



ABN: 55 009 686 435

## APPENDIX 4D: HALF YEAR REPORT

### CAPILANO HONEY LIMITED and its Controlled Entities

Reporting Period: 1 July 2017 - 31 December 2017

Prior Corresponding Period: 1 July 2016 - 31 December 2016

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET				\$A'000
a) Revenue from ordinary activities	up / down	5.7%	to	70,302
	up / down	\$3,780	to	70,302
b) Profit (loss) from ordinary activities after tax attributable to members	up / down	28.5%	to	4,218
	up / down	\$1,685	to	4,218
c) Net Profit (loss) for the period attributable to members	up / down	28.5%	to	4,218
	up / down	\$1,685	to	4,218
d) Dividends		-		-

A fully franked ordinary final dividend of 40.0c was declared in June and paid in July 2017.  
No interim dividend declared for the current half year period.

#### 2. NET TANGIBLE ASSETS

Net tangible asset backing per ordinary share:

Reporting Period	\$7.01
Prior Corresponding Period	\$6.49

#### 3. DIVIDEND REINVESTMENT PLANS

There was no dividend reinvestment plan in operation during the financial year.

#### 4. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST

Not applicable.

#### 5. DETAILS OF ASSOCIATES & JOINT VENTURES

The Group has 50/50 Joint Ventures in Medibee Apiaries Pty Ltd and Western Honey Supplies Pty Ltd.

#### 6. FOREIGN ENTITIES

Not applicable.

#### 7. AUDIT REPORT

The accounts have been reviewed. Please refer to 'Independent Auditor's Review Report' on page 3 of the attached Half-Year Financial Reports.

Signed: ..... Dated: 9 February 2018  
DIRECTOR / COMPANY SECRETARY

Print Name: ANNETTE ZBASNIK

Attachment: Half-Year Financial Reports for Capilano Honey Limited and its controlled entities for half-year ended 31 December 2017



# **CAPILANO HONEY LIMITED**

ABN: 55 009 686 435

## **FINANCIAL STATEMENTS**

Half-Year ended 31 December 2017

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## REPORT OF THE DIRECTORS

Your directors present their report on the consolidated financial statements of the company and its controlled entities for the half-year ended 31 December 2017.

### Directors

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

Trevor R Morgan, Chairman  
Phillip F McHugh, Deputy Chairman  
Benjamin A McKee, Managing Director  
Robert N Newey  
Brian F O'Donnell  
Julie A Pascoe  
Simon L Tregoning

### Principal Activities

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

### Consolidated Results

The net profit of the consolidated entity for the half-year before income tax was \$5,990,086 (2016 \$7,473,793) and after income tax was \$4,217,505 (2016 \$5,902,901).

### Review of Operations

Capilano's profitability continues to be driven by our local and international retail markets. Domestic market share and export markets have remained constant with an increase in domestic sales. Additional resources have been instigated to drive future growth.

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

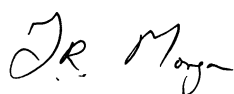
### Significant Changes in the State of Affairs

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

### Auditor's Independence Declaration

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

Signed at Brisbane this 9<sup>th</sup> day of February 2018, in accordance with a resolution of the directors.



**T R Morgan**  
Chairman



**B McKee**  
Managing Director

## AUDITOR'S INDEPENDENCE DECLARATION



The Directors  
Capilano Honey Limited  
399 Archerfield Road  
RICHLANDS QLD 4077

### Auditor's Independence Declaration

As lead auditor for the review of Capilano Honey Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

*William Buck*

**William Buck (Qld)**  
ABN 21 559 713 106

*J Latif*

**J Latif**  
A member of the firm

Brisbane 9 February 2018

#### CHARTERED ACCOUNTANTS & ADVISORS

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# INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Capilano Honey Limited



## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Capilano Honey Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2017 the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

## Directors' Responsibility for the Half-Year Financial Report

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

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Capilano Honey Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

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

## Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*William Buck*

**William Buck (Qld)**  
ABN 21 559 713 106

*J Latif*

**J Latif**  
A Member of the Firm

Brisbane 9 February 2018

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## CHARTERED ACCOUNTANTS & ADVISORS

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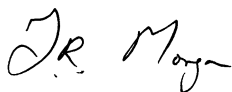
## DIRECTORS' DECLARATION

The directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 5 to 11:
  - (i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Act 2001*; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debt as and when they become due and payable.

Signed at Brisbane this 9<sup>th</sup> day of February 2018, in accordance with a resolution of the directors.



