



AUSTRALIA'S NO.1 HONEY, NATURALLY!



06

ANNUAL REPORT 2006

06



2006 ANNUAL GENERAL MEETING

The 2006 Annual General Meeting will be held at

THE QUEENSLAND LIONS SOCCER CLUB

Pine Road, Richlands Qld 4077



➤ **Friday, 24 November 2006** at 2.00pm

Shareholders of Capilano Honey Limited are also invited to attend the Management Presentation and Annual Company Dinner, being held in conjunction with the Capilano Beekeepers Ltd Annual General Meeting on Friday, 6 October 2006 at The Lakes Resort, 141 Brebner Drive, West Lakes, Adelaide SA 5021 – further details available on the Attendance Form.

For further details please refer to:

Notice of Meeting page: 2

Attendance Form page: 45

Proxy Form page: 47

Please complete and return the enclosed Attendance Form by:

22 September 2006 If you plan to also attend the Management Presentation and Annual Company Dinner being held in conjunction with the CBL AGM

17 November 2006 If you plan to only attend the CHL AGM



→ TABLE OF CONTENTS

Notice of Meeting	2
Chairman's Report	4
Board of Directors	6
Review of Operations 2005-2006	8
Marketing	10
International Markets	12
Operations	14
Medihoney	16
Concise Financial Reports	19
Attendance Form	45
Proxy Form	47





NOTICE OF MEETING

Notice is given that the thirty-fourth Annual General Meeting of shareholders of **Capilano Honey Limited** ('CHL') ACN 009 686 435 will be held at The Queensland Lions Soccer Club, Pine Road, Richlands Q 4077 on Friday 24 November 2006 commencing at 2.00pm.

AGENDA

1. Ordinary business

• Financial Statements and Reports

To receive and consider the Financial Statements, Director's Declaration and the Reports of the Directors and the Auditors for the year ended 30 June 2006.

2. Special business

• Resolution – Remuneration Report included in the Report of the Directors

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the Remuneration Report included in the Report of the Directors be adopted".

The Remuneration Report is included in the 'Report of the Directors' on page 24 of this Annual Report.

In accordance with the BSX Listing Rules, any votes cast in relation to this resolution by any director or their associates will be disregarded.

However, the company need not disregard any such vote if:

- a) it is cast by any person referred to above as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The external Auditors will be available at the meeting to answer questions on the conduct of the Audit and their Independent Audit Report. It is preferable that questions be submitted to the company in writing no later than five business days prior to the meeting. A list of questions submitted will be available at the meeting.

Dated this SIXTEENTH day of AUGUST 2006

By Order of the Board

CAPILANO HONEY LIMITED

Errol J Bailey

Company Secretary

THIS IS AN IMPORTANT DOCUMENT

If you do not understand this notice or are in any doubt about the action you are required to take, you should consult your legal, financial or other professional adviser immediately.

INSTRUCTIONS

If you are unable to attend the meeting and wish to vote, you are requested to complete the Proxy Form on page 47 of this Annual Report.

If you are planning to attend the Annual General Meeting please complete the Attendance Form on page 45 of this Annual Report.

NOTES

- a) *Information about the Resolutions appear in the Explanatory Memorandum.*
- b) *Under the Constitution no ordinary resolution can be passed in a general meeting without the vote of Capilano Beekeepers Ltd ('CBL') being cast in its favour.*
- c) *A member who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.*
- d) *A proxy need not be a member of the Company. A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.*
- e) *If you wish to appoint a proxy and are entitled to do so, then complete and return the attached proxy form.*
- f) *A corporation may elect to appoint a representative in accordance with the Corporations Act 2001 in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.*

Resolution – To adopt the Remuneration Report in the Report of the Directors

A resolution to adopt the Remuneration Report is required by the Corporations Act, which states that the vote on it is advisory only, and does not bind either the directors or the company. The Remuneration Report has been prepared in conjunction with RPC Group Pty Ltd, a company specialising in corporate remuneration planning. RPC have concluded that the company's remuneration policies are fair, reasonable and appropriate for its needs.

Under the Constitution of CHL no ordinary resolution can be passed in a general meeting of CHL without the support of CBL.

The directors support the resolution but will not be voting on it. However, they encourage shareholders to vote in favour of it which will support the policy of seeking to attract the best persons for the company's needs, and of remunerating them in accordance with industry standards. The CBL Constitution provides that no remuneration be paid to its directors. The directors of CBL receive their remuneration from their positions as directors of CHL.

Appointment of Directors Acknowledged

In accordance with Rule 101A of the Constitution, 2 persons will be appointed as Directors of CHL by virtue of them having been elected as directors of CBL at that company's Annual General Meeting.





CHAIRMAN'S REPORT



I am pleased to report that the results for this year have shown a significant improvement over last year. This has occurred during a period when the bulk price of honey on the world market has remained low and the \$A has maintained a relatively high level against other currencies.

The low return available from the export bulk market has highlighted the importance of continuing our strategy of developing pre-packed export sales to generate greater returns and to provide greater stability for Capilano, its shareholders and its suppliers.

This year market conditions dictated a further reduction in the price paid to our supplier shareholders for honey purchased under their Honey Supply Agreements. Unfortunately this price is near or below the cost of production for some suppliers.

The Board recognises the importance of local suppliers of high quality honey to the long term success of Capilano.

Overview of Results

Net profit after tax of \$1.4 million for the group reflects a turnaround of \$3.7 million compared with last year.

The improvement in this year's result has allowed us to pay a dividend of 5 cents per share for the year.

The average price paid for quota honey was A\$2.00 per kg, a decrease of 25% from last year, reflecting lower international honey prices and intensive price competition in the Australian market, especially in the supermarket private label area.

The structural changes that were discussed in the Half Year Report to Shareholders continue to affect the company. Total domestic supermarket sales have remained static during the year, with increased competition from farm gate, farmers markets and discount pricing by some of our competitors. Those beekeepers who were initially exporting direct to take advantage of the high price/low exchange rate that was available for a short time several years ago are now focussing

on the local market in an attempt to sell their honey at discount prices. We have seen the emergence of new competitor packers who target private label and domestic bulk sales, which has seen a decline in selling prices.

Despite this, it is pleasing to note that Capilano has been able to maintain its share of supermarket sales.

While in previous years the local retail market contributed profitable margins, the Supermarkets have made clear their plans for their own private label brands. Private label previously returned fair and reasonable margins but the introduction of e-auctions and increased competition has seen these reduced to unattractive and currently unsustainable levels.

In the professionally conducted market research we commissioned in April 2006 numerous other factors were identified as affecting retail honey sales in Australia. These include:

- changed trends in eating and the significant increase in the sales of chocolate spread;
- health and nutrition is increasingly important;
- savoury and spicy tastes are preferred;
- weight watchers, so calories are important;
- less bread is consumed, where honey was a traditional spread; and
- Mums are not giving honey to their children in the same quantities they themselves ate it.

All these factors will be considered when addressing the decline in supermarket sales.

Looking to the Future

We have begun a major marketing campaign which includes:

- media campaign which focuses on the natural and local attributes of honey, with its origins at the beekeeper level
- TV commercials which began to air in June 2006
- changes to the Capilano bee logo to make it more contemporary and appealing to consumers
- label redesign
- website upgrade
- development of new and innovative packaging

All these initiatives, although expensive, should position us well to gain an increased proportion of the local market and help to grow the whole category. They will also be used in overseas markets to improve our position.

We have seen a firming in the world price of honey in the last months of this financial year which, if sustained, may ease the competitive pressure on the local market and provide improved opportunities overseas.

Capilano's ability to provide a quality assured product continues to help us in all the markets in which we operate. The establishment of our own laboratory to ensure adequate and timely testing of product and the thorough trace back systems in place significantly reduce the risks to the company and its suppliers alike.

I would like to congratulate our suppliers on their willingness to implement quality systems to provide greater security.

Export retail sales have grown by 100% in 5 years. This is a very good result, and, fortunately for our business, occurred when we had a similar decline in local retail sales. The Board believes there is an enormous opportunity to increase this further and will be working hard to ensure it happens as quickly as possible.

Joint Venture with Honey Max

The Joint Venture with Honey Max in Argentina continues to provide a source of honey which cannot always be obtained locally to meet the requirements of our overseas customers. Sales of bulk honey through the Honey Max facility this year were lower than expected due to the higher volumes of Australian honey available. The joint venture with Honey Max remains important to meet our customer requirements and to provide security of supply for the retail markets we are developing overseas, particularly at times of low production in Australia.

Capilano Subsidiaries

• **Medihoney Pty Ltd**

The financial results show an improved sales result for Medihoney but the investment required to develop markets has been high and has had an impact on the overall group results.

