HALF-YEAR FINANCIAL REPORT

2005

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FINANCIAL AND STATUTORY REPORTS
FOR CAPILANO HONEY LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

CAPILANO
Honey Limited

A.B.N. 55 009 686 435

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 2005.

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
Ian Alfred Cane (Deputy Chairman)	Rosemary Doherty
Roger David Masters	Gregory Paul Roberts (appointed 06/10/05)
Bernard James Ballantyne	Warwick Birdsall Wilshire
Donald Gordon Keith (retired 06/10/05)	

Activities

The principal activities of the consolidated 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 operating profit of the consolidated entity for the half-year after income tax was $224,968.

Review of Operations

Sales revenue for the consolidated entity was $37,933,936.   An analysis of these sales is as follows:-

	$
Capilano Honey Limited	36,320,747
Medihoney Pty Ltd	1,613,189

Significant Changes

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

Auditor's Independence Declaration

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

Signed at Brisbane this 10th day of February 2006, in accordance with a resolution of the directors.

T R Morgan
Director

R D Masters
Director

Auditor's Independence Declaration

As lead auditor for the review of Capilano Honey Limited for the half-year ended 31 December 2005, 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.

J Latif
Principal
Cranstoun & Hussein

Brisbane
10 February 2006

Independent Review Report

To the Members of Capilano Honey Limited

Scope

The financial report and directors' responsibility

The financial report comprises the directors' declaration, the condensed consolidated income statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for Capilano Honey Limited (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both Capilano Honey Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

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 134: 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; and
- 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 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 2005 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

CRANSTOUN & HUSSEIN
Chartered Accountants

J Latif
A Member of the Firm

Brisbane
10 February 2006

Directors' Declaration

The directors of the company declare that:

(a) the financial statements and notes, as set out on pages 5 to 14:

(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 2005 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 will be able to pay its debts as and when they become due and payable.

Signed at Brisbane this 10th day of February 2006, 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 2005

	Note	31 December 2005 $	31 December 2004 $
Revenue		38,365,646	41,216,697
Finance costs		(980,383)	(939,384)
Other expenses		(37,046,127)	(41,393,798)
Profit (loss) before share of net loss of associate accounted for using the equity method		339,136	(1,116,485)
Share of net loss of associate accounted for using the equity method		-	(236,417)
Profit (loss) before income tax expense		339,136	(1,352,902)
Income tax (expense) benefit		(114,168)	345,280
Net profit (loss) attributable to members of Capilano Honey Limited		**224,968**	**(1,007,622)**
Basic earnings per share (cents)	4	4.4	(19.6)
Diluted earnings per share (cents)	4	4.4	(19.6)
The above income statement should be read in conjunction with the accompanying notes.			

Condensed Consolidated Balance Sheet
As at 31 December 2005

	31 December 2005 $	30 June 2005 $
CURRENT ASSETS		
Cash and cash equivalents	1,126,036	1,037,007
Trade and other receivables	9,870,256	9,868,396
Inventories	21,071,035	24,598,417
Other current assets	1,291,807	1,203,165
TOTAL CURRENT ASSETS	**33,359,134**	**36,706,985**
NON-CURRENT ASSETS		
Trade and other receivables	3,297,185	2,158,652
Investments accounted for using the equity method	-	-
Property, plant and equipment	21,672,076	22,005,513
Intangibles	705,293	768,976
Deferred tax assets	3,418,322	3,532,593
TOTAL NON-CURRENT ASSETS	**29,092,876**	**28,465,734**
TOTAL ASSETS	**62,452,010**	**65,172,719**
CURRENT LIABILITIES		
Trade and other payables	7,158,578	8,323,033
Short term borrowings	3,708,978	4,068,892
Short term provisions	471,644	637,428
TOTAL CURRENT LIABILITIES	**11,339,200**	**13,029,353**
NON-CURRENT LIABILITIES		
Long term borrowings	25,157,883	26,498,769
Long term provisions	666,037	580,685
TOTAL NON-CURRENT LIABILITIES	**25,823,920**	**27,079,454**
TOTAL LIABILITIES	**37,163,120**	**40,108,807**
NET ASSETS	**25,288,890**	**25,063,912**
EQUITY		
Issued capital	5,283,615	5,283,605
Reserves	2,749,995	2,749,995
Retained earnings	17,255,280	17,030,312
TOTAL EQUITY	**25,288,890**	**25,063,912**