**T R Morgan**  
Chairman



**B McKee**  
Managing Director

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
Revenue		70,302,416	66,522,074
Gain on disposal of Manuka beekeeping assets		-	2,073,703
Other income		53,235	36,861
Share of losses of joint ventures accounted for using the equity method		(16,847)	(89,392)
Finance costs		(174,795)	(256,440)
Other expenses		(64,173,923)	(60,813,013)
<b>Profit before income tax</b>		<b>5,990,086</b>	<b>7,473,793</b>
Income tax expense		(1,772,581)	(1,570,892)
<b>Net profit attributable to members of Capilano Honey Limited</b>		<b>4,217,505</b>	<b>5,902,901</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period attributable to members of Capilano Honey Limited</b>		<b>4,217,505</b>	<b>5,902,901</b>
Basic earnings per share (cents)	6	44.6	62.4
Diluted earnings per share (cents)	6	44.3	62.2

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

Note	31 December 2017 \$	30 June 2017 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	312,837	1,192,711
Trade and other receivables	23,160,473	24,209,622
Inventories	48,727,169	44,152,632
Income tax refundable	353,573	82,805
Other current assets	191,429	199,896
<b>TOTAL CURRENT ASSETS</b>	<b>72,745,481</b>	<b>69,837,666</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	20,950,253	21,236,371
Intangibles	214,275	214,275
Investments accounted for using the equity method	2,494,301	2,511,148
Trade and other receivables	2,500,000	2,500,000
Deferred tax assets	82,088	49,423
<b>TOTAL NON-CURRENT ASSETS</b>	<b>26,240,917</b>	<b>26,511,217</b>
<b>TOTAL ASSETS</b>	<b>98,986,398</b>	<b>96,348,883</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	19,867,387	20,845,265
Short term borrowings	5,391,465	1,990,902
Provision for dividend	245	3,783,238
<b>TOTAL CURRENT LIABILITIES</b>	<b>25,259,097</b>	<b>26,619,405</b>
<b>NON-CURRENT LIABILITIES</b>		
Long term borrowings	6,997,500	6,997,500
Long term provisions	180,331	400,013
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>7,177,831</b>	<b>7,397,513</b>
<b>TOTAL LIABILITIES</b>	<b>32,436,928</b>	<b>34,016,918</b>
<b>NET ASSETS</b>	<b>66,549,470</b>	<b>62,331,965</b>
<b>EQUITY</b>		
Issued capital	24,532,157	24,532,157
Reserves	4,113,551	4,113,551
Retained earnings	37,903,762	33,686,257
<b>TOTAL EQUITY</b>	<b>66,549,470</b>	<b>62,331,965</b>

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2017

	Share Capital		Reserves		Retained Earnings	Total Equity
	Ordinary	Foundation	Share Based Payment	Revaluation Surplus		
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	24,532,156	1	70,700	4,042,851	33,686,257	62,331,965
Total comprehensive income for the period	-	-	-	-	4,217,505	4,217,505
<b>Balance at 31 December 2017</b>	24,532,156	1	70,700	4,042,851	37,903,762	66,549,470
<b>Balance at 1 July 2016</b>	24,586,831	1	-	4,042,851	27,134,439	55,764,122
Total comprehensive income for the period	-	-	-	-	5,902,901	5,902,901
Prior year share issue costs	(54,675)	-	-	-	-	(54,675)
<b>Balance at 31 December 2016</b>	24,532,156	1	-	4,042,851	33,037,340	61,612,348

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2017

	Note	Inflows (Outflows)	
		31 December 2017	31 December 2016
		\$	\$
<i>Cash flows from operating activities</i>			
Receipts from customers		71,276,631	64,229,461
Payments to suppliers and employees		(70,395,530)	(66,021,643)
Interest received		3	40
Net goods and services tax recovered		1,440,951	1,567,678
Income tax paid		(2,076,014)	(2,389,525)
Interest paid		(174,795)	(160,695)
<b>Net cash generated from (used in) operating activities</b>		<b>71,246</b>	<b>(2,774,684)</b>
<i>Cash flows from investing activities</i>			
Investment in joint ventures		-	(2,462,238)
Payment for intangibles		-	(214,275)
Payment for property, plant and equipment		(568,690)	(1,004,371)
Proceeds from sale of Manuka beekeeping assets		-	7,588,116
Proceeds from sale of property, plant and equipment		-	27,273
<b>Net cash (used in) provided by investing activities</b>		<b>(568,690)</b>	<b>3,934,505</b>
<i>Cash flows from financing activities</i>			
Payment of dividend		(3,782,993)	(3,782,993)
Payment for cost of shares issued		-	(78,106)
Increase (repayment) of bank borrowings		3,400,563	(5,329,990)
<b>Net cash used in financing activities</b>		<b>(382,430)</b>	<b>(9,191,089)</b>
Net decrease in cash and cash equivalents held		(879,874)	(8,031,268)
Cash and cash equivalents at the beginning of the financial period		1,192,711	8,695,629
<b>Cash and cash equivalents at the end of the financial period</b>		<b>312,837</b>	<b>664,361</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

### 1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Acts 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 Interim Financial Reporting.

