of segments**		
	There have been no changes in operating segments since the previous year.		
e)	**Revenue by geographical region**		
	Australia	105,923,873	97,948,841
	Foreign countries	27,693,152	22,912,519
	Total revenue	**133,617,025**	**120,861,360**
	Revenue attributable to external customers is based on the location of the customer		
f)	**Assets by geographical region**		
	Australia	99,386,048	68,501,332
	Foreign countries	349,172	-
	Total assets	**99,735,220**	**68,501,332**
	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 70% of revenue (2015: 78%). The next most significant customer accounts for 1.84% of revenue (2015: 1.84%).		
	Two domestic customers account for $65 million of the total revenue of the Group. This represents 49% 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	8,695,629	1,424,491
	Bank overdraft	-	(684,617)
	Total cash and cash equivalents	**8,695,629**	**739,874**

		Consolidated 2016 $	Consolidated 2015 $
26.	**RECONCILIATION OF NET CASH GENERATED FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX**		
	Profit after income tax	9,483,463	7,845,047
	Depreciation	1,815,143	1,627,745
	Amortisation	55,000	24,467
	Loss on sale of equipment	19,671	100,397
	Increase in tax payable	(1,806,585)	1,750,839
	Increase (decrease) in deferred tax assets	60,822	(175,722)
	Change in assets and liabilities		
	Decrease (increase) in assets		
	Trade debtors	(1,914,770)	(6,108,942)
	Other debtors	(1,822)	97,209
	Inventory	(15,448,418)	(9,608,184)
	Prepayments	1,159,864	(1,073,740)
	Increase (decrease) in liabilities		
	Trade creditors	(241,218)	756,547
	Other creditors	(2,169,979)	4,385,150
	Beekeeper creditors	597,069	7,845,496
	Employee entitlements	4,267	154,435
	Net cash generated from operating activities	**(8,387,493)**	**7,620,744**

		Consolidated 2016 $	Consolidated 2015 $
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
	Debtor finance	11,500,000	8,000,000
		21,500,000	**20,614,000**
	Used at the end of the reporting period		
	Multi-Option		
	- Commercial Bill	10,000,000	4,000,000
	- Overdraft	-	684,617
	Fixed bill facility	-	364,000
	Debtor finance	7,548,610	299,997
		17,548,610	**5,348,614**
	Unused at the end of the reporting period		
	Multi-Option	-	5,315,383
	Fixed bill facility	-	2,250,000
	Debtor finance	3,951,390	7,700,003
		3,951,390	**15,265,386**
28.	**EARNINGS PER SHARE (EPS)**		
	Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted EPS	8,606,523	8,520,198
	Earnings used in the calculation of basic and diluted EPS	**9,483,463**	**7,845,047**

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 2016 approximately 95% of consolidated entity debt is floating (2015: 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.

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	
		2016 **$**	**2015** **$**
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%	(229,000)	(123,000)
	decrease in interest rate by 2%	229,000	123,000
	Change in equity		
	increase in interest rate by 2%	(229,000)	(123,000)
	decrease in interest rate by 2%	229,000	123,000
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%	(154,000)	(208,000)
	increase in AUD:CAD rate by 10%	(70,000)	(74,000)
	increase in AUD:CNY rate by 10%	(9,000)	(5,000)
	increase in AUD:MYR rate by 10%	-	(21,000)
	decrease in AUD:USD rate by 10%	188,000	255,000
	decrease in AUD:CAD rate by 10%	85,000	90,000
	decrease in AUD:CNY rate by 10%	11,000	6,000
	decrease in AUD:MYR rate by 10%	-	26,000

29. FINANCIAL INSTRUMENTS *(continued)*	Consolidated	
b) **Foreign Currency Risk Sensitivity Analysis** *(continued)*	**2016 $**	**2015 $**
Change in equity		
increase in AUD:USD rate by 10%	(154,000)	(208,000)
increase in AUD:CAD rate by 10%	(70,000)	(74,000)
increase in AUD:CNY rate by 10%	(9,000)	(5,000)
increase in AUD:MYR rate by 10%	-	(21,000)
decrease in AUD:USD rate by 10%	188,000	255,000
decrease in AUD:CAD rate by 10%	85,000	90,000
decrease in AUD:CNY rate by 10%	11,000	6,000
decrease in AUD:MYR rate by 10%	-	26,000
c) **Honey Price Sensitivity Analysis** At 30 June, the effect on profit and equity as a result of changes in the purchase price of futured honey already delivered, with all other variables remaining constant would be as follows		
Change in profit		
increase in honey purchase price of 10%	(846,000)	(949,000)
decrease in honey purchase price of 10%	846,000	949,000
Change in equity		
increase in honey purchase price of 10%	(846,000)	(949,000)
decrease in honey purchase price of 10%	846,000	949,000

