



ABN 55 009 686 435

Half-Year Financial Report **11**

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**FINANCIAL AND STATUTORY REPORTS
FOR CAPILANO HONEY LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

Report of the Directors

Your directors present their report on the consolidated financial statements of the company and its controlled entities for the half-year ended 31 December 2011.

Directors

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

Trevor Richard Morgan, Chairman
Phillip Francis McHugh, Deputy Chairman
Roger David Masters
Simon Lucien Tregoning

Activities

The principal activities of the consolidated entity during the half-year continued to be the packing of honey for domestic and export sales.

Consolidated Results

The net profit of the consolidated entity for the half-year before income tax was \$1,733,319 (\$1,654,339 for 2010) and after income tax was \$1,233,290 (\$1,355,034 for 2010).

Review of Operations

Sales revenue for the consolidated entity was \$32,467,786 (\$30,541,034 for 2010) following stronger domestic sales. The period was marked by volatile foreign exchange conditions, the impact of which was contained by foreign exchange hedging.

A major equipment upgrade took place in December 2011 requiring a shutdown of the facility for installation and commissioning of the new production line. This required a planned increase in our stock levels, which increased our working capital requirements and cash flows for the period. This is further discussed in Note 8.

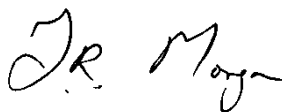
Significant Changes

There were no significant changes in operations during the half-year with the exception of the closedown in the factory in December for upgrade of the packing lines.

Auditor's Independence Declaration

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

Signed at Brisbane this 3rd day of February 2012, in accordance with a resolution of the directors.



T R Morgan
Director



R D Masters
Director

Auditor's Independence Declaration



The Directors
Capilano Honey Limited
399 Archerfield Road
RICHLANDS QLD 4077

Auditor's Independence Declaration

As lead auditor for the review of Capilano Honey Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

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

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

William Buck

William Buck (Qld)
ABN 11 603 627 400

A handwritten signature in black ink, appearing to read 'J Latif', with a horizontal line underneath.

J Latif
A member of the firm

Brisbane, 3 February 2012

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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Independent Auditor's Review Report

To the Members of Capilano Honey Limited



Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Capilano Honey Limited and its controlled entities (the consolidated entity), which comprises the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Capilano Honey Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

William Buck

William Buck (Qld)
ABN 11 603 627 400

J Latif
A Member of the Firm

Brisbane, 3 February 2012

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland



Directors' Declaration

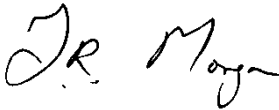
The directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 5 to 12:
 - (i) comply with Accounting Standard AASB134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date.

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

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

Signed at Brisbane this 3rd day of February 2012, in accordance with a resolution of the directors.



T R Morgan
Director



R D Masters
Director

Condensed Consolidated Income Statement

For the half-year ended 31 December 2011

	31 December 2011	31 December 2010
	\$	\$
Revenue	32,467,786	30,541,034
Other income	3,313	22,441
Finance costs	(542,764)	(639,939)
Other expenses	(30,195,016)	(28,269,197)
Profit before income tax	1,733,319	1,654,339
Income tax expense	(500,029)	(299,305)
Net profit attributable to members of Capilano Honey Limited	1,233,290	1,355,034
Basic earnings per share (cents)	14.47	15.90
Diluted earnings per share (cents)	14.47	15.90

The above income statement should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2011

	31 December 2011	31 December 2010
	\$	\$
Net profit attributable to members of Capilano Honey Limited	1,233,290	1,355,034
Other comprehensive income	-	-
Total comprehensive income for the period attributable to members of Capilano Honey Limited	1,233,290	1,355,034