The Board believes the attributes of Medihoney, its antibacterial activity and its ability to combat antibiotic resistant organisms are very important and offer a valuable opportunity to the company for development. We also recognise that to fully realise the potential of Medihoney this growth requires significant further investment. To facilitate this expansion we have, during this year, sought advice and investigated opportunities to raise capital to allow us to realise the full potential of Medihoney and reduce its dependence

on Capilano for funding. At the date of this report these investigations are continuing.

• **Capilano Labonté Inc. ('CLI')**

CLI continues to increase its share of the Canadian market and to provide an outlet for Australian honey at better returns than have been available on the bulk commodity market.

Despite significant price competition in Canada, CLI has performed to expectations. CLI also affords an easier access into the US market which represents an important opportunity to expand our overseas pre-packed sales.

The Board is confident CLI will develop into an important contributor to overall group results.

The Board

There have been significant changes to the Board during the past year, beginning with the election of Greg Roberts at the last AGM after the retirement of previous Chairman Don Keith.

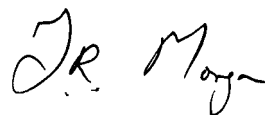
Warwick Wilshire also retired on June 30 after 23 years service with the Company, beginning as Managing Director in 1983 and followed by a further 10 years as an independent non executive Director. During that time Capilano has grown to be by far the biggest national marketer of honey and a major global player that markets to over 40 countries, with an interest in packing plants in Canada and Argentina.

Warwick's experience and wisdom will be a loss to the Board but Simon Tregoning, his replacement, brings broad expertise and a diverse knowledge that I believe will be of great benefit to Capilano.

The changes which have occurred in the Board this year have placed an added responsibility on the existing members who have all worked extremely well together to make an effective and productive team.

Our People

I would finally like to thank all our staff and management for their commitment and dedication to Capilano for without them we would not have the excellent company we have today.



Trevor R Morgan
Chairman





BOARD OF DIRECTORS



**Trevor R. Morgan,
FAICD**

*Chairman
Non-Executive Director
Commercial Apiarist
Age 51
(Appointed and elected
Director 1998, then Deputy
Chairman 2004, and
Chairman in 2005)*

Mr Morgan has been a director since 1998 was Deputy Chairman from 2004 – 2005 and was elected Chairman in 2005. He is a second generation beekeeper with over 30 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 ten years, including two years as President. He is a Fellow of the Australian Institute of Company Directors and holds a Company Directors' Advanced Diploma.



**Roger D. Masters,
B.Com, MBA, CA.**

*Managing Director
Age 51
(Appointed Director 1996)*

Mr Masters was appointed Managing Director in 1996. He has a Bachelor of Commerce Degree, a Masters Degree in Business Administration and is an Associate of the Institute of Chartered Accountants. He has had a distinguished career in senior management with significant experience in finance, marketing and business development.

Mr Masters is also Executive Chairman of Medihoney Pty Ltd, and a Director of Medihoney (Europe) Ltd and Capilano Labonté Inc.



Ian A. Cane

*Deputy Chairman
Non Executive Director
Commercial Apiarist
Age 48*

*(Elected Director 1990,
Deputy Chairman 2000
– 2004 and 2005)*

Mr Cane has been a director since 1990, was Deputy Chairman from 2000 – 2004 and was re-elected to that position in 2005. He is a third generation beekeeper with extensive experience in honey production.

Mr Cane is a qualified carpenter and joiner and has conducted his own business in the building industry.



Phillip F. McHugh

*Non-Executive Director
Commercial Apiarist
Age 49
(Elected Director 1993)*

Mr McHugh has been a Director since 1993. He is well known in the NSW apiculture industry and his family have been Capilano shareholders since 1975. Mr McHugh is active in industry affairs having served as Branch President of the NSW Apiarists Association.



Rosemary Doherty
FAICD

Non-Executive Director
Commercial Apiarist
Age 56
(Elected Director 2000)

Mrs Doherty has been a director since 2000. She has been a commercial apiarist in a partnership for over 30 years and is actively involved in industry issues, serving 20 years as Branch Secretary of the NSW Apiarists' Association, Western Plains Branch, and seven years as committee member of the Honey Bee Research and Development Committee. She is a Fellow of the Australian Institute of Company Directors and holds a Company Directors' Diploma and Certificate IV in Business Studies from New South Wales' TAFE.



Gregory P. Roberts

Non-Executive Director
Commercial Apiarist
Age 57
(Elected Director 2005)

Mr Roberts was elected a Director of CBL in October 2005 and was subsequently appointed a Director of CHL. He is a third generation beekeeper and has been widely involved in industry matters at both State and National levels. Mr Roberts has served as President of the NSW Apiarist Association, National President of the Federal Council of Australian Apiarists Association, National Chairman to the Australian Honey Bee Industry Council and the apiary industry's representative with Animal and Plant Health Australia.



Bernard J. Ballantyne

Independent
Non-Executive Director
Age 59
(Appointed Director 1991)

Mr Ballantyne is the Group Managing Director of Castlegate VGS Pty Ltd which is involved in the marketing and distribution of grain and grain by-products. He has had extensive experience in Agribusiness in senior management positions encompassing operations, sales, marketing and general management. Prior to his appointment to the Capilano Board in 1991, Mr Ballantyne had been the AFAL Nominee Director for six years.

Mr Ballantyne is also Chairman of Capilano Labonté Inc.



Simon L. Tregoning
B.Com

Independent
Non-Executive Director
Age 58
(Appointed Director 2006)

Mr Tregoning is a Director on the Boards of Australian Cooperative Foods (Dairy Farmers), St Luke's Hospital Complex, Philemon (Waterthin's Biscuits), and is Chairman, Canberra Chilled Foods. He was formerly Vice-President, Kimberly-Clark Corporation. He has had broad FMCG experience in Australia, Africa, and most of Asia. Earlier he was General Manager of various downstream divisions of Esso Australia Ltd.



REVIEW OF OPERATIONS 2005-2006



The results of Capilano Honey Limited have turned around by \$5.3 million to record an earnings before interest and tax (EBIT) of \$5.3 million and a net profit before tax (NPBT) of \$3.6 million, a substantial improvement on last year. This result is after the impact of a major loss of profit contribution through the effect of electronic auctions for private label and closure of a customer's factory to move manufacturing offshore. In addition, stock valuations were written down by a further \$2 million as honey price reduced to align with the returns of the markets into which the honey is sold.

Group results record a consolidated profit of \$1.39 million, reduced largely by the result from Medihoney Pty Ltd. The financial performance of Medihoney, which incurred a loss of (\$1.17 million) in the 2006 financial year, has been substantially shaped by the resources required to build the business in the United Kingdom (UK). While revenue for Medihoney increased by 37.8% to \$2.9 million its result reflects the high fixed cost of well qualified specialist staff and marketing costs involved in introducing its products to market.

	CHL	Medihoney	Consolidated
Net Profit after tax (NPAT) (\$'000)	2,559	(1,169)	1,390

The types of structural change in the honey industry and its markets was outlined in the Half-Year Report. The higher number of competitor packers means increased competition for a limited local market, resulting in selling prices falling in the market segments most affected; that is supermarket private label and bulk honey. Any ongoing shift in sales mix to supermarket private label will further erode margins to the industry. The new competitors are disinclined to pursue other markets like export.

The total honey category at supermarket level measured by A C Nielsen scan data shows a flat market; 9,346 tonnes at 3 July 2005 compared with 9,294 tonnes at 18 June 2006.

The 'Chairman's Report' mentions the marketing effort Capilano is making to lift the category and is further commented upon in the 'Sales & Marketing' section of this Annual Report. One of the issues that controls us is that reduced margins from a private label segment also reduce our ability to invest in promoting the positive benefits of honey. Price becomes the means of attracting the customer, turning honey into a commodity.

This is certainly an issue for the Australian honey industry, when increased local competition for an increasing private label segment drives supplier profits down, a situation which is already being reflected in the prices paid to beekeeper suppliers. Decreasing returns from private label sales, coupled with rising fuel prices, have resulted in honey prices near or below the cost of production.

Significant events:

- EBIT of \$5.3 million
- Turn around from last year in net profit before tax of \$5.4 million
- Receivables level of 13,386 tonnes from contracted shareholders
- Honey price \$2.00/kg
- Branded market share declined marginally
- Decrease in private label profit contribution
- Medihoney loss of \$1,169k
- Stock write downs of \$2.0 million
- Update of Capilano logo and packaging
- Increase in export retail pack sales
- Capilano Brand advertising

Results considered are of the Group unless otherwise stated.

(\$'000s)	2006	2005	2004
Revenue	76,174	79,633	83,848
Earnings before Interest & Tax	3,599	(1,651)	1,433
Net Profit after tax	1,390	(2,278)	43

Revenue was significantly affected by the reduced value of the private label business, while Medihoney's loss also significantly reduced the Group's consolidated net profit.

