2017 Annual Report

Australia's homegrown honey.

CAPILANO
AUSTRALIA SINCE 1953

Contents

Australia's homegrown honey.


HELP
BOOST YOUR
DIGESTIVE HEALTH
NATURALLY
100%
NATURAL
CAPILANO
AUSTRALIA
SINCE 1953
Beeotic
PREBIOTIC
HONEY
HELPS BOOST YOUR
DIGESTIVE HEALTH
AUST L 276640 Multi-Purpose Liquid
Active Ingredient: Purified Honey 1mL/mL
CAPILANO
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100%
NATURAL
Multi-Purpose Liquid
Active Ingredient: Purified Honey 1mL/mL

2017 Chairman's Report

Capilano has just completed a year of consolidation, with solid results highlighted by the introduction of exciting new products and the operation of two primary production Joint Ventures for their first full year.

Results

The net profit after tax of $10,335k for this financial year is a good result giving an 9% improvement over the previous year.

Based on these results for the year a fully franked dividend of 40 cents per share was declared in June and paid to shareholders on 31 July 2017.

New Product

An exciting new product, clinically tested prebiotic honey, we have called **Beeotic®** was introduced in September, creating an opportunity to further enhance the reputation of honey as a healthy and beneficial product to consumers.

This clinically tested product with Therapeutic Goods Administration (TGA) listing and associated production upgrades is produced in our own facilities which can only further enhance the reputation of Capilano as a reliable and dependable producer of quality products.

This creates an opportunity to improve the returns to both the producers and Capilano for some of our amazing Australian honey.

Primary Production Joint Ventures

Our two primary production joint ventures have now completed a full year of operation and while the focus has been on expanding the hive numbers to allow them to fully utilize the resources they have access to, they have also produced a reasonable crop of honey. Most pleasingly, they have been able to match and in some cases exceed the production of other similar businesses that operate in the same geographic regions in a below average season.

Board of Directors

During the year the board was expanded to include two new directors.

Julie Pascoe was appointed in October 2016 and subsequently elected at the AGM last November and Brian O'Donnell was appointed in December 2016.

Both these new directors bring extensive skills and experience to the board, further enhancing the already wide-ranging skills of other directors already on the board.

It has been a pleasure to work with all the members of the board who represent a very formidable, effective and productive team.

I would also like to thank all the staff and the management team for their efforts during the year to achieve the best result possible for all shareholders and stakeholders involved in the company.

Looking Forward

We will all be focused on implementing strategies to maximise the returns from the current business with a focus on marketing into areas that provide the best margin to allow Capilano to grow and honey producers to prosper.

Honey production has improved this season and with reasonable prospects for next season in most regions we hope to be able to take advantage of this additional honey to further expand sales into profitable overseas opportunities.

We have also resolved to provide Management with some additional resources to enable more detailed and extensive development of business opportunities.

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

T R Morgan
Chairman

2017 Board of Directors

Mr Trevor R Morgan
FAICD

Chairman
Independent NED
Commercial Apiarist

Age 62

Appointed Director 1998

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.

Mr Phillip F McHugh

Deputy Chairman
Independent NED
Commercial Apiarist

Age 60

Appointed Director 1993

Mr McHugh is well known in the NSW apiculture industry and his family have been Capilano honey suppliers since 1975. He has successfully completed the Company Director's course of the Australian Institute of Company Directors.

Dr Benjamin A McKee
B.Agri.Sci (Hons), PhD, GAICD

Managing Director

Age 41

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 14 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.

Dr McKee is also a Director of CRC for Honeybee Products Limited (Cooperative Research Centres Program), a not for profit company.

Mr Robert N Newey
GAICD

Independent NED

Age 58

Appointed Director 2012

Mr Newey is also a director of Bakers Delight Holdings Ltd and Foodbank Queensland Limited. 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.

Mr Brian F O'Donnell
B. Com, FCA

Non-Executive Director

Age 53

Appointed Director 2016

Mr O'Donnell was appointed Non-Executive Director on 9 December 2016. He is Director, Finance and Investments for the Australian Capital Equity Pty Limited Group (ACE), which includes the company's largest shareholder, Wroxby Pty Ltd. Brian is a director of various ACE group companies, including companies active in the agricultural, advertising and investment sectors, in Australia and China. He is also Chairman of BC Iron Limited, and a non-executive director of The Guide Dog Foundation Pty Ltd (WA). He is a former director of Coates Group Holdings Pty Ltd, WesTrac Pty Ltd, Landis & Gyr AG, Fremantle Football Club Ltd and YMCA of Perth Inc. Brian is a Fellow of the Institute of Chartered Accountants, and has 32 years' experience in the finance and investment industry.

Mrs Julie A Pascoe
BA (Syd), Grad Dip Mktg, FAICD, QPMR (AMSRS), GIA (Cert)

Independent NED

Age 56

Appointed Director 2016

Mrs Pascoe was appointed Independent Non-Executive Director on 7 October 2016. She is also Chair of RT Health Fund, Chair of Transport Health Pty Limited, and a Director of Barnardos Australia, Stuart Alexander & Co Pty Ltd and Corporate Property Group.

Julie has held Executive roles in marketing, marketing strategy and business management over a range of fast moving consumer goods and manufacturing based companies including S.C. Johnson, Kellogg and Unilever. Julie has lived in Australia, Asia and the United States and brings with her 25 years' experience in senior management, with emphasis on building strong brands and ensuring high levels of organisational performance and competence.

Mr Simon L Tregoning
B.Com, FAICD

Independent NED

Age 69

Appointed Director 2006

Mr Tregoning is also a director of GrainCorp Limited. 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.

2017 Review of Operations

2017 was a year of consolidation for Capilano delivering a strong balance sheet with lower debt.

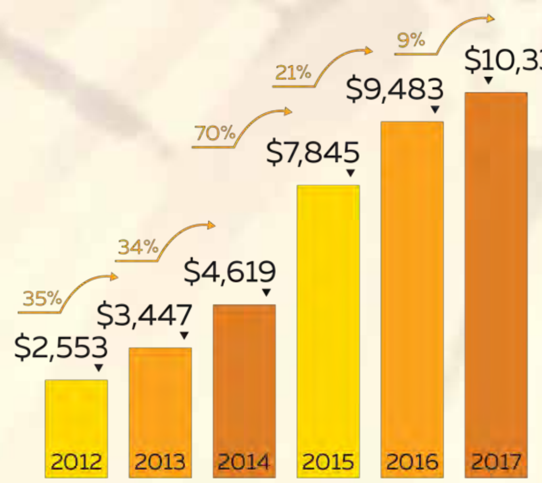
A net profit after tax of $10,335k was achieved, which is an improvement of 9.0% on last year's result of $9,483k.

In July 2016, a capital gain of $2.07m was realised following the sale of beekeeping assets into our new Joint Venture operation with Comvita Limited which we have called Medibee Apiaries Pty Ltd. This was offset by an unfavourable raw honey stock revaluation of $1.33m in December 2017, triggered by a change in honey price. In addition, we significantly increased the marketing spend for the Beeotic® prebiotic honey product launch.

Capilano has again been the largest and most active purchaser of pure Australian honey over the last 12 months, allowing us to further build inventory holdings of honey and reduce the requirement for importation for value brands to buffer supply. The improved rain patterns in key production areas has led to a notable increase in honey supply in recent months, with our largest ever winter honey supply for many, many years. Weather permitting, we remain very optimistic of the potential for increased honey production in the coming season from spring 2017. Closing financial year (FY) honey stocks have improved again from the lows of 2,901 tonnes in FY15, to 4,960 tonnes in FY16 and 5,953 tonnes at the completion of FY17. The value of inventory has increased from $38.8m to $44.2m and this year the business packed a total of 15,011 tonnes of various products.

International bulk honey markets have been relatively stable following the softening in price we saw last year, with competition remaining strong in most overseas markets. Capilano has reluctantly ceased supply to some international industrial segments due to unsustainable prices and insufficient margin. Capilano is packing and selling 100% pure Australian honey in every market both domestic and international without exception under our flagship Capilano retail brand, which remains a fundamental priority for us.

'for the 2017 financial year, a net profit after tax of $10,335k was achieved, which is an improvement of $852k (9.0%)'



NET PROFIT AFTER TAX

'Capilano has again been the largest and most active purchaser of pure Australian honey over the last 12 months'

2017 Review of Operations

At a glance ...