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 31 December 2011

	Note	31 December 2011 \$	30 June 2011 \$
CURRENT ASSETS			
Cash and cash equivalents		2,100,922	637,197
Trade and other receivables		9,627,852	11,807,346
Inventories		12,952,782	9,194,261
Other current assets		409,080	164,083
TOTAL CURRENT ASSETS		25,090,636	21,802,887
NON-CURRENT ASSETS			
Property, plant and equipment		20,026,879	18,984,627
Intangibles		122,364	141,789
Deferred tax assets		2,974,839	3,474,867
TOTAL NON-CURRENT ASSETS		23,124,082	22,601,283
TOTAL ASSETS		48,214,718	44,404,170
CURRENT LIABILITIES			
Trade and other payables		8,407,768	9,537,960
Short term borrowings	7	1,687,553	1,565,928
Provision for dividend		-	1,278,030
TOTAL CURRENT LIABILITIES		10,095,321	12,381,918
NON-CURRENT LIABILITIES			
Long term borrowings	7	14,387,487	9,526,648
Long term provisions		273,042	270,026
TOTAL NON-CURRENT LIABILITIES		14,660,529	9,796,674
TOTAL LIABILITIES		24,755,850	22,178,592
NET ASSETS		23,458,868	22,225,578
EQUITY			
Issued capital		7,728,221	7,728,221
Reserves		4,042,851	4,042,851
Retained earnings		11,687,796	10,454,506
TOTAL EQUITY		23,458,868	22,225,578

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

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2011

	Issued capital		Reserves		Retained earnings	Total equity
	Ordinary	Foundation	Asset Revaluation	Asset Replacement		
	\$	\$	\$	\$	\$	\$
Balance at						
1 July 2011	7,728,220	1	-	-	10,454,506	22,225,578
Net profit attributable to members of CHL	-	-	-	-	1,233,290	1,233,290
Total other comprehensive income for the period	-	-	-	-	-	-
Balance at						
31 December 2011	7,728,220	1	4,042,851	-	11,687,796	23,458,868
Balance at						
1 July 2010	7,394,957	1	4,042,851	-	7,262,107	18,699,916
Net profit attributable to members of CHL	-	-	-	-	1,355,034	1,355,034
Total other comprehensive income for the period	-	-	-	-	-	-
Transfer to reserves	-	-	-	12,746	(12,746)	-
Shares issued during the period	333,263	-	-	-	-	333,263
Balance at						
31 December 2010	7,728,220	1	4,042,851	12,746	8,604,395	20,388,213

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2011

	Note	Inflows (Outflows)	
		31 December 2011	31 December 2010
		\$	\$
Cash flows from operating activities			
Receipts from customers		34,620,687	32,225,506
Payments to suppliers and employees		(35,371,411)	(25,447,359)
Interest received		772	862
Net goods and services tax recovered		808,936	517,922
Interest paid		(457,718)	(589,250)
Net cash (used in) provided by operating activities	8, 9	(398,734)	6,707,681
Cash flows from investing activities			
Payment for property, plant and equipment		(1,864,845)	(247,268)
Proceeds from sale of property, plant and equipment		3,637	4,590
Net cash used in investing activities		(1,861,208)	(242,678)
Cash flows from financing activities			
Payment of dividend		(1,278,030)	-
Proceeds from issue of shares		-	333,263
Proceeds from (repayment of) borrowings		5,001,697	(7,117,435)
Net cash provided by (used in) financing activities		3,723,667	(6,784,172)
Net increase (decrease) in cash and cash equivalents held		1,463,725	(319,169)
Cash and cash equivalents at the beginning of the financial period		637,197	472,375
Cash and cash equivalents at the end of the financial period		2,100,922	153,206

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

Notes to the Financial Statements

For the half-year ended 31 December 2011

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the *Corporations Acts 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

The interim financial statements are intended to provide users with an update on the latest financial statements of Capilano Honey Limited and its controlled entities (the consolidated entity). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2011, together with any public announcements made during the half-year.

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

2. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

3. EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There have been no events subsequent to the end of the interim period.

4. CHANGES IN COMPOSITION OF THE CONSOLIDATED ENTITY

There has been no change in the composition of the entity since the last annual reporting date.