REVIEW OF OPERATIONS 2005-2006

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	2006	2005	2004
Shareholders' Equity (\$,000's)	26,164	25,064	24,140
Return on Equity	5.3%	(9.1%)	0.2%
Earnings per Share (cents)	27.1	(44.4)	0.8

Net Asset Backing as at 30 June 2006 was \$5.10/share while the average traded price of shares was \$3.56 in financial year 2006 on the Bendigo Stock Exchange.

	2006	2005	2004
Current Ratio	2.91	2.82	3.26
Debt (Total Liabilities / Total Assets)	59%	62%	64%
Interest Cover (EBIT D&A / Interest)	3.57	0.19	2.21
Net Assets (\$'000's)	26,164	25,064	24,140
Total Assets (\$'000's)	64,150	65,173	66,200

The improved current ratio and debt ratio support a strong balance sheet, whilst total unused finance facilities were \$7.4 million at balance date (\$5.6 million last year).

Honey receipts were 13,386 tonnes from contracted shareholders, being an amount still surplus to our domestic and export retail requirements. The surplus is sold into the export bulk commodity market and prices received in this segment remain below the average cost of honey in stock. For many years the profit from the domestic market has subsidised the purchase of honey from our beekeeper suppliers which is surplus to the amount required in profitable market segments. The forcing down of local prices through new packer competition and increased private label volumes has placed Capilano at a competitive disadvantage compared with other packers who do not buy honey surplus to their needs.

We have built strong partner relationships with overseas supermarkets for their private label programs and will do the same in Australia. It will require us to address the issue of matching the buying price paid for honey with the margins received in the segments in which it is sold.

The subsidiary Capilano Labonté Inc. performed well until it came under intense price competition in the last few months of the financial year. We met the competition which has affected our result. It provides a valuable alternative to the bulk commodity market. We plan upon introducing our products into the USA market in 2007 and our Canadian operation gives us added strength in that undertaking.

Medihoney, although greatly increasing its revenues, has invested heavily in market development at the expense of profitability. We have seen a good acceptance of its products in the UK and in Europe. As the Chairman notes, we are investigating ways to reduce its dependence on Capilano for funding.

The coming year is a challenging one with a changing business environment.



Roger D Masters
Managing Director





MARKETING



Marketing Activity

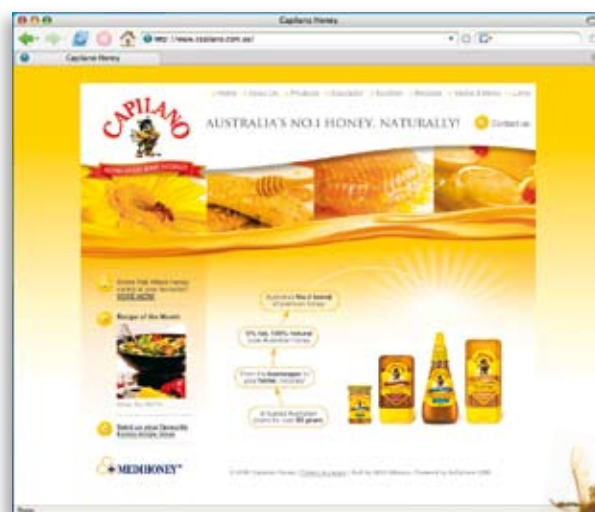
While the total volume of honey sales in the Australian grocery retail market declined marginally in 2006, Capilano has worked to improve its market leader position in an environment of increasing price competition in the overall spreads category. Private Label offerings are expected to have a significant impact on the honey category and have the capacity to erode the sales volumes of proprietary brands.

Our marketing efforts are directed towards:

- sustaining Capilano Honey's position as Australia's number one honey brand;
- reintroducing honey back into the pantries of Australian consumers; and
- maintaining strong relations with our distribution channels as we lead and grow the honey category.

In ensuring that the Capilano brand communicates its premium qualities to the contemporary marketplace, we have refreshed its visual identity by updating the logo and packaging to look more contemporary and approachable. Our new labels retain the core elements and heritage of the Capilano brand and will continue to be identified on-shelf with our warm yellow label and Capilano 'bee' logo. Our new designs feature the revamped bee, which has been animated into a three dimensional character, bringing him to life and making him more appealing to our contemporary audience. Adding to the design is a golden wave of honey through the label. A refreshed website completes the look for Capilano and incorporates some new features including an updated recipe database, recipe of the month and an online poll to allow us to conduct further consumer feedback.

We implemented an extensive media campaign to reinforce the beekeeper heritage and natural product attributes of honey. The campaign encompasses both television and magazine advertisements to deliver these messages and extends the brand through infomercial appearances on Huey's Cooking Adventures and Fresh Cooking. These television shows reinforce honey as an everyday ingredient in cooking to encourage consumers to use it in new applications and to prompt the purchase of honey as a regular pantry item.



Capilano has continued to investigate new product developments and innovations, which historically have contributed to its market leader position in Australia and have assisted in developing our export markets. Capilano is currently focused on a number of new packaging innovations, which will be due for release early next year.

Capilano commissioned primary market research this year to collect consumer feedback into the reasons for the past category decline and to test assumptions that had been made in the development of marketing strategies. The research focus provided an understanding of current consumer attitudes towards honey and clarified our direction for the future promotion of the Capilano brand.

In recent years, the major Australian retailers have changed the transportation logistics from supplier's factory to the store shelves to create a more efficient management of stock in supermarkets. Capilano has participated in the development of shelf friendly packaging with retailers to meet their expectations.

During the year ending June 2006 Capilano brand has been able to improve the number of products that are ranged in the supermarket and increase distribution through other channels.

Capilano continues to supply the private label offering of a number of the supermarket chains and is well equipped to provide the logistical support, product innovation and level of quality assurance such a partnership requires.

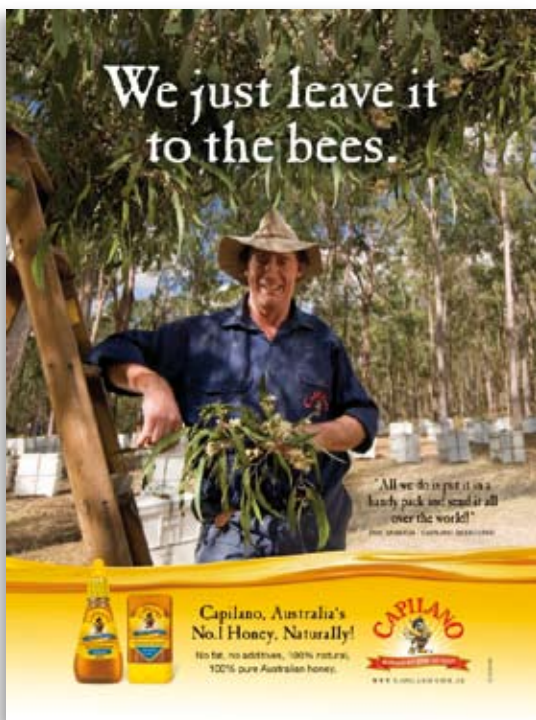
Capilano's marketing encompasses domestic sales, export, bulk and food service divisions – delivering the company's marketing messages across all its market segments.



George Gatenby
National Business Manager



Kyra Dunstan
Marketing – Project Manager





INTERNATIONAL MARKETS



The positive aspects of our global strategy are being realised with growing export retail pack sales and an expansion of sales through Capilano Labonté Inc. and Capilano Argentina. Export sales totalled \$23.3 million, up slightly on last year.

During the past year, prices for commodity bulk honey on the international market retreated to levels that reflected the balance between higher supply and lower demand. The return of China to the European market and average honey crops in South America resulted in lower spot demand. Prices subsequently adjusted to lower levels to reflect the greater buying choice.

Australian honey accounts for approximately only 3% of the world honey production. Prices on the international market continue to be influenced by events in China and Argentina, with supermarket retail pressure in Europe and North America also impacting on the price overseas packers and traders can afford to pay. Recent talk of a lower Chinese honey crop has led to current speculation that prices may rise subject to demand. That position will be monitored closely.

Export Retail

Export retail sales have continued to grow despite strong competition in key markets. Sales were up 3% on the previous year.

Our market development activities in the United Kingdom have continued. We face strong price competition from UK packers, who purchase bulk Australian honey from other Australian exporters and then discount its sale to maintain market share. The return of cheaper Chinese honey to blends in the lower end of the market has also increased pressure on price.

We have achieved improved distribution through independent supermarket chains, while maintaining our share in the major chains. We are endeavouring to expand our visibility and shelf space, while improving our share of private label sales.