The above balance sheet should be read in conjunction with the accompanying notes

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2005

	Share Capital		Reserves			Retained Earnings	Total
	Ordinary	Foundation	Asset Revaluation	Asset Replacement	Foreign Currency Translation		
	$	$	$	$	$	$	$
Balance at 1 July 2004	5,286,859	1	336,267	4,238,580	(21,432)	15,071,655	24,911,930
Shares issued during the period	54	-	-	-	-	-	54
Net loss attributable to members of CHL	-	-	-	-	-	(1,007,622)	(1,007,622)
Dividend over provided	-	-	-	-	-	171	171
Adjustments from the translation of associates accounted for under the equity method	-	-	-	-	1,712	-	1,712
Balance at 31 December 2004	5,286,913	1	336,267	4,238,580	(19,720)	14,064,204	23,906,245
Balance at 1 July 2005	5,283,604	1	2,773,478	-	(23,483)	17,030,312	25,063,912
Shares issued during the period	10	-	-	-	-	-	10
Net profit attributable to members of CHL	-	-	-	-	-	224,968	224,968
Balance at 31 December 2005	5,283,614	1	2,773,478	-	(23,483)	17,255,280	25,288,890

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

Condensed Consolidated Cash Flow Statement

For the half-year ended 31 December 2005

	Inflows (Outflows)	
	31 December 2005 $	31 December 2004 $
Cash flows from operating activities		
Receipts from customers	38,310,211	41,916,444
Payments to suppliers and employees	(34,868,519)	(40,970,399)
Interest received	105,594	98,249
Goods and services tax received	877,802	713,372
Interest paid	(809,867)	(795,747)
Net cash provided by operating activities	**3,615,221**	**961,919**
Cash flows from investing activities		
Payment for property, plant and equipment	(684,814)	(1,324,701)
Payment for investment in controlled entity	-	(1)
Payments for investment in associated entity	-	-
Loans (advanced to) / repaid by associated entity	(1,220,533)	11,881
Other loans repaid	78,009	73,421
Proceeds from sale of property, plant and equipment	1,935	11,286
Net cash used in investing activities	**(1,825,403)**	**(1,228,114)**
Cash flows from financing activities		
Proceeds from issue of shares	10	54
Proceeds from borrowings	2,334,131	211,097
Repayment of borrowings	(4,034,930)	(3,322,077)
Dividend paid	-	(255,992)
Net cash used in financing activities	**(1,700,789)**	**(3,366,918)**
Net increase (decrease) in cash held	89,029	(3,633,113)
Cash at the beginning of the financial period	1,037,007	3,342,720
Cash at the end of the financial period	**1,126,036**	**(290,393)**
The above cash flow statement should be read in conjunction with the accompanying notes.		

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 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.

As this is the first interim financial report prepared under Australian equivalents to International Financial Reporting Standards (AeIFRS), the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under AeIFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and AeIFRS is disclosed in Note 2.

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

(a) **Principles of consolidation**

The consolidated accounts incorporate the assets and liabilities of all entities controlled by Capilano Honey Limited ("parent entity") as at 31 December 2005 and the results of all controlled entities for the half-year then ended. Capilano Honey Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

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 income statement, 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.

(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 Tax 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 balance sheet.

Cash flows are included in the cash flow statement 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

Control of 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 asset revaluation reserve is transferred to retained earnings on disposal.

(d) **Property plant and equipment**

Land and buildings

Land and buildings are valued 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, but at least triennial, 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 income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the assets original cost is transferred from the revaluation reserve to retained earnings.

Plant and equipment

Plant and equipment are measured on the cost basis less 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 and motor vehicles over its useful life. Additions are depreciated from the date they are installed ready for use.

The principal rates of depreciation in use are:-

Buildings	2.50 - 10.00%	prime cost
Plant and equipment	5.00 - 40.00%	prime cost
Plant and equipment	7.50 - 20.00%	reducing balance
Motor vehicles	22.50%	reducing balance

(e) **Impairment**

At each reporting date, 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 recoverable amount is expensed to the income statement.

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.

(f) **Inventories**

All inventories including contracts 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.

(g) **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 by the balance sheet date.

Deferred tax is accounted for using the balance sheet 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 income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax 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 decided not to implement the tax consolidation regime.