NPAT
$10,335k

REVENUE
$133m

NET ASSETS
$62.3m

NET DEBT
$7.8m

EBIT
$14.1m

DIVIDEND
40¢ *per share*

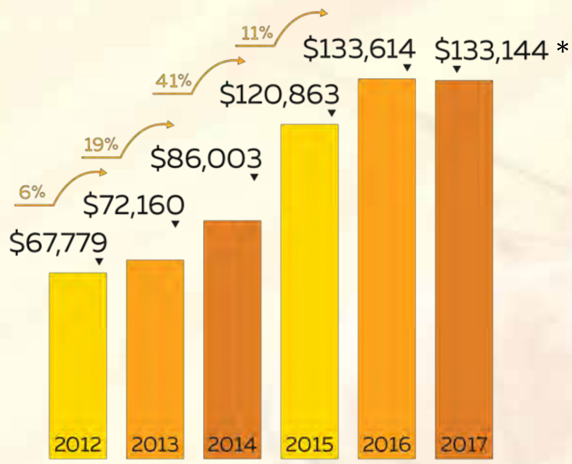
EARNINGS PER SHARE
$1.09

The Year in Review – Performance

Capilano has made further gains in domestic market share and has delivered a positive cash-flow and debt reduction that has strengthened our financial position. This financial year includes the impacts of:

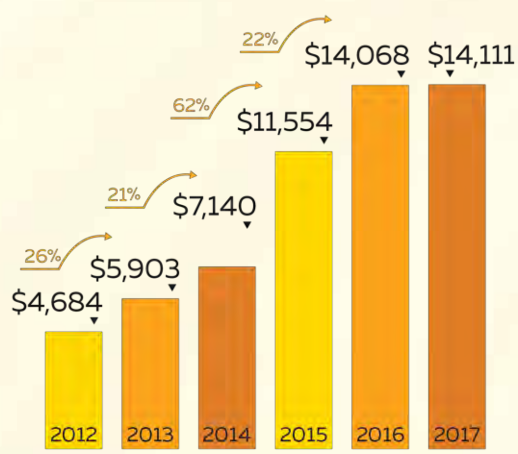
- total revenue of $133m was unfavourably affected by a change to net pricing with a key customer that reduced revenue by $3.44m due to rebates no longer included;
- marketing costs associated with new product development added additional expense of $2.2m;
- EBIT $14.1m;
- a net profit after tax of $10,335k was achieved, which is an improvement of $852k (9.0%) on last year's result of $9,483k, with no tax attributable to the capital gain on the asset sale;
- decreased tax expense of $3.48m compared to $3.96m last year;
- earnings per share reduced 1¢ to $1.09 this financial year on a higher number of issued shares following the capital raising undertaken in FY16;
- operating cash flow was $2.63m positive, after the impact of further increases to inventory of $5.36m;
- incoming positive cash-flows decreased net debt from $9.6m to $7.8m;
- the statement of financial position remains strong with net assets increasing by $6.57m to a total of $62.3m;
- the dividend payout remained steady at 40¢ per share and was declared on 23 June 2017 for payment to eligible shareholders on 31 July 2017. A provision for this dividend is included in current liabilities.

Table 1 *($,000's)*	2017	2016	2015
Revenue	133,144	133,617	120,863
Earnings before Interest & Tax (EBIT)	14,111	14,068	11,554
EBIT Depreciation & Amortisation (EBITDA)	15,710	15,938	13,206
Net Profit before tax (NPBT)	13,813	13,443	11,128
Net Profit after tax (NPAT)	10,335	9,483	7,845
Operating Cash Flow	2,630	(8,387)	7,621
Net Debt	7,796	9,626	4,665
Net Assets	62,332	55,764	33,705
Current Ratio (Current Assets / Current Liabilities)	2.62	2.33	1.54
Debt Ratio (Total Liabilities / Total Assets)	35.3%	44.1%	50.8%
Interest Cover (EBITDA / Interest)	53x	25x	31x



REVENUE

* Negative impact of $3.44m from key customer moving to net pricing.



EBIT

‘Operations in all our packing plants are independently audited and remain graded with the prestigious ‘A rating’ under the BRC quality assurance system’

Operations & Honey Supply

Capilano has completed all of the key actions to cement our national operations platform and now has three sites operating optimally to deliver specific capabilities and locational competitive advantages. Operations in all our packing plants are independently audited and remain graded with the prestigious ‘A rating’ under the BRC quality assurance system, highlighting our ongoing commitment to quality. Capital investment has been disciplined and employed for select production efficiency upgrades and expense improvement projects.

Ample honey stocks have enabled us to maximise distribution and meet our peak winter sales demand for honey. Our supplier base has increased substantially over recent years with continued investment in the honey industry and deepening beekeeper relationships.

This year saw Capilano establish two primary production beekeeping Joint Ventures aimed at strengthening our security of supply. Both businesses were EBITDA positive in their first year of operation:

- **Medibee Apiaries** is a 50:50 Joint Venture with NZ Manuka specialist Comvita (CVT) focusing on increasing the production and security of Manuka honey supply. Strategic acquisitions have been made to increase floral resources and the business is focusing on increasing hive numbers to fully utilise current floral resources. Despite a low production season this year that impacted profitability we remain confident of the future positive earnings potential of this venture, in addition to the benefits of improved supply security.

  Medibee Apiaries was the single largest supplier of Manuka to Capilano this financial year.

- **Western Honey Supplies** is a Joint Venture with a large existing supplier based in Western Australia (WA). Its main focus is increasing supply security of premium floral and organic honey from WA. This venture has also made strategic acquisitions to increase floral resources and has invested in increasing hive numbers. One of WA’s worst production seasons last year also impacted profitability, but enabled efforts to focus on hive number expansion and beekeeper skills development for the future betterment of the business.

  Western Honey Supplies was the single largest supplier of WA honey to Capilano this financial year and is one of our top five suppliers nationally.

2017 Review of Operations

Joint Venture

Medibee Apiaries was the single largest supplier of Manuka to Capilano

Joint Venture

Western Honey Supplies was the single largest supplier of WA honey to Capilano

Initiatives

Keeping Futures Program to make a positive difference to industry sustainability and bee welfare

Making a positive difference to industry sustainability and bee welfare is a priority and we have instigated our 'Keeping Futures Program' to promote the cause. The focus of this program is to provide the next generation of beekeepers with career paths and training, whilst protecting the world's healthiest population of honey bees found here in Australia. In collaboration with Medibee Apiaries, we have implemented a traineeship program that has just employed three new enthusiastic beekeepers that will be educated with a sponsored practical and theory component. The 'BeeScholar' component of the program fuels further research on bee health and welfare, as well as research on Manuka and its antibacterial potency.

There is a propensity to support new graduate scientists with funding into Apicultural research. Assisting the new Honey Bee Products Collaborative Research Centre (CRC) is a key component of our 'Keeping Futures Program', with a total of over $20m dollars of industry and government funding over 5 years being assigned to deliver a range of important industry research needs.

Sales & Marketing

Consumer attention towards honey continues to grow as part of a broader interest in natural, health and wellness functional foods. Growth in the Australian grocery market remains above other developed countries and total customers and spend per customer is up for the spreads category, as is purchase frequency in total spreads and honey (MAT, 02/05/17). During the last year, the Australian honey market grew at 4.3% in dollars and 3.9% in tonnes (grocery excluding ALDI, MAT 26/6/17). The market is now more competitive in response to consumer trends for value propositions and an increased supply of Australian honey. It is pleasing to see that growth in the honey category is being driven by an increase in purchase frequency, with Capilano brand customers remaining brand loyal.
Capilano utilises a range of brands and products as we strive to give consumers choice in both price point and flavour variety. A large investment in consumer data this year is aimed to better understand our customer and to win in store. As planned, we have launched new website platforms and we are also introducing heightened digital and social media functions in both local and key export markets.

The flat revenue result for this financial year was impacted by improvements in revenue from the domestic market of 6.1% being off-set by a reduction in export and low margin industrial bulk. Australian honey has become an expensive commodity compared to other international origins, which means widespread distribution of a premium retail product offering will be the key to our success. A comprehensive review of our export business has re-set our focus and regionalised our sales structure. We are more than doubling our team of business development managers. Regional specific plans are being developed to accommodate demographic and cultural differences so we can effectively market and tailor our product offering.

Export sales this year were also impacted by a now resolved trade restriction to one of our biggest markets in the Middle East. Sales into China are growing from a larger distribution base, including pharmacy, supermarket, TV shopping and our newly established ecommerce platform (TMall).

As we work to deliver earnings diversity, our non-honey sales increased 11% to $8.73m. Gross margin return for the year increased $1.65m this year, which is a 1.5% improvement on last year. Operational capability and productivity for our non-honey range of products was improved dramatically this year at our Maryborough, Victoria, facility that improved our cost of production. With increased distribution, we are now poised to ramp up marketing and advertising of our non-honey range of products and brands.

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Beeotic ®

The culmination of several years of investment in operational capacity and scientific research to further uncover and validate the health and wellness attributes of honey saw us launch a prebiotic honey product named Beeotic® this financial year. Backed by clinical research, this product is aimed to further promote the health and wellness credentials of Australian honey and attract a greater premium. More advertising, product development and strategic marketing is planned to support the product and further educate consumersBeeotic® has brought new honey consumers to the honey category and the product is awaiting regulatory approvals in a range of key export markets, noting we are currently selling into China as a priority establishment market.

Manuka sales were bolstered in January 2017 from favourable scientific research into Australian Manuka's potency when compared to New Zealand product. The new family friendly Upside Down (UD) range of active Manuka is being distributed and performing well. Capilano is continuing to concentrate on supplying the Australian market with antibacterial Manuka along with our neighbours in Asia.

Capilano's share in the growing health and wellness honey segment has improved significantly, with our Manuka share also improving over the financial year.

Outlook

Utilising internal and external resources we have invested in the review and adoption of a business strategy to 2020. The key strategic themes centre around operational and supply chain excellence, protecting and growing domestic share in all channels and delivering growth of premium high value natural health products internationally. The business will invest in structured and strategically derived new value creation and innovation to broaden our range, competitive advantage and reach.