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 (2015: 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 nil currency options (2015: US$1,000,000 and CAD$200,000). The net unrealised loss on the foreign currency contracts and options at 30 June 2016 amounted to nil.

ii) *Net Fair Values*

The net fair values of:

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

b) 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.

c) 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.

29. FINANCIAL INSTRUMENTS *(continued)*

iii) Liquidity Risk

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

	2016					
	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 than1 year $	Total $
Financial assets						
Cash	-	8,691,182	-	-	4,446	8,695,628
Receivables	-	-	-	-	22,850,501	22,850,501
Total financial assets	-	**8,691,182**	**-**	**-**	**22,854,947**	**31,546,129**
Financial liabilities						
Commercial bills	2.90%	10,000,000	-	-	-	10,000,000
Hire purchase	6.28%	-	571,495	201,648	-	773,143
Beekeeper creditors	-	-	-	-	12,350,372	12,350,372
Overdraft and debtor finance	3.32%	7,548,610	-	-	-	7,548,610
Trade & sundry creditors	-	-	-	-	7,643,629	7,643,629
Total financial liabilities	-	**17,548,610**	**571,495**	**201,648**	**19,994,001**	**38,315,754**

	2015					
	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 than1 year $	Total $
Financial assets						
Cash	-	1,421,345	-	-	3,146	1,424,491
Receivables	-	-	-	-	20,933,909	20,933,909
Total financial assets	-	**1,421,345**	**-**	**-**	**20,937,055**	**22,358,400**
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**

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

		2016 $	2015 $
30.	**PARENT ENTITY INFORMATION**		
	Net profit attributable to members of CZZ	9,440,931	7,701,520
	Total comprehensive income for the year attributable to members of CZZ	**9,440,931**	**7,701,520**
	Current assets	71,917,694	47,038,954
	Total assets	**99,733,949**	**68,761,968**
	Current liabilities	33,393,783	30,617,919
	Total liabilities	**43,751,723**	**34,796,292**
	Issued capital	24,586,832	8,228,221
	Revaluation surplus	4,042,851	4,042,851
	Retained earnings	27,352,543	21,694,604
	Total equity	**55,982,226**	**33,965,676**
	Capital expenditure commitments not provided for in the financial statements	160,920	121,396
	Future operating leases not provided for in the financial statements	697,790	1,072,267

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
  - requirements for impairment of financial assets

  Based on the financial instruments held, this standard will have minimal impact to the Group.

- *AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Effective Date of AASB 15 and AASB 2016-3 Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018)*

  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 reviewed its contract with customers and the impact of this standard is minimal.

- *AASB 16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019)*

  AASB 16 introduces a single lessee accounting model that requires all leases to be accounted for on balance sheet. A lessee will be required to recognise an asset representing the right to use the underlying asset during the lease term (ie right-of-use asset) and a liability to make lease payments (ie lease liability). Two exemptions are available for leases with a term less than 12 months or if the underlying asset is of low value.

  The lessor accounting requirements are substantially the same as in AASB 117. Lessors will therefore continue to classify leases as either operating or finance leases.

  AASB 16 will replace AASB 117 *Leases*, Interpretation 4 *Determining Whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and interpretation 127 *Evaluating the substance of Transactions Involving the Legal Form of a Lease*.

  Based on the current leases that the Group has, additional property, plant and equipment may need to be accounted for on balance sheet.

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.

  The Group has assessed the impact of this standard and noted that additional disclosure as required in AASB3 may be required.

- *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.

  This standard has no material impart to the Group.

- *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 materially 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 will impact on the Group's transactions with its joint venture entities.

- *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.

  The standard is not expected to materially impact the Group.

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 2015-5 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.

- *AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application paragraphs (applicable for annual reporting periods commencing on or after 1 January 2016)*

  This standard inserts scope paragraphs into AASB 8 *Operating Segments* and AASB 133 *Earnings per Share* since they were inadvertently removed from AASB 1057. There is no change to the requirements or the applicability of AASB 8 and AASB 133.

