

HALF-YEAR FINANCIAL REPORT

2003

**FINANCIAL AND STATUTORY REPORTS
FOR CAPILANO HONEY LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

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Report of the Directors

Your directors present their report on the consolidated financial statements of the company and its controlled entities for the half year ended 31 December 2003.

Directors

The following persons hold office as directors of Capilano Honey Limited at the date of this report:

Donald Gordon Keith (Chairman)	Rosemary Doherty
Ian Alfred Cane (Deputy Chairman)	Phillip Francis McHugh
Roger David Masters	Trevor Richard Morgan
Bernard James Ballantyne	Warwick Birdsall Wilshire

Activities

The principal activities of the economic entity during the half-year continued to be:

- packing of honey for domestic and export sales.
- supply and distribution of honey based therapeutic products.

Consolidated Results

The profit from ordinary activities of the economic entity for the half-year after income tax was \$1,679,951.

Review of Operations

Sales revenue for the economic entity was \$43,022,394. An analysis of these sales is as follows:-

	\$
Capilano Honey Limited	41,898,646
Medihoney Pty Ltd	1,123,748

Significant Changes

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

Signed at Brisbane this Thirteenth day of February 2004, in accordance with a resolution of the directors.

D G Keith
Director

R D Masters
Director

Independent Review Report

To the Members of Capilano Honey Limited

Scope

The financial report and directors' responsibility

The financial report includes the financial statements for both Capilano Honey Limited (the company) and Capilano Honey Limited and Controlled Entities (the consolidated entity) for the half-year ended 31 December 2003. The consolidated entity comprises both the company and the entities it controlled at the end of, or during, the half-year.

The preparation of the financial report for the half-year ended 31 December 2003 is the responsibility of the directors of the company.

Review approach

We conducted an independent review of the financial report in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our role was to conduct the review in accordance with Australian Auditing Standards applicable to review engagements.

This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

The review procedures performed were limited primarily to:

- inquiries of company personnel of certain internal controls, transactions and individual items
- analytical procedures applied to financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that causes us to believe that the half year financial report of Capilano Honey Limited, set out on pages 3 to 8 is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

CRANSTOUN & HUSSEIN
Chartered Accountants

Directors' Declaration

The Directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 4 to 8:
 - (i) comply with Accounting Standard AASB1029: Interim Financial Reporting and the Corporations Regulations; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and its performance for the half year ended on that date.
- (b) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed at Brisbane this Thirteenth day of February 2004, in accordance with a resolution of the directors.

D G Keith
Director

R D Masters
Director

Condensed Consolidated Statement of Financial Performance

For the half-year ended 31 December 2003

	Note	31 December 2003 \$	31 December 2002 \$
Profit from ordinary activities before share of net loss of associate accounted for using the equity method		2,549,243	2,919,366
Share of net loss of associate accounted for using the equity method	5	(113,361)	-
Profit from ordinary activities before income tax expense		2,435,882	2,919,366
Income tax expense relating to ordinary activities		(755,931)	(886,230)
Net profit from ordinary activities after income tax expense attributable to members of Capilano Honey Limited		1,679,951	2,033,136

The accompanying notes form part of this financial report.

Condensed Consolidated Statement of Financial Position

As at 31 December 2003

	Note	31 December 2003 \$	30 June 2003 \$
CURRENT ASSETS			
Cash		3,268,064	3,694,104
Receivables		9,490,607	12,787,619
Inventories		23,815,011	21,176,923
Other		687,683	275,610
TOTAL CURRENT ASSETS		37,261,365	37,934,256
NON-CURRENT ASSETS			
Receivables		1,429,163	649,430
Investments accounted for using the equity method	5	377,587	-
Property, plant & equipment		17,783,202	18,252,262
Intangibles		958,924	1,022,607
Deferred tax assets		1,918,711	2,710,852
TOTAL NON-CURRENT ASSETS		22,467,587	22,635,151
TOTAL ASSETS		59,728,952	60,569,407
CURRENT LIABILITIES			
Payables		8,061,645	7,435,145
Interest-bearing liabilities		7,674,219	8,493,979
Provisions		372,293	1,369,833
TOTAL CURRENT LIABILITIES		16,108,157	17,298,957
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		17,118,664	18,450,408
Provisions		473,212	446,135
TOTAL NON-CURRENT LIABILITIES		17,591,876	18,896,543
TOTAL LIABILITIES		33,700,033	36,195,500
NET ASSETS		26,028,919	24,373,907
EQUITY			
Contributed equity		5,286,831	5,286,793
Reserves		4,693,298	4,718,961
Retained profits		16,048,790	14,368,153