The improving honey supply base and inventory holdings facilitates the opportunity to deliver growth in key markets. As always, Capilano's loyal Australian beekeeper suppliers remain key to our success and we are grateful for their continued support.

Capilano has accomplished a position in the primary production sector that remains targeted at delivering an increased level of support for our industry and improving supply security for the company. We are looking forward to a heightened contribution from these ventures as hive numbers and honey production improves.

This year's financial result illustrates Capilano's ability to compete in a more normalised competitive market, backed by a business in a strong financial position. In recent years, the business has grown considerably and we are investing in a strengthened management structure that is focused on delivering growth and our strategic agenda. We are fortunate to market a wonderful natural food product that is aligned with key macro trends, which will enable our retail food business to continue to grow locally and internationally.

Ben McKee
Managing Director

2017 Financial Statements

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 2017.

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
- Brian F O'Donnell, NED (appointed 9 December 2016)
- Julie A Pascoe, Independent NED (appointed 7 October 2016
- 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 $10,334,810 (2016: $9,483,463).

Distributions

On 23 June 2017 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 2017 and was paid on 31 July 2017.

Review of Operations

Sales revenue of $133,056,097 for the consolidated entity was $373,827 below the previous year's result. The decrease in the consolidated revenue was a result of decreased volumes in export retail markets, and a change in trading terms for a major customer to remove rebates.

Refer to the Review of Operations on pages 5 to 9 for further information.

Matters subsequent to the End of the Financial Year

There is at the date of this report no matter or circumstances which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

a) The operations of the consolidated entity;

b) The results of those operations; or

c) The state of affairs of the consolidated entity in financial years subsequent to 30 June 2017.

Significant Changes

There were 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 in 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 were not a party to any such proceedings during the year.

Information on Directors & Company Secretary

	DIRECTOR			
	Trevor R Morgan	Phillip F McHugh	Benjamin A McKee	Robert N Newey
Qualifications/ Experience	FAICD Commercial apiarist Independent Non-Executive Director Director since 4 February 1998 Deputy Chairman from 1 October 2004 to 7 October 2005 Chairman since 7 October 2005	Commercial apiarist Independent Non-Executive Director Director since 8 October 1993 Deputy Chairman since 6 November 2007	B.Agri.Sci (Hons), PhD, GAICD Appointed Chief Executive Officer on 1 July 2012 Managing Director since 31 May 2013	GAICD Independent Non-Executive Director Director since 23 November 2012
Special Responsibilities	Independent Non-Executive Chairman of Capilano Honey Limited. Chairman of the Nomination Committee and a Member of the Honey Supply & Industry and Human Resource & Remuneration Committees. Foundation Shareholders' appointed Beekeeper Director. Chairman of Capilano Beekeepers Ltd and Medibee Apiaries Pty Ltd.	Independent Non-Executive Deputy Chairman of Capilano Honey Limited. Chairman of the Honey Supply & Industry Committee and a Member of the Human Resource & Remuneration and Nomination Committees. Was a member the Audit & Compliance Committee until 3 February 2017. Foundation Shareholders' appointed Beekeeper Director. Deputy Chairman of Capilano Beekeepers Ltd.	Managing Director of Capilano Honey Limited. Was a member of the Human Resource & Remuneration Committee until 3 February 2017. Also a Director of Medibee Apiaries Pty Ltd, Western Honey Supplies Pty Ltd, Capilano Apiaries Pty Ltd and Honey Corporation of Australia Pty Ltd Was a Director of Kirksbees Honey Pty Ltd until 17 February 2017	Independent Non-Executive Director of Capilano Honey Limited. Chairman of the Audit & Compliance and a Member of the Honey Supply & Industry and Nomination Committees. Was a member of the Human Resource & Remuneration Committee until 3 February 2017. Director of Capilano Beekeepers Ltd.
Shares held in Parent entity & Share Options	Holder of 13,341 shares directly and 2,000 shares indirectly.	Holder of 3,500 shares directly and 38,976 indirectly.	Holder of 55,530 shares indirectly. Participant of a Long Term Incentive Plan for the issue of 30,000 options to purchase 30,000 shares, subject to performance conditions during the performance period. Refer page 19.	Nil
Directorship of other listed companies:	Nil	Nil	Nil	Nil

Information on Directors & Company Secretary (continued)

	DIRECTOR			COMPANY SECRETARY
	Brian F O'Donnell	**Julie A Pascoe**	**Simon L Tregoning**	**Annette M Zbasnik**
Qualifications/ Experience	B. Com, FCA Non-Executive Director Appointed Director 9 December 2016	BA (Syd), Grad Dip Mktg, FAICD, QPMR (AMSRS), GIA (Cert) Independent Non-Executive Director Appointed Director 7 October 2016	B.Com, FAICD Independent Non-Executive Director Director since 1 July 2006	GIA (Cert) Appointed Company Secretary on 1 January 2016
Special Responsibilities	Non-Executive Director of Capilano Honey Limited since 9 December 2016. Member of the Audit & Compliance, Honey Supply & Industry and Nomination Committees since 3 February 2017. *Note:* Mr O'Donnell is Director, Finance and Investments for the Australian Capital Equity Pty Limited Group (ACE), which includes the company's largest shareholder, Wroxby Pty Ltd.	Independent Non-Executive Director of Capilano Honey Limited since 7 October 2016. Member of the Audit & Compliance, Honey Supply & Industry and Nomination Committees since 7 October 2016. Was a member of the Human Resource & Remuneration Committee from 7 October 2016 until 3 February 2017.	Independent Non-Executive Director of Capilano Honey Limited. Chairman of the Human Resource & Remuneration Committee and a member of the Honey Supply & Industry and Nomination Committees. Was a member of the Audit & Compliance Committee until 3 February 2017. Director of Capilano Beekeepers Ltd.	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.
Shares held in Parent entity & Share Options	Nil	Holder of 4,850 shares indirectly.	Nil	Nil
Directorship of other listed companies:	BC Iron Limited (since 7 October 2014.) Iron Ore Holdings Limited (from 4 December 2008 to 27 January 2015)	Nil	GrainCorp Limited (since 2 December 2008).	Nil

Other than B McKee, no other Directors hold options over unissued ordinary shares.

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				General Meetings of the Company
		No. of Meetings Attended / Held (*)				
	No. of Meetings Attended / Held (*)	Audit & Compliance	Honey Supply & Industry	Human Resource & Remuneration	Nomination	No. of Meetings Attended / Held (*)
T Morgan	10 of 10	6 of 6	6 of 6	6 of 6	3 of 3	1 of 1
P McHugh	10 of 10	6 of 6	6 of 6	6 of 6	3 of 3	1 of 1
B McKee	10 of 10	6 of 6	6 of 6	6 of 6	–	1 of 1
R Newey	10 of 10	6 of 6	5 of 6	5 of 5	2 of 3	1 of 1
B O'Donnell	5 of 5	3 of 3	3 of 3	3 of 3	2 of 2	–
J Pascoe	7 of 7	4 of 4	4 of 4	4 of 4	2 of 2	1 of 1
S Tregoning	10 of 10	5 of 5	5 of 6	6 of 6	2 of 3	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.

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:

A. external parity;
B. internal parity; and
C. reward for achievement.

Remuneration Report (continued)

A. 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.)

B. 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.

C. 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.

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 (AUDITED)

- Long Term

  The Long Term Incentive Plan, approved by Shareholders at the Annual General Meeting on 18 November 2016, provides eligible employees with an additional incentive to

  - improve company performance;
  - attract, retain and motivate eligible employees that are essential for the continued growth and development of the company;
  - promote and foster loyalty and support for the benefit of the company;
  - enhance the relationship between the company and eligible employees for the long term mutual benefit of all parties; and
  - provide eligible employees with the opportunity to acquire options in the company as part of the remuneration for their services.

  The Long Term Incentive Plan provides for the granting of options to eligible employees on terms determined by the Board at the time of the offer, in line with the Long Term Incentive Plan Rules.

  The Managing Director is currently the only participant of a Long Term Incentive Plan. (Refer page 19 – Shares options granted to Managing Director).

Remuneration Report (continued)

5. DIRECTORS AND EXECUTIVES 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 2016, 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	
T Morgan	Chairman, Independent NED
P McHugh	Deputy Chairman, Independent NED
B McKee	Managing Director
R Newey	Independent NED
B O'Donnell	NED
J Pascoe	Independent NED
S Tregoning	Independent NED

Details of Remuneration for Key Management Personnel	
K Holloway	General Manager - Operations
D Kemp	General Manager - Finance
P McDonald	Sales Director
A O'Reilly	General Manager - Marketing

- Gross Remuneration of Directors

	1 July 2016 – 30 June 2017						
	Short Term Benefits			Post Employment Benefits	Share based payments equity settled option	Total	Percentage of Remuneration related to performance
	Cash salary and fees	Non monetary benefits	Bonuses FY 2017	Super-annuation			
	$	$	$	$	$	$	
T Morgan	130,000	-	-	12,350	-	142,350	-
P McHugh	69,760	-	-	6,627	-	76,387	-
B McKee	380,308	-	40,000	30,000	70,700 [3]	521,008	21%
R Newey	69,760	-	-	6,627	-	76,387	-
B O'Donnell [1]	39,441	-	-	3,747	-	43,188	-
J Pascoe [2]	51,558	-	-	4,898	-	56,456	-
S Tregoning	69,760	-	-	6,627	-	76,387	
TOTAL	**810,587**	**-**	**40,000**	**70,876**	**70,700**	**992,163**	

1. Appointed Non-Executive Director on 9 December 2016.
2. Appointed Independent Non-Executive Director on 7 October 2016.
3. Share-based payment expense (non cash) recognised during the year (note 33).