We have continued to support the BBC Good Food Show with a consumer education campaign. Capilano sponsored cooking demonstrations at this consumer show, with celebrity chef Jean Christophe Novelli cooking a number of dishes using honey.

Sales to the Republic of Ireland have continued to perform strongly. We have been successful in gaining increased distribution in all leading supermarket chains. We expect to expand our product range over the coming year and capitalise on the solid sales growth and increasing brand recognition in the market.

We have significant distribution in South East Asia through growing acceptance of the Capilano Brand.

We have continued to expand sales on the Indian sub-continent. Our first direct sales to Sri Lanka and Pakistan were recorded this year and we look forward to expanding this new territory in the coming year. Sales to India have continued, although the lack of supermarket distribution channels has provided some challenges. We have continued to expand sales through the wholesale markets in key regional centres, with our product penetrating the independent retail trade.

In the Middle East, sales to Saudi Arabia continue to be frustrated by the sale of other honey misrepresented as Australian, but actually from other origins. While efforts continue to be made to stop this practice, it is extremely difficult to stop small operators who supply the majority of false product. Chinese honey also continues to flood into this market, making price a key factor for consumers.

Notwithstanding these practices, sales in other Middle East markets remain positive. This region is expanding economically, with the supermarket landscape continuing to expand, including more hypermarkets. Sales plans have been introduced to further expand our retail visibility and penetration of key sales channels.

Export Bulk

Honey was sold into the international bulk commodity market where prices fell back to more historic levels due to global supply side influences. Sales were up 6% on the previous year. International bulk commodity prices will continue to be determined by supply factors in China and Argentina.

Capilano Labonté Inc.

Capilano Labonté has become a major player in the Canadian market, expanding branded and private label retail sales.

Efforts to expand distribution and consumer awareness of our "Capilano Labonté" brand are paying dividends. During

the 4-week period to 10 July 2006, "Capilano Labonté brand" was the leading branded retail honey in British Columbia.

Also our efforts to expand distribution continue, with new "Capilano-Labonté" retail pack listings in leading supermarket chains. These branded listings complement our strong performance in private label packing across Canada. Private label remains an integral part of our business in Canada and has provided a strong platform for the development of our retail business.

Our private label business has expanded, with the launch of a "President's Choice" Upside Down Organic honey for Loblaws Supermarket. "President's Choice" is recognised as a premium private label brand in Canada and this business represents a significant achievement for Capilano Labonté.

Capilano Labonté continues to play an important role in our global strategy. The development of retail packs for this market has diverted Australian honey from the surplus bulk commodity market and into value added retail packs. Capilano Labonté also provides a footprint for launch into the USA.

➤ **Capilano Argentina**

A number of important milestones have been achieved during the past year which will enable a further expansion of sales for Capilano Argentina for both Argentine and Australian honey.

A logistics partner has been appointed in Europe to assist with the management of our warehousing and distribution to end customers. While providing supply assurances, this partnership also offers a platform for further sales expansion across Europe.



Peter McDonald
General Manager – International Business





OPERATIONS



Operations

During the past year, the Operations Department has introduced a Continuous Improvement Process which has identified the key factors effecting the cost of manufacturing. Each of these key factors has had an action plan developed to minimise their effects on product costs.

Successful outcomes have been achieved in the areas of investigation. For example, Richlands' honey wastage has been reduced by 33% and the high speed packing line downtime reduced by 17%.

The review of utilities used has resulted in the reduction of water used per kilogram of honey processed. Due to the ongoing water shortages in SouthEast Queensland, plans are underway for rainwater collection and its use within Richlands' factory.

Assisting with productivity improvements has been the continuing introduction of Intermediate Bulk Containers (IBC's). During the past year a further 3,000 IBC's with an approximate value of \$750,000, have been introduced into the system. The use of IBC's has resulted in significant labour savings within the factories. The decant systems for IBC's have been adapted to achieve continuous honey off take during the heating / liquification process. This reduction in bulk honey heating has meant an improvement in reducing honey flavour changes and minimise any changes in HMF (hydroxy methyl furfural) levels, an increase in decant rates and reduction in heating costs.

Changing customer requirements has seen the introduction of a one-kilogram beehive shaped bottle for the Canadian, Australian and Korean markets. A 600g Twist & Squeeze bottle has also been introduced into the Australian market. Supermarkets are now requiring products to be packed into shelf ready packaging to minimise product handling at retail store level. This changing packaging requirement will

necessitate further capital expenditure during the 2006/07 year for equipment required to cut our production costs of delivering the new packaging.

Following a review of material procurements, several long-term supply partnerships have been entered into. These partnerships have resulted in significant cost savings, reduced stock holdings and material delivery to planned schedule. A number of previously externally purchased plastic material products are now manufactured at Richlands with resultant cost savings.

The coming year will see a continuing realignment of operational activities to achieve greater cost efficiencies in a more competitive and changed sales environment.

Quality Assurance

In early 2003, Capilano established a formal Quality Assurance (QA) Department as the company expanded internationally and began packing honey from origins other than just Australia. Since its implementation, the QA Department has taken responsibility for Quality Systems and the quality of honey purchased, processed and sold, including the consistent meeting of customer Specifications and expectations throughout all Operations.

We now operate in different regulatory environments and must address the challenges of honey supply from different beekeeping regions, where there are varied honey bee diseases and therapeutic controls. The major quality activities accomplished include:

- implementation of the company's quality policies and procedures to international Operational sites in Canada and Argentina;
- review, upgrade and continuous improvement of existing Quality Systems in Australia to ensure full international harmonisation;
- full Hazard Analysis Critical Control Point (HACCP) independent Certification for Quality Systems at each international site;
- implementation of British Retailer Consortium (BRC) Quality Systems to both Australian retail packing sites (Maryborough and Richlands);
- the ongoing successful Audit by the Therapeutic Goods Administration (TGA) of Medihoney's ISO:13485 Quality System for Medical Devices;
- the planning, building, staffing and implementation of an independent laboratory for microbiological and analytical testing of honey (SciTest laboratory, Richlands, Australia);

- National Association of Testing Authorities (NATA) accreditation (ISO/IEC 17025) for tests in the Chemical Testing Program of the Laboratory;
- continued progression of QA Audits of Beekeeper premises and Systems;
- upgrade of the Beekeepers Management System (BMS) software in association with IT to automate testing requirements per customer product, retention of results and implementation of a positive release authorisation for finished good dispatches.

SciTest Laboratory

SciTest Laboratory was implemented to take control of the Research and Development of analytical protocols in honey to ensure Capilano has consistent, competent, timely and accurate analytical results. SciTest has effectively centralised the testing operations of the Capilano Group and its implementation has coincided with significant computer system upgrades to manage the process. The Laboratory facilities and expertise have also enabled the conduct of relevant Research and Development Projects associated with the functions of the Capilano Group.

The Laboratory has become an essential part of the QA Department and since its implementation we have realised decreased test costs in the face of greater testing numbers, shorter lead times on results and better synchronisation of results with dispatches. SciTest's introduction has been timely as we continue to encounter increased QA requirements and testing demands from our customers, which are being fulfilled as a consequence of the Laboratory.

Honey Supply

Honey receipts were 13,386 tonnes from contracted shareholders compared with 13,912 tonnes last year. The 2005/2006 honey season has proven very difficult to predict. Major honey crops, in particular winter crops were hindered by ongoing drought conditions. The same conditions slowed honey production from ground flora throughout the year. The two stand out groups for production through the year were those in the Pf 40mm range and Pf 60mm range. Dry conditions favoured eucalypts that carried bud into their normal flowering cycle resulting in excellent crops of Red Stringbark and Ironbark. The second half of the season produced most of the honey for the year.