  This standard is not expected to impact the Group.

- *AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 (applicable for annual reporting periods commencing on or after 1 January 2016)*

  This standard defers the mandatory application date of amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint ventures* from annual reporting periods beginning 1 January 2016 to 1 January 2018.

  This standard is not expected to impact the Group.

- *AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual reporting periods commencing on or after 1 January 2017)*

  This standard amends AASB 112 *Income Taxes* to clarify how deferred tax assets are accounted for when they relate to debt instruments measured at fair value.

  This standard is not expected to impact the Group.

- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable for annual reporting periods commencing on or after 1 January 2017)*

  This standard amends AASB 107 *Cash Flow Statements* to require disclosure of information that allows users to understand the changes in liabilities from financing activities.

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

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

32. CHANGE IN ACCOUNTING POLICY

The consolidated entity has adopted all of the new, revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

33. 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 $5,279,502. Capilano Honey Limited also purchased the land and buildings associated with the business for $750,057.

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 value 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 cash consideration paid	6,029,559

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

During the year, Capilano Honey Limited has also acquired assets from two beekeepers for its beekeeping operations. The assets acquired are detailed below:

	$
Plant and equipment	270,000
Intangibles – site licence	722,218
Total cash consideration paid	992,218

34. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Medibee Apiaries Pty Ltd (Joint Venture)

On 29 July 2016, Capilano's Manuka beekeeping assets were sold to Medibee Apiaries Pty Ltd for $9.225 million in cash.

Medibee Apiaries Pty Ltd is a 50/50 Joint Venture with global natural health products company Comvita, formed to operate a number of *Leptospermum* honey producing apiaries in Australia, to deliver premium honey for a range of medical and natural health products.

Western Honey Supplies Pty Ltd (Joint Venture)

On 7 July 2016, Capilano Honey Limited acquired 50% of the share capital in Western Honey Supplies Pty Ltd for a cash consideration of $2.5 million and established a 50/50 Joint Venture with Western Australian honey producer, Spurge Apiaries to provide geographic diversity, secure supply and grow production over time.

Gather

An average worker bee makes about 1/12 teaspoon of honey in its lifetime.

16 SHAREHOLDERS' INFORMATION

as at 30 June 2016

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			5	2,768,675	29.27
50,001 to 100,000			4	272,998	2.89
10,001 to 50,000			103	1,901,798	20.11
5,001 to 10,000			187	1,361,347	14.39
1,001 to 5,000			997	2,163,490	22.88
1 to 1,000	1	1	2,878	989,173	10.46
Totals	**1**	**1**	**4,174**	**9,457,481**	**100.00**
Unmarketable parcel			82	478	0.01