The remuneration amounts listed above are gross earnings before tax.

	1 July 2015 – 30 June 2016						
	Short Term Benefits			Post Employment Benefits	Share based payments equity settled option	Total	Percentage of Remuneration related to performance
	Cash salary and fees	Non monetary benefits	Bonuses FY 2016	Super-annuation			
	$	$	$	$	$	$	
T Morgan	130,000	-	-	12,350	-	142,350	-
P McHugh	69,760	-	-	6,627	-	76,387	-
B McKee	386,002	-	150,000	30,000	-	566,002	27%
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.

Report of the Directors

Remuneration Report (continued)

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

- Details of Remuneration for Key Management Personnel

	1 July 2016 – 30 June 2017					
	Short Term Benefits			Post Employment Benefits	Total	Percentage of Remuneration related to performance
	Cash salary and fees $	Non monetary benefits $	Bonuses FY 2017 $	Super-annuation $	$	
K Holloway [1]	87,673	-	9,602	8,345	105,620	9%
D Kemp	197,807	-	22,660	27,152	247,619	9%
P McDonald	201,867	-	18,128	27,539	247,534	7%
A O'Reilly	123,113	-	13,553	12,413	149,079	9%
TOTAL	**610,460**	**-**	**63,943**	**75,449**	**749,852**	

1. Commenced employment as General Manager - Operations 9 January 2017.

The remuneration amounts listed above are gross earnings before tax.

	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 [2]	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 [3]	132,420	-	58,000	14,961	205,381	28%
A O'Reilly [4]	34,633	-	7,554	3,277	45,464	16%
M Storey [5]	136,986	-	60,000	13,117	210,103	29%
TOTAL	**791,347**	**-**	**301,554**	**88,781**	**1,181,682**	

2. Commenced employment as General Manager Operations on 11 January 2016; Resigned on 10 October 2016.
3. General Manager Primary Production transferred to Medibee Apiaries Joint Venture on 1 July 2016.
4. Commenced employment as General Manager Marketing on 14 March 2016.
5. Promoted to General Manager Supply Chain in April 2016. Transferred to the Sales Department as a National Account Manager on 1 February 2017.

The remuneration amounts listed above are gross earnings before tax.

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 profit targets and specific project KPIs up to 40% of TEC.

2016/17 incentives have been accrued pending Board approval in August 2017.

Incentives disclosed on pages 17 to 18 are the only components of remuneration that are related to performance.

Remuneration Report (continued)

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:

	2013	2014	2015	2016	2017
Earnings	$3,446,604	$4,619,011	$7,845,647	$9,483,463	$10,334,810
Earnings per share	40.4¢	54.2¢	91.3¢	$1.10	$1.09
Net Asset Value	$26,946,974	$28,583,915	$33,705,040	$55,764,122	62,331,965
Dividends Per Share	-	20¢	37.5¢	40¢	40¢
Closing Share Price	$2.45	$6.10	$12.80	$21.00	$15.85
Key Management Personnel Remuneration (including Managing Director)	$738,783	$1,025,846	$1,471,923	$1,747,684	1,270,860

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 2016 – 30 June 2017					
Directors	Interest	Opening Balance	Granted as Remuneration during the year	Other Changes during the year: Sell	Other Changes during the year: Purchase	Closing Balance
T R Morgan	Direct	13,341	-	-	-	13,341
	Indirect	2,000	-	-	-	2,000
P F McHugh	Direct	7,000	-	(3,500)	-	3,500
	Indirect	35,476	-	-	3,500	38,976
B A McKee	Indirect	55,530	-	-	-	55,530
J A Pascoe	Indirect	-	-	-	4,850	4,850
Key Management Personnel						
D A Kemp	Direct	1,150	-	-	-	1,150
P McDonald	Direct	42,268	-	(500)	-	41,768
		156,765	**-**	**(4,000)**	**8,350**	**161,115**

9. SHARE OPTIONS GRANTED TO MANAGING DIRECTOR

During the Annual General Meeting on 18 November 2016, the shareholders voted to approve a Long Term Incentive Plan and issue of 30,000 options to purchase 30,000 Capilano shares 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 2016 to 30 June 2019). The option has an exercise price of $21.00 per share and lapses on 30 June 2024. The value of the option as determined using a binomial valuation is $212,100. No options had vested at 30 June 2017. The share-based payment expense (non cash) recognised during the year amounted to $70,700.

Report of the Directors

Remuneration Report (continued)

10. 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 2016 AGM, Shareholders approved the total remuneration of Directors, excluding the Managing Director, Superannuation Guarantee contribution and Insurance Premiums, to $545,000. The total amount paid for Directors' Fees for the 2016/17 year of $430,279 is within the previously approved amount:

Distribution of Directors' Fees by position for the 2016/17 year is detailed below.

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

Superannuation Guarantee contribution - $40,876.
Directors and Officers Liability Insurance - 2017: $29,025 (2016: $18,570).

This concludes the remuneration report which has been audited.

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.

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 2017:

	$
Taxation Services	13,100
Other	5,182
Total	18,282

Auditors

William Buck (Qld) 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 2017 has been received and can be found on page 21 of the annual report.

Signed at Brisbane this SEVENTH day of AUGUST 2017, in accordance with a resolution of the directors.

T R Morgan, Director

B A McKee, Director

Auditor's Independence Declaration

The Directors
Capilano Honey Limited
399 Archerfield Road
RICHLANDS QLD 4077

Auditor's Independence Declaration under Section 307c of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 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 21 559 713 106

J A Latif
A Member of the Firm

Brisbane

7 August 2017

CHARTERED ACCOUNTANTS & ADVISORS

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Corporate Governance Statement

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

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 7 August 2017 and was approved by the Board and is available on the Company's website at:
www.capilanohoney.com/au/corporate

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

ASX Principles 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, General Manager Finance 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.

ASX Principles 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.

ASX Principles 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.

ASX Principles 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.

ASX Principles Recommendation 1.5

The Company reports its measurable objectives set for the reporting period, its progress for achieving them as at 30 June 2017; and targets set for 30 June 2018:

	Objective 2016/17	Actual 2016/17	Target
Number of women on the Board	15%	14%	30%
Number of women in Senior Executive [1] positions	40%	50%	50%
Number of women in Management positions	25%	29%	30%
Number of women employees in the whole organisation	45%	40%	45%

The table below outlines the proportion of women and men employed by the Company as at 30 June 2017:

	Women		Men	
Board	1	14%	6	86%
Senior Executives [1]	3	50%	3	50%
Managers [2]	2	29%	5	71%
Whole Organisation	67	40%	100	60%

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.*

ASX Principles Recommendation 1.6

The Board has the overall responsibility for evaluating the performance of the Board as a whole, 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.

ASX Principles Recommendation 1.7

The Managing Director and the Board evaluate the performance of Senior Executives biannually. 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

ASX Principles Recommendation: 2.1

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

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

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

Corporate Governance Statement

ASX Principles 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 Board considers that the current directors collectively possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the company's strategic priorities.

Key skills and competencies include:

- Specific Industry Knowledge: Honey Supply, Fast Moving Consumer Goods, Packaging, Retail and Export.
- Technical & Professional Skills: Strategic Planning, Finance, Business Development and Brand Marketing.
- Risk, Governance & Compliance: ASX Regulations, Corporate Compliance and Risk Management.

To the extent that any additional skills are not directly represented on the Board, they are augmented through management and external advisors.

ASX Principles 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: 19 years and 5 months
  - Director since: 4 February 1998
  - Deputy Chairman: 1 October 2004 - 7 October 2005
  - Chairman since: 7 October 2005
- **Mr Phillip McHugh,**
  Deputy Chairman
  - Foundation Shareholder's appointed Beekeeper Director since: 26 November 2010
  - Independent: Yes
  - Non-Executive: Yes
  - Length of Service: 23 years and 9 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: 14 years and 4 months
  - Managing Director since: 31 May 2013
- **Mr Robert Newey,** GAICD
  Director
  - Independent: Yes
  - Non-Executive: Yes
  - Length of Service: 4 years and 7 months
  - Director since: 23 November 2012
- **Mr Brian O'Donnell,** B. Com, FCA
  Director
  - Independent: No
  - Non-Executive: Yes
  - Length of Service: 7 months
  - Director since: 9 December 2016
- **Mrs Julie Pascoe,** BA (Syd), Grad Dip Mktg, FAICD, QPMR (AMSRS), GIA (Cert)
  Director
  - Independent: Yes
  - Non-Executive: Yes
  - Length of Service: 9 months
  - Director since: 7 October 2016
- **Mr Simon Tregoning,** B.Com, FAICD
  Director
  - Independent: Yes
  - Non-Executive: Yes
  - Length of Service: 11 years
  - Director since: 1 July 2006

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

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.