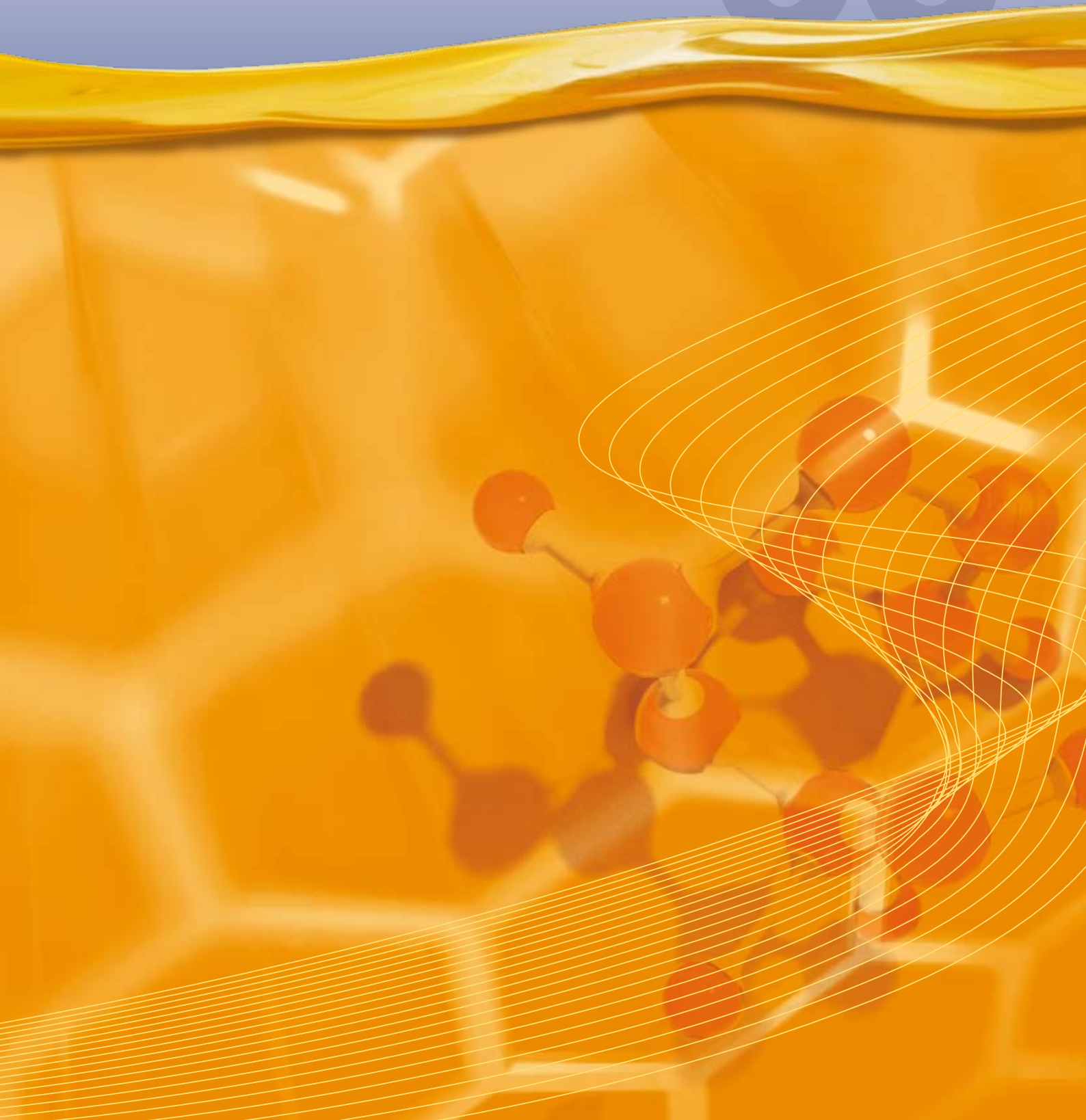
The Future

The QA Department continues to address relevant global honey quality issues and delivers protection to the integrity of the Capilano brand by integrated Quality Systems and competent product testing. Capilano products are internationally renowned for their quality as a result of our customers' experiences with the product and the technical service we provide. This QA focus within Operations is set to continue as we respond to the quality issues presented.



John Gill
General Manager – Operations







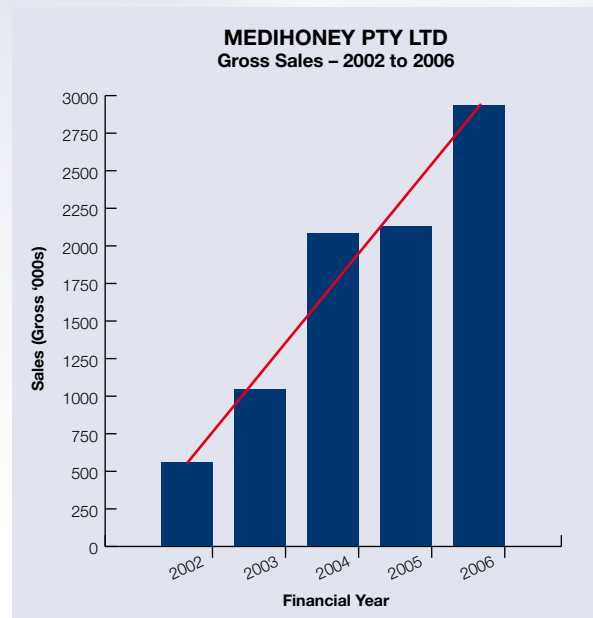
The financial performance of Medihoney which incurred a loss of (\$1,169k) in the 2006 financial year has been substantially shaped by the resources required to build the business in the United Kingdom (UK).

The initial investment in sales personnel, distribution and logistics partners, promotions to achieve brand awareness, regulatory approvals – all occur before the build up in sales. Contribution lags behind expenditure. The adoption of AelFRS financial reporting standards calls for all establishment costs in respect of a new market to be written off when incurred, rather than be capitalised to be matched against future revenues. The UK is considered by many to be the centre of wound care development in Europe. Success in the UK will build profile and provide an important platform from which to launch products into Europe.

In August 2005, the Medihoney wound care products were successfully listed on the UK Drug Tariff. This enables UK Doctors and Nurses to prescribe the Medihoney wound care products at the UK National Health Service (NHS) expense. To do this we were successful in calling for a new Drug Tariff category to be created for our products, a significant achievement for a non-UK based company.

Medihoney, through the use of distributors, launched the current CE marked wound care range into Finland and Turkey. Finland will provide a base for the roll out of products into other Nordic countries. Turkey provides good insight on the acceptability of our products in Islamic countries.

These initiatives lead to an increase in global sales of 37.7% on last year's result reflecting a continued trend of solid growth. Continued growth drivers will focus on increasing the range of our core business products and market development.



We are continuing to work with several key hospitals in Germany. Journal publications and success stories from these hospitals have resulted in national exposure on German documentaries throughout the year.

The USA is the world's single largest wound care market and work has commenced with the USA Food and Drug Administration (FDA) to obtain pre-market clearance for our wound care products. We are also working with key clinicians there to establish an expert user group.

In February 2006 the management of Medihoney was divided into two key roles to recognise the diverse needs of a 'life-science' company. Mr Andrew Bond (formerly General Manager of CLI) took up the position as Commercial Director whilst Mr Anthony Moloney became Director – Science & Strategic Development. Mr Roger Masters was also appointed Executive Chairman.

To maintain our leading position, it is important that we take the initiative in new markets. To help fund the ongoing growth of this business, Medihoney is seeking to raise capital.



MEDIHONEY

PURPOSE OF THE CAPITAL RAISING

The capital raising is to provide funds in order to carry out a number of value adding projects for the business. These include:

Product Development

- investing in research and development to fast track to market, new medical honey products to extend our product range and allow for regulatory approval in new markets.
- investing in clinical trials and research to provide further evidence of product efficacy and increase credibility of infection control capabilities.

Brand and Product Portfolio

- review of the current product portfolio, in both medical and consumer markets, to restrict core products under the Medihoney brand name to those linked to honey's core attributes such as antibacterial activity and related therapeutic benefits.

Distribution

- establishing distributors and potential product partners for emerging markets.

Medihoney's activities in the initial business stage related to proving product attributes by case studies, clinical trials, research & development projects and overcoming the regulatory hurdles to make its products a commercial proposition.

The early commercialisation phase has consumed cash resources and time as we have moved from product development to an increased focus on market development, including sales and distribution. The company has reached a stage where a higher level of investment in the business is necessary to build sales and distribution growth in these markets. A review of the product portfolio and branding strategies has been completed regarding their positioning for the marketing phase of the commercialisation process. Further investment is therefore required to achieve Medihoney's growth potential and the return expected from this business.

Anthony P Moloney
Science & Strategic Development Director





→ CONCISE FINANCIAL REPORTS

Report of the Directors	20
Auditors' Independence Declaration	29
Corporate Governance Report	30
Consolidated Income Statement	34
Consolidated Balance Sheet	35
Consolidated Statement of Changes in Equity	36
Consolidated Cash Flow Statement	37
Notes to the Consolidated Financial Statements	38
Directors' Declaration	41
Independent Audit Report to the Members	42
Shareholders' Information	43

This concise report has been derived from the full financial report for the year ended 30 June 2006. The full financial report and auditor's report is available free of charge on request.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Capilano Honey Limited and its controlled entities as the full financial report.



REPORT OF THE DIRECTORS

Your directors present their report on the consolidated entity consisting of Capilano Honey Limited ('CHL') and the entities it controlled at the end of or during the year ended 30 June 2006.