(h) **Financial instruments**

Recognition

Financial instruments are initially measured at cost 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 AASB139: 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 income statement 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.

Held-to-maturity investments

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity 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.

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 income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, 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 prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(i) **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 income statement, 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 income statement.

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.

Group controlled entities and associated entities

The financial results and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date
- Income and expenses are translated at average exchange rates for the period
- Equity and retained profits are translated at the exchange rates prevailing at the date of the transaction

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated entity's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(j) **Employee benefits**

Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. Where annual leave is not expected to be taken within twelve (12) months, the expected future payments are discounted using interest rates attaching, as at the reporting date, to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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 reporting date. 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 reporting date, to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(k) **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.

(l) **Intangible assets**

Trademarks and brand names are recorded in the accounts at acquisition cost. Trade marks and brand names, having a benefit or relationship to more than one accounting period, are deferred and amortised to the income statement using the straight line method of calculation over the period of time during which the benefits are expected to arise, but not exceeding twenty years. Carrying values are assessed at each balance date for impairment and any write down included in the income statement in the period determined.

(m) **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 income over the expected useful life of the asset on a straight-line basis.

(n) **Cash and cash equivalents**

For the purpose of the Cash Flow Statement, 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 balance sheet.

(o) **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.

(p) **Comparatives**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. **FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS**

On transition to AeIFRS the estimated cumulative financial effect of the reliably known differences on the consolidated entity's reported results and total equity are is summarised below.

	Note	Year ended 30 June 2005 $	Half year ended 31 December 2004 $
Reconciliation of Net Loss			
Net loss after tax under Australian GAAP		1,795,158	1,020,469
Key transitional adjustment			
Expensing of devaluation		45,068	-
Expensing of market development costs		755,515	-
Income tax expense – temporary differences		(317,501)	(12,847)
Total transitional adjustments		483,082	(12,847)
Net loss after tax under AIFRS		**2,278,240**	**1,007,622**

	Note	30 June 2005 $	31 December 2004 $	30 June 2004 $
Reconciliation of Total Equity				
Total equity reporting under Australian GAAP		25,774,531	23,121,484	24,140,016
Retrospective adjustments to equity at 1 July 2004				
Recognition of deferred tax asset on intangibles		815,866	815,866	815,866
Recognition of deferred tax liability on revalued assets		(144,114)	(144,114)	(144,114)
Recognition of deferred tax – temporary differences		100,162	100,162	100,162
		771,914	771,914	771,914
(Increase) decrease in current year loss resulting from transition to AIFRS		(483,082)	12,847	-
Recognition of deferred tax liability on revaluation		(1,044,519)	-	-
Revaluation decrements included in result for the period		45,068	-	-
Total equity under AeIFRS		25,063,912	23,906,245	24,911,930

3. CONTINGENT LIABILITIES

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

4. EARNINGS PER SHARE

	31 December 2005	31 December 2004
Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted EPS	5,128,794	5,132,187
	$	$
Earnings used in the calculation of basic and diluted EPS	224,968	(1,007,622)

5. SEGMENT REPORTING

	31 December 2005				
Primary reporting – geographical segments	Australia $	Canada $	Europe $	Intersegment Elimination $	Consolidated $
Sales revenue	37,793,058	-	140,878	-	37,933,936
Other revenue	431,710	-	-	-	431,710
Share of net losses of associates	-	-	-	-	-
Total segment revenue	**38,224,768**	**-**	**140,878**	**-**	**38,365,646**
Segment Result	**858,177**	**-**	**(519,041)**	**-**	**339,136**
Unallocated revenue less unallocated expenses					-
Profit from ordinary activities before income tax expense					**339,136**

	31 December 2004				
Primary reporting – geographical segments	Australia $	Canada $	Europe $	Intersegment Elimination $	Consolidated $
Sales revenue	41,439,934	-	11,094	(196,132)	41,254,896
Other revenue	(38,200)	-	-	-	(38,200)
Share of net losses of associates	-	(236,417)	-	-	(236,417)
Total segment revenue	**41,401,734**	**(236,417)**	**11,094**	**(196,132)**	**40,980,279**
Segment Result	**(958,055)**	**(236,417)**	**(50,812)**	**(107,618)**	**(1,352,902)**
Unallocated revenue less unallocated expenses					-
Loss from ordinary activities before income tax expense					**(1,352,902)**