ASX Principles Recommendation 2.4

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

ASX Principles 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.

ASX Principles 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

ASX Principles 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

ASX Principles Recommendation 4.1

The Board has an Audit & Compliance Committee comprising Mr Robert Newey (Chairman), Mr Brian O'Donnell and Mrs Julie Pascoe, the 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.

ASX Principles Recommendation 4.2

Prior to Board approval of the half-year and annual financial statements, the Managing Director and the General Manager Finance 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 2017, the Managing Director and General Manager Finance 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 General Manager Finance for the half-year ended 31 December 2017.

ASX Principles 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.

Corporate Governance Statement

Principle 5: Make timely and balanced disclosures

ASX Principles Recommendation 5.1

The Board has a Continuous Disclosure 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
- General Manager Finance

Principle 6: Respect the rights of shareholders

ASX Principles 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.capilanohoney.com/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.

ASX Principles Recommendation 6.2

The Company will hold its AGM on 17 November 2017 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.

ASX Principles 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.

ASX Principles 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

ASX Principles 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 Brian O'Donnell and Mrs Julie Pascoe. 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.

ASX Principles 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.

ASX Principles 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.

ASX Principles 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

ASX Principles Recommendation 8.1

The Board has a Human Resource & Remuneration Committee (HRR) comprising Mr Simon Tregoning (Chairman), Mr Trevor Morgan, Mr Phillip McHugh and Mr Brian O'Donnell. 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.

ASX Principles 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 (excluding 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.
- long term incentive plan (LTI) – approved by Shareholders at the 2016 AGM to provide eligible employees with an additional incentive to improve company performance; attract, retain and motivate eligible employees that are essential for the continued growth and development of the company; promote and foster loyalty and support for the benefit of the company; enhance the relationship between the company and eligible employees for the long term mutual benefit of all parties; and provide eligible employees with the opportunity to acquire options in the company as part of the remuneration for their services.

  The LTI provides for the granting of options to eligible employees on terms determined by the Board at the time of the offer, in line with the LTI Plan Rules.

  The Managing Director is currently the only participant of a LTI.

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).

ASX Principles Recommendation 8.3

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

Independent Audit Report
to the Members of Capilano Honey Limited Group

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Capilano Honey Limited. (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*..

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this Auditors' Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Joint Venture Investments

Refer also to notes 1, 9 and 32.

Area of focus:

The group holds investments in a number of investees, being Medibee Apiaries Pty Ltd and Western Honey Supplies Pty Ltd. The classification of the investments as joint ventures is based on the group's determination that they have joint control. This can be judgemental in some cases. As a result, the risk of inappropriate classification, either on acquisition or in subsequent reporting periods, can have a material effect.

Our audit procedures included:

- Examining legal documents associated with investments, to determine the key terms, including rights of the investors, terms of shareholder's agreements, dispute resolution provisions, termination provisions, governance structures and profit-sharing arrangements,
- Assessing these documents against currently effective accounting standards based on our own expertise and experience of applying them in similar situations.

We have also assessed the adequacy of the disclosures made for Joint Ventures.

Valuation of Inventory

Refer also to note 1 and 7.

Area of focus:

The group inventory of $44 million is significant to the financial statements and has increased by $5.3 million from the prior year.

Inventory is required to be carried at the lower of its cost and net realisable value.

The valuation of inventory involves significant judgement by management depending on the age, cost and types of honey and the expectations of honey prices post year end.

Our audit procedures included:

- Assessing management's standard costing model and inputs,
- Assessing the fluctuating market value of honey, during the year and post year end,
- Evaluating management's judgement and assumptions used in determining the inventory provision.

We have also assessed the adequacy of disclosures in relation to inventory in the Notes to the financial statements.

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Share Based Payments

Refer also to the Remuneration Report and note 1 and 33.

Area of focus:

The group entered into a share-based payment arrangement during the year in relation to the issue of options to the Managing Director, Dr Ben McKee that included performance and service conditions.

This arrangement required significant judgment and estimation by management, including the following:

- The evaluation of the grant date of the arrangement, and the evaluation of the fair value of the underlying share price of the company as at that grant date;
- The evaluation of the vesting charge taken to the profit or loss in-respect of the accrual of service and performance conditions attached to the share-based payment arrangement;
- The evaluation of key inputs into the Binomial option pricing model, including the significant judgment of the forecast volatility of the share option over its exercise period.

The results of this share-based payment arrangement materially affect the disclosures in the financial statements.

Our audit procedures included:

- Evaluating the fair value of the share-based payment arrangement by agreeing assumptions to third party evidence. In determining the grant date, we evaluated what was the most appropriate date based on the terms and conditions of the share-based payment arrangement.
- In evaluating the progress of the vesting of the share-based payment with performance milestones, we evaluated the directors' assessment of the likely success or failure of achieving those milestones. In assessing the vesting of service conditions, we considered that the expensing of each share-based payment tranche granted to the arrangement's beneficiary, evenly over the term of the tranche to be the most appropriate.
- For the specific application of the Binomial model, we assessed the experience of the external expert used to advise the value of the arrangement. We retested some of the assumptions used in the model and recalculated those fair values using the skill and know-how of our in-house specialists. We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms.

We also reconciled the vesting of the share-based payment arrangement to disclosures made in both the key management personnel compensation note and the disclosures in the Remuneration Report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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Independent Audit Report

to the Members of Capilano Honey Limited Group

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Capilano Honey Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

William Buck

William Buck (Qld)
ABN 21 559 713 106

J A Latif
A Member of the Firm

Brisbane
7 August 2017

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Directors' Declaration

In the Directors' opinion

1. the financial statements and notes, as set out on pages 32 to 62, are in accordance with the *Corporations Act 2001* and:
   a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements;
   b) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;
   c) give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
3. the Directors have received declarations required by section 295A of the *Corporations Act 2001*.

Signed at Brisbane this SEVENTH day of AUGUST 2017 in accordance with a resolution of the directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*..

T R Morgan, Director

B A McKee, Director

Profit & Loss

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue	2	133,143,583	133,617,041
Gain on disposal of Manuka beekeeping assets	32	2,073,703	-
Share of losses of joint ventures, accounted for using the equity method	32	(61,087)	-
Finance costs	3(b)	(434,148)	(871,725)
Other expenses	3(a)	(120,909,075)	(119,302,654)
Profit before income tax		13,812,976	13,442,662
Income tax expense	4	(3,478,166)	(3,959,199)
Net profit for the year attributable to members of CZZ		**10,334,810**	**9,483,463**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members of CZZ		**10,334,810**	**9,483,463**
Earnings per share (cents)	27	109.3	110.2
Diluted earnings per share (cents)	27	108.9	110.2

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

Financial Position

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents		1,192,711	8,695,629
Trade and other receivables	6	24,209,622	22,850,501
Inventories	7	44,152,632	38,792,713
Other current assets	8	199,896	176,395
Income tax receivable	12	82,805	-
		69,837,666	70,515,238
Non-Current assets classified as held for sale	11	-	7,425,442
TOTAL CURRENT ASSETS		**69,837,666**	**77,940,680**
NON-CURRENT ASSETS			
Property, plant and equipment	10	21,236,371	21,499,578
Intangibles		214,275	-
Receivables	32	2,500,000	-
Investments	9	2,511,148	109,397
Deferred tax assets	12	49,423	185,565
TOTAL NON-CURRENT ASSETS		**26,511,217**	**21,794,540**
TOTAL ASSETS		**96,348,883**	**99,735,220**
CURRENT LIABILITIES			
Trade and other payables	13	20,845,265	20,671,941
Short term borrowings	14	1,990,902	8,120,105
Provision for dividend		3,783,238	3,783,238
Income tax payable	12	-	836,226
TOTAL CURRENT LIABILITIES		**26,619,405**	**33,411,510**
NON-CURRENT LIABILITIES			
Long term borrowings	15	6,997,500	10,201,648
Long term provisions	16	400,013	357,940
TOTAL NON-CURRENT LIABILITIES		**7,397,513**	**10,559,588**
TOTAL LIABILITIES		**34,016,918**	**43,971,098**
NET ASSETS		**62,331,965**	**55,764,122**
EQUITY			
Issued capital	17	24,532,157	24,586,832
Reserves	18	4,113,551	4,042,851
Retained earnings		33,686,257	27,134,439
TOTAL EQUITY		**62,331,965**	**55,764,122**

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

Changes in Equity

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Share Capital		Reserves		Retained Earnings	Total Equity
	Ordinary	Foundation	Share Based Payment	Revaluation Surplus		
	$	$	$	$	$	$
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
Total comprehensive income for the year		-	-	-	10,334,810	10,334,810
Fees related to issue of shares	(54,675)	-	-	-	-	(54,675)
Share based payment	-	-	70,700	-	-	70,700
Dividend recognised for the year	-	-	-	-	(3,782,992)	(3,782,992)
Balance at 30 June 2017	24,532,156	1	70,700	4,042,851	33,686,257	62,331,965