Directors

The following persons held office as directors during the financial year and up to the date of this report:

- Donald G Keith (Chairman until his retirement from the Board on 6 October 2005)
- Trevor R Morgan (Deputy Chairman until 6 October 2005; elected Chairman 7 October 2005)
- Ian A Cane (elected Deputy Chairman 7 October 2005)
- Rosemary Doherty
- Phillip F McHugh
- Roger D Masters
- Gregory P Roberts (appointed to the Board 7 October 2005)
- Bernard J Ballantyne
- Warwick B Wilshire (retired from the Board 30 June 2006)
- Simon L Tregoning (appointed to the Board 1 July 2006)

Activities

The principal activities of the consolidated entity during the 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 year after income tax was \$1,389,718.

Adoption of Australian Equivalent to International Financial Reporting Standards (AeIFRS)

As a result of the introduction of AeIFRS, the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AeIFRS is included in Note 2 to this report.

Distributions

No dividend was paid during the year.

A fully franked dividend of five cents per share has been declared for the year ended 30 June 2006.

Review of Operations

Sales revenue of \$75,853,689 for the consolidated entity was \$3,541,495 below the previous year's result. An analysis of this sales decrease is as follows:

	% increase / (decrease) of 2006 over 2005	2006 \$	2005 \$
Capilano Honey Limited	(5.6%)	72,926,068	77,271,173
Medihoney Pty Ltd	37.8%	2,927,621	2,124,011

The decrease in revenue for the parent entity was mainly a result of increased domestic competition, particularly in private label revenue.

Matters Subsequent to the End of the Financial Year

There is at the date of this report no matter or circumstance which has arisen since 30 June 2006 that has significantly affected or may significantly affect:

- the operations of the consolidated entity;
- the results of those operations; or
- the state of affairs of the consolidated entity in financial years subsequent to 30 June 2006.

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 on 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.



REPORT OF THE DIRECTORS

INFORMATION ON DIRECTORS

Director	Qualifications/Experience	Special Responsibilities	Shares held in Parent entity
Donald Gordon KEITH	FAICD, AM Commercial apiarist Director from 1989–2005	Period: 1 July – 6 October 2005 Chairman of Capilano Honey Limited Board, Chairman of the Nomination Committee and a Member of the Honey Supply & Industry Committee. Chairman of Capilano Beekeepers Ltd. Director of Medihoney Pty Ltd. Mr Keith retired from the Board of Directors on 6 October 2005.	D G Keith is a partner in a partnership which holds 57,920 shares.
Trevor Richard MORGAN	FAICD Commercial apiarist Director since 1998	Period: 1 July – 6 October 2005 Deputy Chairman of Capilano Honey Limited Board. Chairman of the Audit & Compliance Committee and Member of the Honey Supply & Industry and Nomination Committees. Director of Capilano Beekeepers Ltd. Period: 7 October 2005 – 30 June 2006 Chairman of Capilano Honey Limited Board, Chairman of Nomination Committee and a member of the Honey Supply & Industry Committee. Chairman of Capilano Beekeepers Ltd.	T R Morgan is a partner in a partnership which holds 13,260 shares.
Ian Alfred CANE	Commercial apiarist Director since 1990	Period: 1 July – 6 October 2005 Chairman of Remuneration Committee and Member of the Honey Supply & Industry and Nomination Committees. Period: 7 October 2005 – 30 June 2006 Deputy Chairman of Capilano Honey Limited, Chairman of the Remuneration Committee and a Member of the Honey Supply & Industry and Nomination Committees. Director of Medihoney Pty Ltd.	I A Cane is a partner in a partnership which holds 24,235 shares.
Roger David MASTERS	B.Com, MBA, CA Managing Director since July 1996	Period: 1 July 2005 – 9 February 2006 Member of the Audit & Compliance and Honey Supply & Industry Committees. Director of Medihoney Pty Ltd and Director of Medihoney (Europe) Ltd. Vice-President of Capilano Labonté Inc. Period: 9 February – 30 June 2006 Member of the Audit & Compliance and Honey Supply & Industry Committees. Executive Chairman of Medihoney Pty Ltd and Director of Medihoney (Europe) Ltd. Vice-President of Capilano Labonté Inc.	1 R D Masters is also the beneficiary of an entity holding 6,000 shares.
Bernard James BALLANTYNE	Independent Director since 1991	Period: 1 July 2005 – 9 February 2006 Independent Non-executive Director. Member of the Remuneration and Audit & Compliance Committees. Chairman of Medihoney Pty Ltd. Chairman of Capilano Labonté Inc. Period: 9 February – 30 June 2006 Independent Non-executive Director. Member of the Remuneration and Audit & Compliance Committees. Director of Medihoney Pty Ltd. Chairman of Capilano Labonté Inc.	1



REPORT OF THE DIRECTORS

INFORMATION ON DIRECTORS (continued)

Director	Qualifications/Experience	Special Responsibilities	Shares held in Parent entity
Rosemary DOHERTY	FAICD Commercial apiarist Director since 2000	Period: 1 July – 6 October 2005 Member of the Audit & Compliance, Nomination, Remuneration and Honey Supply & Industry Committees. Period: 7 October 2005 – 30 June 2006 Chairman of the Audit & Compliance and a Member of the Nomination, Remuneration and Honey Supply & Industry Committees.	R Doherty is a partner in a partnership which holds 13,800 shares.
Phillip Francis McHUGH	Commercial apiarist Director since 1993	Chairman of the Honey Supply & Industry Committee and Member of the Nomination Committee.	P F McHugh holds 34,676 shares.
Gregory Paul ROBERTS	Commercial apiarist Elected Director in October 2005	Period: 1 July – 6 October 2005 n/a. Period: 7 October 2005 – 30 June 2006 Member of the Honey Supply & Industry and Nomination Committees.	G P Roberts is a partner in a partnership which holds 16,000 shares.
Warwick Birdsall WILSHIRE	FAICD, JP (C.Dec) Managing Director from July 1984 to 30 June 1996 Independent Director from June 1996 – June 2006	Independent Non-executive Director. Member of the Audit & Compliance and Remuneration Committees. Director of Medihoney Pty Ltd. Mr Wilshire retired from the Board on 30 June 2006.	1
Simon Lucien TREGONING	B.Com Appointed Independent Director in July 2006	Appointed Independent Non-executive Director on 1 July 2006.	Nil

COMPANY SECRETARY

Errol John BAILEY	CPA, FCIS, JP(C.Dec)	A Certified Practising Accountant and a Fellow of Chartered Secretaries Australia, Mr Bailey has extensive experience in corporate administration and finance, gained during more than twenty five years in management positions. Mr Bailey is also Company Secretary of Medihoney Pty Ltd and Medihoney (Europe) Ltd.
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REPORT OF THE DIRECTORS

The particulars of directors' interests in shares are as at the date of this report. Directors retiring by rotation are Messrs Cane and Doherty, both being eligible, are offering themselves for re-election.

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	Directors Meetings of the Company		Committee Meetings of Directors		Directors Meetings of Controlled Entities		General Meetings of the Company	
	No. of Meetings Attended	No. of Meetings Held (*)	No. of Meetings Attended	No. of Meetings Held (*)	No. of Meetings Attended	No. of Meetings Held (*)	No. of Meetings Attended	No. of Meetings Held (*)
D. G. Keith	3	3	5	5	2	2	1	1
T. R. Morgan	13	13	16	16	4	4	1	1
R. D. Masters	13	13	14	14	6	6	1	1
B. J. Ballantyne	13	13	15	15	6	6	1	1
I. A. Cane	13	13	10	10	4	4	1	1
R. Doherty	13	13	16	16	-	-	1	1
P. F. McHugh	13	13	7	7	-	-	1	1
G. P. Roberts	9	10	5	5	-	-	1	1
W. B. Wilshire	13	13	15	15	6	6	1	1

(*) Reflects the number of meetings held during the time the director held office during the year, or while he/she was a Member of a Board Committee. Number of Meetings attended includes attendance by invitation.

Environmental Regulations

The consolidated entity's operations are subject to environmental regulations under legislation in Queensland and Victoria in relation to its honey packing and construction, installation and plant maintenance operations.

Senior management of the parent entity is responsible for monitoring compliance with environmental regulations.

Based upon the results of inquiries made, the directors are not aware of any significant breaches during the period covered by this report. They have been made aware of the following non-compliance:

- Richlands – PET and Packaging Operations

Environmental Licence required under Section 41 of the Environmental Protection Act (QLD) 1994. Application for such a licence was lodged in 2005 and re-lodged following discussions with the Environmental Licence Authority.

Compliance with the requirements of environmental regulations was substantially achieved across all other operations with no other instances of non-compliance in relation to requirements noted.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.



REPORT OF THE DIRECTORS

REMUNERATION REPORT

1. Capilano Remuneration Committee

• 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:

- (i) 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.
- (ii) Recommending remuneration for directors and executives, including fixed remuneration, short and long term incentives and terms of service.