d) **Twenty largest shareholders**

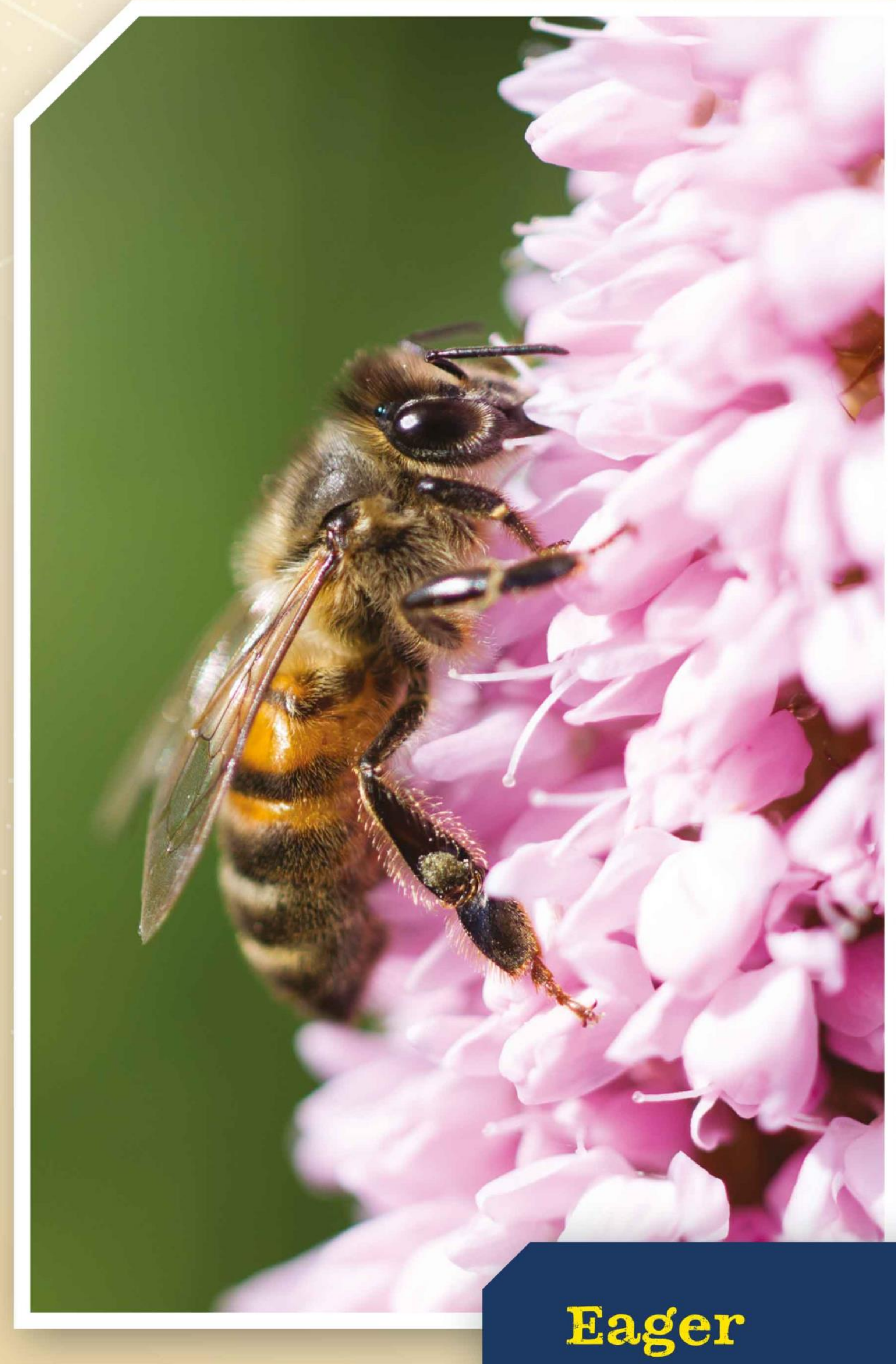
	The names of the twenty largest holders of quoted shares are:	**Number of Ordinary Shares**	**Percentage of Ordinary Shares**
1	Wroxby Pty Ltd [1]	1,800,000	19.03
2	Citicorp Nominees Pty Limited	339,544	3.59
3	HSBC Custody Nominees (Australia) Limited	289,903	3.07
4	J P Morgan Nominees Australia Limited	209,662	2.22
5	Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	129,566	1.37
6	National Nominees Limited	87,649	0.93
7	Bainpro Nominees Pty Limited	69,084	0.73
8	Mr Enrico Albertani & Ms Alison Woodbury <Forest Wild Honey>	60,735	0.64
9	Dr Benjamin McKee & Mrs Sophie M McKee <B A McKee Super Fund A/C>	55,530	0.59
10	Mr Cain William Treanor	48,285	0.51
11	Muirhead Electrical Pty Ltd	47,740	0.50
12	Mr Peter McDonald	42,268	0.45
13	Simpkins Apiaries Pty Ltd	40,128	0.42
14	True Colour Advertisement Pty Ltd <The Chen Family A/C>	39,960	0.42
15	Mr Peter Roy Barnes	37,520	0.40
16	Mr Jonathan William Williams & Mrs Maxine Alice Williams	37,000	0.39
17	Mr Phillip Francis McHugh <Superannuation Fund A/C>	35,476	0.38
18	Great D Pty Ltd <Great D Super Fund A/C>	35,000	0.37
19	UBS Nominees Pty Ltd	34,368	0.36
20	Mrs Lucille Ruth Blackwell	34,000	0.36
	Total	**3,473,418**	**36.73**

Note:1 - Substantial Shareholder

e) **Company Secretary -** Mrs Annette Zbasnik

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

g) **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



Eager

Worker honeybees are female, live 6 to 8 weeks and do all the work.

16 NOTES

Calm

Smoke is used by beekeepers to help calm the bees.

16 CONTACT DETAILS

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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