5. ISSUED CAPITAL

There have been no shares issued since the last annual reporting date. 471,135 shares were issued in July 2010 which raised \$333,263 in capital.

6. OPERATING SEGMENTS

(a) Segment Performance	31 December 2011			Consolidated \$
	Domestic \$	Export \$		
Sales revenue	25,904,429	6,533,479		32,437,908
Other revenue	29,878	-		29,878
Total segment revenue	25,934,307	6,533,479		32,467,786
Unallocated revenue less unallocated expenses				(30,734,467)
Profit before income tax				1,733,319
(b) Segment Assets	31 December 2010			Consolidated \$
	Domestic \$	Export \$	Unallocated \$	
Sales revenue	22,348,197	8,150,271		30,498,468
Other revenue	42,566	-		42,566
Total segment revenue	22,390,763	8,150,271		30,541,034
Unallocated revenue less unallocated expenses				(28,886,695)
Profit before income tax				1,654,339
30 June 2011	9,359,405	2,660,835	32,383,930	44,404,170
31 December 2011	7,543,817	2,452,050	38,218,851	48,214,718
Change in total assets	(1,815,588)	(208,785)	5,834,921	3,810,548

Notes to the Financial Statements

For the half-year ended 31 December 2011

6. OPERATING SEGMENTS *(continued)*

(c) Segment Liabilities	Domestic	Export	Unallocated	Consolidated
	\$	\$	\$	\$
30 June 2011	3,754,276	284,805	18,139,511	22,178,592
31 December 2011	4,915,804	182,319	19,657,727	24,755,850
Change in total liabilities	1,161,528	(102,486)	1,518,216	2,577,258

7. BORROWINGS

	31 December 2011 \$	30 June 2011 \$
SHORT TERM BORROWINGS		
Secured liabilities	1,687,553	1,095,520
Unsecured notes	-	470,408
	1,687,553	1,565,928
LONG TERM BORROWINGS		
Secured Liabilities	14,387,487	9,520,576
Unsecured notes	-	6,072
	14,387,487	9,526,648
Total Borrowings	16,075,040	11,092,576

8. REVIEW OF OPERATIONS

A major equipment upgrade took place in December 2011 requiring a shutdown of the facility for installation and commissioning of a new production line. This required a planned increase in our stock levels, which increased our working capital requirements and cash flows for the period. The changeover was expected in November but delays in supply of equipment resulted in an extended shutdown during December. There was also an unanticipated loss of production time. Packing expected to be carried out during 3 weeks in December was deferred until early in the New Year. Inventory will revert to normal levels in the second half of the financial year.

The increase in total assets of \$3,810,548 is due to an increase in honey inventory and the addition of the new production line, offset by lower outstanding domestic receivables.

The increase in total liabilities of \$2,577,258 is mainly due to the finance of the purchase of the new production line in the amount of \$1.58 million and funding of higher inventory levels.

Notes to the Financial Statements

For the half-year ended 31 December 2011

	31 December 2011 \$	31 December 2010 \$
9. RECONCILIATION OF NET CASH GENERATED FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX.		
Profit after income tax	1,233,290	1,355,034
Depreciation	819,047	809,715
Amortisation	19,426	19,426
Loss on sale of equipment	(90)	(1,044)
Decrease in deferred tax assets	500,028	299,305
Change in assets and liabilities		
Decrease (increase) in assets		
Trade debtors	2,045,457	1,647,690
Other debtors	97,538	9,907
Inventory	(3,758,521)	3,214,394
Prepayments	(244,998)	(222,931)
Goods and Services Tax received	36,499	19,426
Increase (decrease) in liabilities		
Trade creditors	339,020	(177,378)
Other creditors	(734,423)	(65,397)
Beekeeper creditors	(441,604)	(152,045)
Employee entitlements	(309,403)	(48,421)
Net cash generated from operating activities	(398,734)	6,707,681