• Memberships and Meetings

Members of Remuneration Committee	No. of Meetings Attended	No. of Meetings Held (*)
I.A. Cane (Chairman)	3	3
W.B. Wilshire	3	3
R. Doherty	3	3
B.J. Ballantyne	3	3
By invitation:		
D.G. Keith	1	1
R.D. Masters	2	2
T. R. Morgan	3	3

• Advisor

The Committee has retained independent external expert remuneration advisors RPC Group Pty Ltd to advise Capilano on executive remuneration matters, market remuneration data, short and long term incentive plans, non executive director remuneration and share participation plans.

2. Capilano’s Remuneration Policy

• Reward Philosophy

Capilano’s remuneration philosophy is that:

- (i) remuneration should emphasise performance;
- (ii) the balance between fixed and variable remuneration should reflect market conditions and the extent to which the role contributes directly to performance;
- (iii) individual objectives reflect the need to deliver sustainable outcomes for shareholders; and
- (iv) short and long term incentives link 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 interest of Capilano employees and shareholders.

• Reward Principles

The purpose of the remuneration policy is to ensure that salary packages offered by Capilano are sufficient to attract and retain the managing director, executives and employees with abilities and skills appropriate to the needs of the company measured as Total Employment Cost (TEC), and non executive directors as recommended to shareholders in general meeting.

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 on costs. 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.



REPORT OF THE DIRECTORS

The determination of TEC includes three basic principles:

- (I). external parity;
- (II). internal parity; and
- (III). reward for achievement.

I. External Parity

The principle of external parity means that Capilano's 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, Capilano salary packages should be comparable with the median to upper quartile 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.)

II. Internal Parity

The principle of internal parity means that within the management structure of Capilano, similar TECs apply for jobs with similar contents and level of responsibility. It is however still important that during salary planning and review, individual judgments 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.

III. 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 and the Medihoney Option Plan, both of which are subject to review and refinement on an ongoing basis, and in the Equity Participation Plan which terminated at 30 June 2006.

• 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 Remuneration Committee;

- b) Senior Executives report to the Managing Director – reviewed by the Managing Director and subject to endorsement by the Board Remuneration Committee; and

- c) All other salaried staff – reviewed by Functional Managers (Heads of Departments) and subject to approval by the Managing Director.

- d) Non-Executive Directors – reviewed by the Board with advice from the Board Remuneration Committee and external remuneration consultants and recommended by the Board to shareholders in general meeting.

3. Capilano Total Reward Structure

The Remuneration Committee is responsible for reviewing and recommending remuneration arrangements for the directors, the Managing Director and the executive team. The Remuneration 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 Remuneration 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.

06

REPORT OF THE DIRECTORS

- **Long Term**

The Board has also established a Long Term Incentive Plan for the Managing Director and eligible Senior Executives to reward them for successful achievement of long-term business growth targets. The Plan is based on overall growth in profitability over periods of not less than five years. The Plan commenced in 2000 and terminated in June 2006 and no bonuses were paid to any Executive.

4. Capilano Employee Share Plans for Future Consideration

Capilano has no broad based share plans for the benefit of employees. Now that Capilano is a publicly listed company, the Board believes it is appropriate for this to be reviewed and subject to this review may recommend the introduction of an employee plan at some time in the future.

5. Directors and Executives Remuneration Disclosure

- **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 executives remuneration disclosure below, the pro-rata payment of or entitlement to such a benefit for the period since 30 June 2005, 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 R Morgan	Chairman (Non Executive – elected 7 October 2005)
D G Keith	Chairman (Non Executive – retired 6 October 2005)
I A Cane	Deputy Chairman (Non Executive – elected 7 October 2005)
R D Masters	Managing Director
R Doherty	Director (Non Executive)
P F McHugh	Director (Non Executive)
G P Roberts	Director (Non Executive)
W B Wilshire	Director (Independent Non Executive)
B J Ballantyne	Director (Independent Non Executive)

- **Details of Most Highly Remunerated Executives of the Consolidated Entity**

A Bond	Commercial Director – Medihoney Pty Ltd
A P Moloney	Science & Strategic Development Director – Medihoney Pty Ltd
K Fenton	Sales Director – Australia & Oceania
J Gill	General Manager – Operations
R Eustace	Business Development Manager
P McDonald	General Manager – International Business
R Rivalland	Financial Controller

- **Gross Remuneration of Directors and Executives**

	Cash salary and fees \$	Incentive Plan \$	Non monetary benefits \$	Super-annuation \$	Options \$	Total \$
Details of Directors						
D G Keith	19,204	-	-	1,728	-	20,932
T R Morgan	64,184	-	-	5,776	-	69,960
R D Masters	137,114	-	150,294	62,592	-	350,000
I A Cane	42,423	-	-	3,813	-	46,236
R Doherty	37,405	-	-	3,366	-	40,771
P F McHugh	37,405	-	-	3,366	-	40,771
G P Roberts	27,545	-	-	2,479	-	30,024
W B Wilshire	77,510	-	-	5,135	-	82,645
B J Ballantyne	123,621	-	-	5,135	-	128,756
TOTALS 2006	566,411	-	150,294	93,390	-	810,095

REPORT OF THE DIRECTORS

	Cash salary and fees \$	Incentive Plan \$	Non monetary benefits \$	Super- annuation \$	Options \$	Total \$
Details of Most Highly Remunerated Executives						
A Bond	153,593	-	-	13,823	-	167,416
A P Moloney	128,731	-	28,700	14,168	-	171,599
K Fenton	149,541	-	-	13,459	-	163,000
J Gill	87,794	-	20,500	53,700	-	161,994
R Eustace	94,492	-	15,600	9,908	-	120,000
P McDonald	102,752	-	-	9,248	-	112,000
R Rivalland	91,744	-	-	8,256	-	100,000
TOTALS 2006	808,647	-	64,800	122,562	-	996,009

The remuneration amounts listed above are gross earnings before tax.

B J Ballantyne has a consulting arrangement for the provision of business and corporate planning services. The amount paid by the company for the provision of these services for the year was \$66,561. This amount has been included in the directors' and executive remuneration disclosure.

W B Wilshire has a consulting arrangement with the company for the provision of business and corporate planning services. The amount paid by the company for the provision of these services for the year was \$20,450. This amount has been included in the directors' and executive remuneration disclosure.

6. Options

Remuneration – Share Options

Options over unissued shares of a controlled entity, Medihoney Pty Ltd, at the date of this report are as follows:

	Options issued 2001	Options issued 2004	Total options issued
Directors			
R D Masters, Managing Director, Capilano Honey Limited	180,000	20,000	200,000
Other Executives			
A P Moloney, Science & Strategic Development Director, Medihoney Pty Ltd	150,000	50,000	200,000
R B Eustace, Business Development Manager	60,000	-	60,000
P McDonald, General Manager - International Business	-	50,000	50,000
Total options issued	390,000	120,000	510,000

The options have been issued over ordinary shares of Medihoney Pty Ltd at no consideration under an Executive Option Plan. The options vest progressively between three (3) and five (5) years after the date of issue and may be exercised at \$1 per share up to 30 June 2007 subject to the occurrence of specified future events and performance requirements.

As there is no active market for these shares, no value has been ascribed to these options.

7. Non-executive Director (Ned) Remuneration

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.





REPORT OF THE DIRECTORS



• 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:

- (i) to attract and retain NEDs;
- (ii) to motivate NEDs to achieve Capilano's objectives; and
- (iii) to align the interests of NEDs with the long term interests of shareholders.

The Board seeks the advice of RPC Group Pty Ltd as independent remuneration consultants to ensure NED fees are reasonable and in line with the market.

• Directors' Fees

No increase is being sought for directors' fees. Fees by position are as follows:

Organisation	Position	Directors' Fees \$
Capilano Honey Limited	Chairman	71,330
	Deputy Chairman	6,815 *
	Independent NEDs	57,060 each
	Beekeeper NEDs	37,405 each
Medihoney Pty Ltd	Executive Chairman	-
	NEDs	10,000

*In addition to the amount payable as a NED.

Superannuation Guarantee contribution – existing amount of \$30,770 will remain unchanged.

Directors and Officers Liability Insurance – 2006 \$39,860; 2007 \$37,920.

8. Linking Total Reward to Performance

The Capilano reward strategy is designed to provide superior rewards to employees with the best relative performance. For those employees this means:

- i) ensuring remuneration is sufficiently attractive to retain key employees;
- ii) providing a short term incentive;
- iii) to achieve higher performance, an executive long term incentive, the value of which is significantly impacted by improvements in Capilano's total shareholder returns.