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

Cash Flows

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Inflows (Outflows)	
	2017 $	2016 $
Cash flows from operating activities		
Receipts from customers	128,781,477	131,526,686
Payments to suppliers and employees	(124,503,047)	(136,197,792)
Interest received	40	16
Goods and services tax received	2,886,701	2,613,953
Income tax paid	(4,237,624)	(5,704,962)
Interest paid	(297,888)	(625,394)
Net cash generated from (used in) operating activities (Note 25)	**2,629,659**	**(8,387,493)**
Cash flows from investing activities		
Payment for investments	(2,462,838)	(109,397)
Payment for intangibles	(214,275)	(2,722,219)
Payment for biological assets, property, plant and equipment	(1,376,404)	(6,865,917)
Loan to Joint Venture	(500,000)	-
Proceeds from sale of Manuka beekeeping assets (Note 32)	7,588,116	-
Proceeds from sale of property, plant and equipment	27,273	168,611
Net cash generated from (used in) investing activities	**3,061,872**	**(9,528,922)**
Cash flows from financing activities		
Issue of shares	-	16,777,020
Capital raising costs	(78,106)	(597,727)
Dividend paid	(3,782,992)	(3,223,921)
(Repayment of) proceeds from borrowings	(9,333,351)	12,916,798
Net cash (used in) generated from financing activities	**(13,194,449)**	**25,872,170**
Net (decrease) increase in cash and cash equivalents held	(7,502,918)	7,955,755
Cash and cash equivalents at the beginning of the financial year	8,695,629	739,874
Cash and cash equivalents at the end of the financial year	**1,192,711**	**8,695,629**

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

Notes to the Consolidated Financial Statements

INDEX:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensure that the financial statements and notes also comply with International Financial Reporting Standards.

Capilano Honey Limited is a listed public company, incorporated and domiciled in Australia. The financial statements cover the consolidated entity of Capilano Honey Limited and its controlled entities.

The financial statements of Capilano Honey Limited and its controlled entities were authorised for issue in accordance with a resolution of the directors dated 7 August 2017.

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 2017 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.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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	2.5 - 10.0%	prime cost
Plant and equipment	5.0 - 40.0%	prime cost
Plant and equipment	7.5 - 20.0%	reducing balances
Motor vehicles	12.5%	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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

h) **Income Tax** (continued)

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.

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.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative change to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 n he 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.

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.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

x) Associates and Joint Ventures

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

Impairment

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.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binominal or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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	
			2017 $	2016 $
2.		**REVENUE**		
		Sales revenue	133,056,097	133,429,924
		Interest received	40	16
		Net foreign exchange gain	-	85,309
		Sundry	87,446	101,792
			133,143,583	**133,617,041**
3.		**OPERATING PROFIT**		
	a)	Expenses		
		Raw materials and consumables	76,833,317	78,218,046
		Net foreign exchange loss	157,221	-
		Loss on disposal of property, plant and equipment	13,362	19,671
		Employee benefits	12,264,957	12,194,542
		Superannuation	955,794	898,079
		Depreciation of property, plant and equipment	1,598,976	1,815,143
		Amortisation of intangibles	-	55,000
		Transportation costs	4,132,580	3,967,986
		Factory costs	4,444,032	4,299,510
		Marketing and promotion	15,273,301	13,885,698
		Other	5,235,535	3,948,979
			120,909,075	**119,302,654**
	b)	Profit before income tax expense includes the following specific expenses:		
		Finance costs		
		Borrowing expenses	136,260	246,331
		Interest and finance charges paid	297,888	625,394
			434,148	**871,725**

Notes to the Consolidated Financial Statements

		Consolidated	
		2017 $	2016 $
4.	**INCOME TAX**		
a)	Income tax expense	3,318,592	3,898,377
	Deferred tax	159,574	60,822
		3,478,166	**3,959,199**
	Deferred income tax expense included in the income tax expense comprises:		
	Decrease (increase) in deferred tax assets	159,574	60,822
		159,574	**60,822**
b)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Profit before income tax expense	13,812,976	13,442,662
	Tax at the Australian tax rate of 30% (2016: 30%)	4,143,893	4,032,799
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Amortisation of intangibles	(35,132)	(43,058)
	Entertainment	15,576	7,466
	Legal expenses	31,262	13,772
	Over provision in prior years	(71,822)	(51,780)
	Capital losses utilised	(605,611)	-
	Income tax expense	3,478,166	3,959,199

		Parent Entity	
		2017 $	2016 $
5.	**DIVIDENDS**		
	A fully franked final dividend of 40 cents per ordinary share was declared on 23 June 2017 based on shares held at 30 June 2017.	3,782,992	-
	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
	Franking Credits		
	Franking credits available for subsequent financial years	7,020,538	5,323,208

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 2017.

		Consolidated	
		2017 $	2016 $
6.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	23,906,983	22,628,339
	Other receivables	302,639	222,162
		24,209,622	**22,850,501**

	Gross Amount $	Past due and impaired >120 days $	Past due but not impaired (days overdue) 1-30 $	>30 $	Within initial trade terms $
2017					
Trade receivables	23,906,983	-	793,736	675,469	22,437,778
Other receivables	302,639	-	-	-	302,639
Provision for impairment	-	-	-	-	-
Total	**24,209,622**	**-**	**793,736**	**675,469**	**22,740,417**
2016					
Trade 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**

		Consolidated	
		2017 $	2016 $
7.	**INVENTORIES**		
	Raw materials and stores	30,041,938	29,300,681
	Work in progress	4,003,908	2,172,179
	Finished goods	10,106,786	7,319,853
		44,152,632	**38,792,713**
	Cost of goods sold		
	Honey levies	420,327	419,934
	Other cost of goods sold	91,094,205	93,755,944
	Total cost of goods sold	**91,514,532**	**94,175,878**
8.	**OTHER CURRENT ASSETS**		
	Prepayments	**199,896**	**176,395**

Notes to the Consolidated Financial Statements

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	2017 % holding	2016 % 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	100
Kirksbees Honey Pty Ltd [1]	Australia	Apiaries	Ord	-	100

1. Kirksbees Honey Pty Ltd was deregistered on 17 February 2017.

	Consolidated	
Capilano Honey Limited also holds investments in the following joint ventures (refer note 32):	2017 $	2016 $
Investments are unlisted and comprise:		
Medibee Apiaries Pty Ltd	600	-
Western Honey Supplies Pty Ltd	2,510,548	109,397
	2,511,148	**109,397**
These investments are accounted for using the equity method.		
Reconciliation of movement in investments:		
Opening balance	109,397	-
New investment	2,462,838	109,397
Share of losses or joint ventures accounted for using the equity method	(61,087)	-
Total investments	**2,511,148**	**109,397**

10. PROPERTY, PLANT AND EQUIPMENT

	2017 $	2016 $
Land and buildings		
Freehold land – at valuation	5,990,000	5,990,000
Buildings – at valuation	6,124,467	6,001,970
Less: accumulated depreciation	(1,548,734)	(1,338,493)
Total buildings	4,575,733	4,663,477
Total land and buildings	**10,565,733**	**10,653,477**
Plant and equipment		
Cost	32,375,583	30,464,551
Less: accumulated depreciation	(22,121,650)	(20,761,751)
Less: accumulated impairment loss	(300,000)	(300,000)
Total plant and equipment	**9,953,933**	**9,402,800**

		Consolidated	
		2017 $	2016 $
10.	**PROPERTY, PLANT AND EQUIPMENT** (continued)		
	Motor vehicles		
	Cost	230,685	283,860
	Less: accumulated depreciation	(61,834)	(44,278)
	Total motor vehicles	**168,851**	**239,582**
	Capital work in progress	**547,854**	**1,203,719**
	Total property, plant and equipment	**21,236,371**	**21,499,578**
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**
	Buildings (level 2)		
	Carrying amount at beginning of year	4,663,477	4,869,116
	Additions	122,497	632,641
	Disposals	-	-
	Transfer to non-current assets classified as held for sale	-	(624,156)
	Depreciation	(210,241)	(214,124)
	Carrying amount at end of year	**4,575,733**	**4,663,477**
	Plant and equipment		
	Carrying amount at beginning of year	9,402,800	10,147,849
	Additions	1,911,032	4,708,876
	Disposals	-	-
	Depreciation	(1,359,899)	(1,565,858)
	Transfer to non-current asset classified as held for sale	-	(3,888,067)
	Carrying amount at end of year	**9,953,933**	**9,402,800**
	Motor Vehicles		
	Carrying amount at beginning of year	239,582	225,657
	Additions	-	237,368
	Disposals	(40,635)	(188,282)
	Depreciation	(30,096)	(35,161)
	Carrying amount at end of year	**168,851**	**239,582**
	Capital works in progress		
	Carrying amount at beginning of year	1,203,719	162,687
	Net movement	(655,865)	1,041,032
	Carrying amount at end of year	**547,854**	**1,203,719**

Notes to the Consolidated Financial Statements

		Consolidated	
		2017 $	2016 $
10.	**PROPERTY, PLANT AND EQUIPMENT** (continued)		
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	9,307,090	9,184,593
	Less: accumulated depreciation	(4,236,681)	(4,005,287)
	Carrying amount at end of year	**5,070,409**	**5,179,306**
	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.		
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 were sold during the year to the Joint Venture companies (refer note 32).		