The interim financial statements are intended to provide users with an update on the latest financial statements of Capilano Honey Limited and its controlled entities (the consolidated entity). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2017, together with any public announcements made during the half-year.

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

All new and revised pronouncements beginning on or after 1 July 2017 have been adopted and have had no material impact on the consolidated entity's reported position or performance.

### 2. EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There is at the date of this report no matter or circumstance which has arisen since 31 December 2017 that has significantly affected or may significantly affect:-

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

### 3. ISSUED CAPITAL AND SHARE OPTIONS

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

**2017 Options:** At the Annual General Meeting on 18 November 2016, approval was obtained for a Long Term Incentive Plan and the issue of 30,000 options to Dr Ben McKee (Managing Director). The vesting of the options granted to Dr McKee are subject to performance conditions based on the Company's relative total shareholder return (TSR) performance and average compound annual growth in the Company's earnings per Share (EPS) during the Performance Period (being the period from 1 July 2016 to 30 June 2019). The options have an exercise price of \$21.00 per share and lapse on 30 June 2024. The Binomial valuation of the options issued were calculated at \$212,100.

**2018 Options:** At the Annual General Meeting on 17 November 2017, approval was obtained for the issue of 30,000 options to Dr Ben McKee (Managing Director). The vesting of the options granted to Dr McKee will be subject to performance conditions based on the Company's relative total shareholder return (TSR) performance and average compound annual growth in the Company's earnings per Share (EPS) during the Performance Period (being the period from 1 July 2017 to 30 June 2020). The options have an exercise price of \$15.85 per share and lapse on 30 June 2025. The Binomial valuation of the options issued were calculated at \$190,800.

No options had vested at 31 December 2017.

## NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

4. OPERATING SEGMENTS		31 December 2017		
(a) Segment Performance		Domestic \$	Export \$	Consolidated \$
Sales revenue		59,135,551	11,166,865	70,302,416
Other income		52,229	1,003	53,232
<b>Total segment revenue</b>		<b>59,187,780</b>	<b>11,167,868</b>	<b>70,355,648</b>
Unallocated interest received				3
<b>Total revenue</b>				<b>70,355,651</b>
Other expenses				-
Unallocated expenses				(64,365,565)
<b>Profit before income tax</b>				<b>5,990,086</b>

		31 December 2016		
		Domestic \$	Export \$	Consolidated \$
Sales revenue		55,503,862	11,018,212	66,522,074
Other income		2,110,524	-	2,110,524
<b>Total segment revenue</b>		<b>57,614,386</b>	<b>11,018,212</b>	<b>68,632,598</b>
Unallocated interest received				40
<b>Total revenue</b>				<b>68,632,638</b>
Other expenses		(9,362)	(37,477)	(46,839)
Unallocated expenses				(61,112,006)
<b>Profit before income tax</b>				<b>7,473,793</b>

(b) Segment Assets	Domestic \$	Export \$	Unallocated \$	Consolidated \$
30 June 2017	19,790,398	5,163,537	71,394,948	96,348,883
31 December 2017	17,657,511	5,750,335	75,578,552	98,986,398
<b>Change in total assets</b>	<b>(2,132,887)</b>	<b>586,798</b>	<b>4,183,604</b>	<b>2,637,515</b>

(c) Segment Liabilities	Domestic \$	Export \$	Unallocated \$	Consolidated \$
30 June 2017	1,990,902	-	32,026,016	34,016,918
31 December 2017	5,391,465	-	27,045,463	32,436,928
<b>Change in total liabilities</b>	<b>3,400,563</b>	<b>-</b>	<b>(4,980,553)</b>	<b>(1,579,990)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

### 5. FAIR VALUE

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

### 6. EARNINGS PER SHARE (EPS)

	31 December 2017 \$	31 December 2016 \$
Earnings used in the calculation of basic and diluted EPS	4,217,505	5,902,901
Weighted average number of shares outstanding during the period used in the calculation of basic and diluted EPS:		
Basic	9,457,481	9,457,481
Diluted	9,517,481	9,487,481

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<b>Website</b>	www.capilano.com.au
<b>Capilano Group of Companies</b>	Capilano Honey Limited
	Capilano Apiaries Pty Ltd
	Capilano Beekeepers Ltd
<b>Joint Ventures</b>	Medibee Apiaries Pty Ltd
	Western Honey Supplies Pty Ltd
<b>Bankers</b>	HSBC Bank Australia Limited
<b>Auditors</b>	William Buck (Qld)
<b>Share Register</b>	Link Market Services



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