TOTAL EQUITY	26,028,919	24,373,907
<i>The above statement of financial position should be read in conjunction with the accompanying notes</i>		

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2003

	Note	Inflows (Outflows)	
		31 December 2003	31 December 2002
Cash flows from operating activities			
Receipts from customers		47,800,308	39,574,819
Payments to suppliers and employees		(43,155,405)	(37,557,814)
Interest received		104,640	111,601
Goods & services tax received		680,115	803,897
Interest paid		(655,658)	(523,718)
Net cash provided by operating activities		4,774,000	2,408,785
Cash flows from investing activities			
Payment for property, plant and equipment		(329,926)	(725,870)
Purchase of intangible asset		-	(1,143)
Payments for investment in associated entity	5	(480,402)	-
Loans to associated entity		(809,427)	-
Other loans		(403,073)	-
Proceeds from sale of fixed assets		-	727
Net cash used in investing activities		(2,022,828)	(726,286)
Cash flows from financing activities			
Proceeds from issue of shares		38	51
Proceeds from borrowings		313,793	1,683,231
Repayment of borrowings		(2,465,296)	(1,017,370)
Dividend paid		(1,025,747)	(769,307)
Net cash used in financing activities		(3,177,212)	(103,395)
Net (decrease) increase in cash held		(426,040)	1,579,104
Cash at the beginning of the financial period		3,694,104	3,081,650
Cash at the end of the financial period		3,268,064	4,660,754

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

Notes to the Financial Statements

For the half-year ended 31 December 2003

1. BASIS OF PREPARATION

The half-year condensed consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of Corporations Act 2001, Accounting Standard AASB1029: Interim Financial Reporting and other mandatory professional reporting requirements.

This financial report is prepared in accordance with the historical cost convention except for certain assets which are included at deemed cost.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2003 and any public announcements made by Capilano Honey Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2003 annual report.

The half-year report does not include full disclosure of the type normally included in an annual financial report.

2. CONTINGENT LIABILITIES

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

3. INCOME TAX

The Australian Taxation Office has not yet been formally notified whether or not the economic entity will adopt the tax consolidation regime. Income tax balances for the half-year as disclosed in this report would remain unchanged had this decision been made.

4. SEGMENT REPORTING

Primary reporting – geographical segments	31 December 2003			31 December 2002		
	Australia \$	Canada \$	Consolidated \$	Australia \$	Canada \$	Consolidated \$
Sales to external customers	43,022,394	-	43,022,394	42,644,350	-	42,644,350
Other revenue	1,155,183	-	1,155,183	178,357	-	178,357
Share of net losses of associates	-	(113,361)	(113,361)	-	-	-
Total segment revenue	44,177,577	(113,361)	44,064,216	42,822,707	-	42,822,707
Segment result	2,549,243	(113,361)	2,435,882	2,919,366		2,919,366
Unallocated revenue less unallocated expenses			-			-
Profit from ordinary activities before income tax expense			2,435,882			2,919,366

Notes to the Financial Statements

For the half-year ended 31 December 2003

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates are recognised in the consolidated statement of financial performance, and its share of post acquisition movements in reserves are recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

On 1 July 2003 the company acquired 50% of the issued share capital of Capilano Labonte Inc. (CLI) for a cash consideration of \$480,402. CLI is a company incorporated in Canada. The cash consideration represented 50% of the fair value of CLI's net assets at the date of acquisition.

As CLI is a self sustaining foreign entity, its assets and liabilities are, for the purposes of accounting for investments using the equity method, translated into Australian currency at rates of exchange current at balance date, while its revenues and expenses are translated at the average of rates ruling during the period. The investor's share of exchange differences are taken to the foreign currency translation reserve.

	31 December 2003	30 June 2003 \$
Movements in carrying amounts of investments in associates		
Carrying amounts at the beginning of the financial period	-	-
New investment during the year	480,402	-
Share of losses from ordinary activities before income tax	(113,361)	-
Share of income tax savings	36,210	-
Share of movement in foreign currency translation reserve	(25,664)	-
Carrying amounts at the end of the financial period	377,587	-