		Consolidated	
		2017 $	2016 $
12.	**TAX**		
a)	Current income tax:		
	Income tax receivable (payable)	82,805	(836,226)
b)	Deferred tax liabilities comprises:		
	Tax allowances related to property, plant and equipment	(83,735)	146,157
	Revaluation adjustments taken directly to equity	(1,732,650)	(1,732,650)
	Gross deferred tax liabilities	**(1,816,385)**	**(1,586,493)**
c)	Deferred tax assets comprise:		
	Provisions	427,376	392,167
	Intangible assets	1,160,412	1,157,175
	Other	278,020	222,716
	Gross deferred tax asset	**1,865,808**	**1,772,058**
d)	Reconciliation:		
	Net non-current deferred tax asset (liability)	49,423	185,565
	The overall movement in deferred taxes is as follows:		
	Opening balance	185,565	67,069
	(Charge) credit to income statement	(159,574)	(60,822)
	Credit to equity	23,432	179,318
	Closing balance	**49,423**	**185,565**
13.	**TRADE AND OTHER PAYABLES**		
	Beekeeper creditors	11,384,042	12,350,372
	Trade creditors	4,871,770	2,456,640
	Other creditors	3,866,221	5,186,988
	Employee entitlements	723,232	677,941
		20,845,265	**20,671,941**
14.	**SHORT TERM BORROWINGS**		
	Secured (note 19)		
	Debtor finance	1,990,902	5,334,202
	Trade finance	-	2,214,408
	Hire purchase	-	571,495
		1,990,902	**8,120,105**
15.	**LONG TERM BORROWINGS**		
	Secured (note 19)		
	Commercial bills	6,997,500	10,000,000
	Hire purchase	-	201,648
		6,997,500	**10,201,648**
16.	**LONG TERM PROVISIONS**		
	Employee entitlements	400,013	357,940

Notes to the Consolidated Financial Statements

		Consolidated Entity			
		No. of Shares	2017 $	No. of Shares	2016 $
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	2017 $	No. of Shares	2016 $
b)	*Ordinary Shares*				
	Opening Balance	9,457,481	24,586,831	8,597,121	8,228,220
	Shares issued	-	-	860,360	16,777,020
	Capital raising costs (net of tax)	-	(54,675)	-	(418,409)
	Closing Balance	**9,457,481**	**24,532,156**	**9,457,481**	**24,586,831**

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.

c) *Share Options*

30,000 share options were issued during the year. Refer note 33.

d) Capital Management

Management controls the capital of the group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensuring that the group can fund its operations and continue as a going concern.

Management manages capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

A strategic goal has been to ensure that the group's gearing ratio remains below 75%.

		Consolidated	
	Notes	2017 $	2016 $
Trade and other payables	13	20,845,265	20,671,942
Short term borrowings	14	1,990,902	8,120,105
Long term borrowings	15	6,997,500	10,201,648
Total Borrowings		**29,833,667**	**38,993,695**
Less: cash and cash equivalents		(1,192,711)	(8,695,629)
Net debt		28,640,956	30,298,066
Total equity		62,331,965	55,764,122
Total capital		90,972,921	86,062,188
Gearing ratio		**31%**	**35%**

		Consolidated	
		2017 $	2016 $
18.	**RESERVES**		
	Share based payment	70,700	-
	Revaluation Surplus	4,042,851	4,042,851
		4,113,551	4,042,851
	The share based payment reserve is used to record the cost of equity-settled transactions over the vesting period.		
	The revaluation surplus is used to record increments and decrements in the value of non-current assets		
19.	**SECURED BORROWINGS**		
	The trade finance, debtor finance and commercial bills amounting to $8,988,402 (2016: $17,548,610) 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	45,006	160,920
	Operating lease commitments		
	Future operating lease rentals not provided for in the financial statements or payable:		
	Not longer than one year	332,160	413,067
	Longer than one year but not longer than five years	159,335	284,723
		491,495	**697,790**
22.	**AUDITOR'S REMUNERATION**		
	Remuneration of the auditor of the parent entity for:		
	▪ auditing or reviewing the financial statements	106,600	106,155
	▪ taxation services	13,100	10,545
	▪ other	5,182	3,880
		124,882	**120,580**
23.	**RELATED PARTIES**		
a)	Directors and key management personnel remuneration:		
	Short term employee benefits	1,524,990	1,968,183
	Post employment benefits	146,325	151,012
	Share based payment	70,700	-
	Total director and key management personnel remuneration	**1,742,015**	**2,119,195**

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 2017		
	Domestic $	Export $	Consolidated $
a) Segment Performance			
Sales revenue	110,584,667	22,471,430	133,056,097
Other revenue	87,446	-	87,446
Total segment revenue	**110,672,113**	**22,471,430**	**133,143,543**
Unallocated interest received			40
Total revenue			**133,143,583**
Other expenses	(70,448)	(157,221)	(227,669)
Unallocated expenses			(119,102,938)
Profit before income tax			**13,812,976**

	30 June 2016		
	Domestic $	Export $	Consolidated $
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**

24. SEGMENT REPORTING (continued)

b) Segment Assets

	Domestic $	Export $	Unallocated $	Consolidated $
30 June 2016	18,409,282	5,665,465	75,660,473	99,735,220
30 June 2017	19,790,398	5,163,537	71,394,948	96,348,883
Change in total assets	**1,381,116**	**(501,928)**	**(4,265,525)**	**(3,386,337)**

c) Segment Liabilities

	Domestic $	Export $	Unallocated $	Consolidated $
30 June 2016	5,334,202	2,214,408	36,422,488	43,971,098
30 June 2017	1,990,902	-	32,026,016	34,016,918
Change in total liabilities	**(3,343,300)**	**(2,214,408)**	**(4,396,472)**	**(9,954,180)**

The decrease in Group liabilities is mainly due to the repayment of bank borrowings.

		Consolidated	
		2017 $	2016 $
d)	**Change in identification of segments**		
	There have been no changes in operating segments since the previous year.		
e)	**Revenue by geographical region**		
	Australia	110,672,113	105,923,873
	Foreign countries	22,471,430	27,693,152
	Total revenue	**133,143,543**	**133,617,025**
	Revenue attributable to external customers is based on the location of the customer		
f)	**Assets by geographical region**		
	Australia	96,060,810	99,386,048
	Foreign countries	288,073	349,172
	Total assets	**96,348,883**	**99,735,220**
	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 74% of revenue (2016: 70%). The next most significant customer accounts for 1.27% of revenue (2016: 1.84%).		
	Two domestic customers account for $69 million of the total revenue of the Group. This represents 52% of total revenue.		

Notes to the Consolidated Financial Statements

		Consolidated	
		2017 $	2016 $
25.	**RECONCILIATION OF NET CASH GENERATED FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX**		
	Profit after income tax	10,334,810	9,483,463
	Depreciation	1,598,976	1,815,143
	Amortisation	-	55,000
	Write off of debtors	421	-
	Share of loss in joint venture entity	61,087	-
	Share base payment	70,700	-
	Profit from sale of manuka beekeeping assets	(2,073,703)	-
	Loss on sale of property, plant and equipment	13,362	19,671
	Decrease in tax payable	(919,031)	(1,806,585)
	Increase (decrease) in deferred tax assets	159,573	60,822
	Change in assets and liabilities		
	Decrease (increase) in assets		
	Trade debtors	(1,278,644)	(1,914,770)
	Other debtors	(169,869)	(1,822)
	Inventory	(5,359,919)	(15,448,418)
	Prepayments	(23,501)	1,159,864
	Increase (decrease) in liabilities		
	Trade creditors	2,415,130	(241,218)
	Other creditors	(1,320,767)	(2,169,979)
	Beekeeper creditors	(966,330)	597,069
	Employee entitlements	87,364	4,267
	Net cash generated from (used in) operating activities	**2,629,659**	**(8,387,493)**

26.	**FINANCING ARRANGEMENTS**		
	Total facilities		
	Unrestricted access was available at the end of the reporting period to the following lines of credit:		
	Multi-Option	10,500,000	10,000,000
	Debtor finance	13,500,000	11,500,000
		24,000,000	**21,500,000**
	Used at the end of the reporting period		
	Multi-Option		
	- Commercial Bill	6,997,500	10,000,000
	Debtor finance	1,990,902	7,548,610
		8,988,402	**17,548,610**
	Unused at the end of the reporting period		
	Multi-Option	3,502,500	-
	Debtor finance	11,509,098	3,951,390
		15,011,598	**3,951,390**

		Consolidated	
		2017	2016
27.	**EARNINGS PER SHARE (EPS)**		
	Earnings used in the calculation of basic and diluted EPS	$10,334,810	$9,483,463
	Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted EPS		
	Basic	9,457,481	8,606,523
	Diluted	9,487,481	8,606,523

28. 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 28(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 2017 approximately 100% of consolidated entity debt is floating (2016: 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.

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.

Notes to the Consolidated Financial Statements

		Consolidated	
		2017 $	2016 $
28.	**FINANCIAL INSTRUMENTS** (continued)		
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%	(265,000)	(229,000)
	decrease in interest rate by 2%	265,000	229,000
	Change in equity		
	increase in interest rate by 2%	(265,000)	(229,000)
	decrease in interest rate by 2%	265,000	229,000
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%	(134,000)	(154,000)
	increase in AUD:CAD rate by 10%	(64,000)	(70,000)
	increase in AUD:EUR rate by 10%	(8,000)	-
	increase in AUD:CNY rate by 10%	(5,000)	(9,000)
	decrease in AUD:USD rate by 10%	164,000	188,000
	decrease in AUD:CAD rate by 10%	78,000	85,000
	decrease in AUD:EUR rate by 10%	10,000	-
	decrease in AUD:CNY rate by 10%	6,000	11,000
	Change in equity		
	increase in AUD:USD rate by 10%	(134,000)	(154,000)
	increase in AUD:CAD rate by 10%	(64,000)	(70,000)
	increase in AUD:EUR rate by 10%	(8,000)	-
	increase in AUD:CNY rate by 10%	(5,000)	(9,000)
	decrease in AUD:USD rate by 10%	164,000	188,000
	decrease in AUD:CAD rate by 10%	78,000	85,000
	decrease in AUD:EUR rate by 10%	10,000	-
	decrease in AUD:CNY rate by 10%	6,000	11,000
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%	(1,127,000)	(846,000)
	decrease in honey purchase price of 10%	1,127,000	846,000
	Change in equity		
	increase in honey purchase price of 10%	(1,127,000)	(846,000)
	decrease in honey purchase price of 10%	1,127,000	846,000

28. FINANCIAL INSTRUMENTS (continued)

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

(2016: 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 (2016: nil). The net unrealised loss on the foreign currency contracts and options at 30 June 2017 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.

28. FINANCIAL INSTRUMENTS (continued)

iii) Liquidity Risk

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

	2017					
	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	-	1,187,046	-	-	5,665	1,192,711
Receivables	-	-	-	-	24,209,622	24,209,622
Other loan	-	-	-	-	2,500,000	2,500,000
Total financial assets	-	**1,187,046**	**-**	**-**	**26,715,287**	**27,902,333**
Financial liabilities						
Commercial bills	2.67%	6,997,500	-	-	-	6,997,500
Hire purchase	-	-	-	-	-	-
Beekeeper creditors		-	-	-	11,384,042	11,384,042
Overdraft and debtor finance	3.12%	1,990,902	-	-	-	1,990,902
Trade & sundry creditors		-	-	-	8,737,991	8,737,991
Total financial liabilities	-	**8,988,402**	**-**	**-**	**20,122,033**	**29,110,435**

	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	-	-	4,447	8,695,629
Receivables	-	-	-	-	22,850,501	22,850,501
Total financial assets	-	**8,691,182**	**-**	**-**	**22,854,948**	**31,546,130**
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**

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

29. PARENT ENTITY INFORMATION

	2017 $	2016 $
Net profit attributable to members of CZZ	8,160,498	9,440,931
Total comprehensive income for the year attributable to members of CZZ	**8,160,498**	**9,440,931**
Current assets	69,833,930	71,917,694
Total assets	**100,516,310**	**99,733,949**
Current liabilities	26,646,187	33,393,783
Total liabilities	**40,140,553**	**43,751,723**
Issued capital	24,532,157	24,586,832
Revaluation surplus	4,042,851	4,042,851
Share based payments reserve	70,700	-
Retained earnings	31,730,049	27,352,543
Total equity	**60,375,757**	**55,982,226**
Capital expenditure commitments not provided for in the financial statements	45,006	160,920
Future operating leases not provided for in the financial statements	491,495	697,790

Notes to the Consolidated Financial Statements

30. 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 Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company 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 won 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 Company.

- 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 Company has reviewed its contracts 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 Company has, additional property, plant and equipment amounting to $491,494 may need to be accounted for on balance sheet.

30. STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

- AASB 2016-1 Amendments to Australian Accounting Standards – Recogntion 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 Company.

- 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 Company will disclose additional information as required by this standard.

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions (applicable for annual reporting periods commencing on or after 1 January 2018)

  This standard amends AASB 2 Share-based Payments to address:

  - The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
  - The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
  - The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

  This standard is not expected to impact the Company.

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

31. 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.

32. INVESTMENT AND TRANSACTIONS WITH JOINT VENTURE ENTITIES

a) Medibee Apiaries Pty Ltd

Medibee Apiaries Pty Ltd is a 50/50 Joint Venture with global natural health products company Comvita Limited, 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.

On 29 July 2016, Capilano's Manuka beekeeping assets were sold to Medibee Apiaries Pty Ltd for $9,225,000 resulting in a gain on disposal of $2,073,703.

There were no profits or losses accounted for under the equity method recognised during the period in relation to the Medibee Joint Venture.

Capilano Honey Limited and Comvita Limited have provided a guarantee and indemnity (limited to $7,500,000 each) as a security for a $15,160,000 bank facility provided to Medibee Apiaries Pty Ltd.

During the year, Capilano Honey Limited purchased honey amounting to $1,215,846 from Medibee Apiaries Pty Ltd. As at 30 June 2017, Capilano Honey Limited owed $659,524 to Medibee Apiaries Pty Ltd.

The consolidated entity provided a loan of $2,500,000 to Medibee Apiaries Pty Ltd to assist with the funding of that entity's operations. The loan is interest free with no fixed term of repayment.

Financial Performance and Position (unaudited)	
	$
Revenue	1,579,866
Expenses	1,825,710
Net loss	245,844
Current assets	1,790,601
Total assets	15,291,010
Current liabilities	10,535,654
Total liabilities	15,535,654

32. INVESTMENT AND TRANSACTIONS WITH JOINT VENTURE ENTITIES (continued)

b) Western Honey Supplies Pty Ltd

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 Australia honey producer, Spurge Apiaries, to provide geographic diversity, secure supply and grow production.

On 26 August 2016, Capilano Honey Limited sold 77 apiary site licenses to Western Honey Supplies Pty Ltd for $363,116.

Losses accounted for under the equity method in relation to the Western Honey Supplies Joint Venture amounted to $61,087.

Capilano Honey Limited has provided an unlimited guarantee and indemnity as security for a $2,055,000 bank facility provided to Western Honey Supplies Pty Ltd.

During the year, Capilano Honey Limited purchased honey amounting to $1,021,161 from Western Honey Supplies Pty Ltd. As at 30 June 2017, Capilano Honey Limited owed $189,077 to Western Honey Supplies Pty Ltd.

The financial performance and position of Western Honey Supplies Pty Ltd for the 30 June 2017 financial year was:

Financial Performance and Position (audited)	
	$
Revenue	1,021,161
Expenses	1,143,334
Net loss	122,173
Current assets	616,963
Total assets	6,434,203
Current liabilities	1,515,029
Total liabilities	1,556,376

33. SHARE OPTIONS GRANTED TO MANAGING DIRECTOR

During the Annual General Meeting at 18 November 2016, the shareholders voted to approve a Long Term Incentive Plan and issue of 30,000 options to purchase 30,000 Capilano shares 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 2016 to 30 June 2019). The option has an exercise price of $21.00 per share and lapses on 30 June 2024. The value of the option as determined using a binominal valuation method is $212,100. No options had vested at 30 June 2017. The share-based payment expense (non cash) recognised during the year amounted to $70,700.

34. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The directors are not aware of any significant events since the end of the reporting period.

Shareholders' Information
as at 30 June 2017

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			3	2,530,050	26.75
50,001 to 100,000			3	188,961	2.00
10,001 to 50,000			97	1,808,833	19.13
5,001 to 10,000			172	1,258,488	13.31
1,001 to 5,000			1,085	2,461,546	26.03
1 to 1,000	1	1	3,537	1,209,603	12.79
Totals	**1**	**1**	**4,897**	**9,457,481**	**100.00**
Unmarketable parcel			172	2,523	0.03

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]	1,861,685	19.68
2	Citicorp Nominees Pty Limited	393,494	4.16
3	HSBC Custody Nominees (Australia) Limited	274,871	2.91
4	J P Morgan Nominees Australia Limited	72,696	0.77
5	Mr Enrico Albertani & Ms Alison Woodbury <Forest Wild Honey>	60,735	0.64
6	Dr Benjamin A Mckee & Mrs Sophie M Mckee <B A Mckee Super Fund A/C>	55,530	0.59
7	Mr Cain William Treanor	48,285	0.51
8	Muirhead Electrical Pty Ltd	47,740	0.50
9	Mr Peter McDonald	41,768	0.44
10	Simpkins Apiaries Pty Ltd	40,128	0.42
11	Great D Pty Ltd <Great D Super Fund A/C>	40,000	0.42
12	True Colour Advertisement Pty Ltd <The Chen Family A/C>	39,960	0.42
13	Mr Peter Roy Barnes	37,520	0.40
14	Mr Jonathan William Williams & Mrs Maxine Alice Williams	37,000	0.39
15	Mr Phillip Francis McHugh <Superannuation Fund A/C>	35,476	0.38
16	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client Drp>	34,341	0.36
17	Mrs Lucille Ruth Blackwell	34,000	0.36
18	Ruge Super Pty Ltd <Ruge Super Fund A/C>	33,000	0.35
19	Mr Barry Alwyn Pobke & Mrs Karen Lee Pobke	32,000	0.34
20	Est Annie Bell Tonkin	30,983	0.33
		3,251,212	**34.38**

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

Notes


CAPILANO

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


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