9. Employment Contracts

The employment conditions of the Managing Director and the specified Executives are formalised in employment contracts. Employment contracts are not of a fixed term. Employment contracts specify a range of notice periods.

••••• Non-audit Services

The board of directors, in accordance with advice from the audit 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 as set out in the Institute of Chartered Accountants in Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid or were payable to the external auditors during the year ended 30 June 2006:

	\$
Taxation Services	7,820
Review of Prospectus	2,500
Total	10,320

••••• Auditors

Cranstoun & Hussein continue in office in accordance with the Corporations Act 2001.

••••• Auditors' Independence Declaration

The lead auditors' independence declaration for the year ended 30 June 2006 has been received and can be found on page 29 of this report.

Signed at Brisbane this SIXTEENTH day of AUGUST 2006, in accordance with a resolution of the directors.

T R Morgan, Director

R D Masters, Director



David J Cranstoun
Yusuf Hussein
Andrew J Cranstoun
John Feddema
Masood Ayoob
Junaide A Latif
Paul A Copeland

Level 2
102 Adelaide Street
Brisbane

GPO Box 563
Brisbane
Queensland 4001

Telephone (07) 3229 5100
International +617 3229 5100
Facsimile (07) 3221 6027


Email info@cah.com.au
Website www.cah.com.au
ABN 11 603 627 400

Our Ref

Your Ref

Date

Cranstoun & Hussein
Chartered Accountants & Business Advisers

 A member of KS International
An Association of Independent
Accountants throughout the World

The Directors
Capilano Honey Limited
399 Archerfield Road
RICHLANDS QLD 4077

Auditors' Independence Declaration

As lead auditor for the audit of Capilano Honey Limited for the year ended 30 June 2006, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Cranstoun + Hussein

CRANSTOUN & HUSSEIN

Chartered Accountants

J A Latif

A Member of the Firm

Brisbane, 16 August 2006



CORPORATE GOVERNANCE

The Board of Directors

As a result of a corporate re-structure adopted by shareholders in May 2004, Capilano Honey Limited (CHL) was listed on the Bendigo Stock Exchange. Prior to this event a new company called Capilano Beekeepers Ltd (CBL) was formed. The issued shares in CBL are redeemable preference shares, are not tradeable and can only be held by beekeepers who are parties to Honey Supply Agreements with CHL. CBL acquired voting control of CHL by virtue of a Foundation Share issued by CHL to CBL.

• **Board Composition**

The constitution of CHL provides that as long as the Foundation Share is on issue, the Board of CHL will be comprised of the Beekeeper Directors elected by shareholders to the Board of CBL and Independent Directors who may be appointed by all the Directors in office acting jointly.

• **Number and appointment of Directors**

The number of Directors (not including alternate Directors) is required to be the number, not being less than 5 nor more than 8, which the Board may from time to time determine provided that the Board may not reduce the number below the number of Directors in office at the time of the reduction.

The Board shall comprise Beekeeper Directors, Independent Directors and may include a Managing Director. The number of Beekeeper Directors shall exceed the number of non-Beekeeper Directors by at least one, so that the number of Beekeeper Directors shall be not less than 3 nor more than 5 and the maximum number of non-Beekeeper Directors shall be 3.

• **Power to appoint Directors**

The Beekeeper Directors shall be those persons elected by the shareholders as Directors of CBL.

Independent Directors may be appointed by all the Directors in office acting jointly. Each Independent Director so appointed shall hold office for a fixed period of 2 years and at the expiration of that period may be re-appointed or replaced or the position left vacant at the discretion of the other Directors.

A person appointed as an Independent Director shall have skills and experience appropriate to the company's needs but shall not be a supplier of honey to the company or CBL, nor an employee or a customer of the company or CBL, whilst occupying the position of Independent Director.

Independent Directors appointed in accordance with this rule shall not be subject to retirement by rotation nor taken into account in determining rotational retirement of the other Directors.

• **Retirement of Beekeeper Directors**

The Constitution of CBL provides that at every annual general meeting, one third of the Beekeeper Directors or, if their number is not a multiple of 3, then the number nearest to but not less than one third must retire from office. A Director must retire from office at the conclusion of the third annual general meeting after which the Director was elected or re-elected. A retiring Director if eligible may stand for re-election.

A Managing Director is not subject to retirement by rotation.

• **Board Chairman and Deputy Chairman**

The Board Chairman and Deputy Chairman are elected by the Directors.

The Capilano Group Board Charter

The Directors have formally adopted this Board Charter as a comprehensive document defining the role, purpose, functions, obligations and responsibilities of the Board and individual Directors.

The Corporations Act establishes that the Directors are ultimately accountable for all matters relating to the conduct of the company's affairs. The company's constitution further defines the obligations and powers of the Board. The Board recognises the distinction between its role of governance and the actual management of the company's businesses conducted by the executive management team under the leadership and direction of the Managing Director.

Core Purpose

The core purpose of the Board is to guide the affairs of the Company so as to best serve the interests of and continuously add value for its shareholders.



CORPORATE GOVERNANCE



Board Functions

Strategic Plan	to define strategic direction for the business and ensure that suitable strategic analysis is undertaken and business plans prepared and regularly reviewed and performance monitored.
Chief Executive	to appoint a skilled and talented Chief Executive and ensure that he or she is adequately rewarded for results achieved.
Shareholder Prosperity	to adopt appropriate policies to reward shareholders for their supply of honey and capital investment in the company including honey supply agreements and honey pricing, bonuses, premiums, dividends, retained earnings and market value of shares.
Meetings	to meet regularly and with sufficient frequency to fulfil the Core Purpose.
Corporate Culture	to encourage an appropriate culture for CHL and monitor corporate conduct for good fit.
Listing Rules	to monitor lodgement and disclosure requirements and to ensure compliance with all listing rules of the Bendigo Stock Exchange.
Board Structure	to consider changes to Board structure when appropriate to improve the Board's ability to achieve the Core Purpose.
Management Resources	to ensure that the company maintains a management team of skilled and talented executives whose rewards reflect their contributions to company achievements.
Information	to review the content, style and frequency of reports provided by management and request changes when required.
Risk Management	to ensure that adequate risk identification and risk management functions are in place and regularly monitored.
Financial Performance	to establish financial performance objectives and regularly review operational results.
Annual Budgets	to approve annual operating budgets and capital investment budgets.
Funding	to ensure that the company has access to adequate funds to provide working capital and investment capital.
Operational Policies	to establish policies to guide management in key operational areas including quality, safety, security, foreign currency management and remuneration.
Board Committees	to review annually the functions and membership of Board Committees.
Financial Statements & Audit	to ensure that the statutory financial statements are prepared in accordance with all relevant standards and regulations and that the annual audit is conducted ethically, professionally and independently of management and the Board.
Statutory Compliance	to regularly review the operation of the Corporate Compliance Program and compliance sign-offs from senior management.
Report to Shareholders	to maintain suitable reporting to shareholders through the Annual General Meeting, Annual Report, District Meetings, newsletters and circulars and establish dialogue through regular contact by Beekeeper Services Manager, Directors and other management people.
Community Obligations	to recognise that the company has community, industry and social obligations and ensure that appropriate policies are in place to guide the company's conduct so that it is, and is seen to be a responsible corporate citizen.



Board Committees

The effectiveness of the Board is enhanced by the establishment of appropriate Board Committees. They distribute the Board's workload and enable more detailed consideration to be given to important matters, and where sensitive issues have to be considered, the appropriate Committee can give independent consideration. The Board has appointed the following Committees:

Remuneration	This Committee is responsible for reviewing and recommending executive management remuneration and incentive plans and reporting to the Board on these matters.
Honey Supply & Industry	This Committee advises the Board on matters related to honey supply and the industry generally.
Nomination	This Committee advises the Board of suitable candidates with the qualification, skills and expertise for appointment to any vacancy occurring from time to time.



CORPORATE GOVERNANCE

Audit & Compliance Charter

Committee Membership	<p>the Committee shall be appointed by the Board and shall comprise a majority of non-executive directors and may include the Managing Director.</p> <p>there shall be a minimum of three members.</p> <p>the Board shall appoint a Chairman who is not the Chairman of the Board.</p> <p>Membership of the Committee shall be reviewed by the Board annually.</p>
Meetings	<p>the Committee shall meet at least five times a year. Additional meetings may be held as the work of the Committee demands.</p> <p>a quorum shall consist of two members.</p> <p>the Chairman will call a meeting of the Committee if so requested by any member of the Committee, the External Auditor or by the Chairman of the Board.</p> <p>the Chairman of the Board and the Financial Controller shall attend each meeting by invitation of the Committee Chairman.</p> <p>as necessary or desirable the Chairman may invite other members of the Board of Directors, other management and representatives of the External Auditors or other external advisors to be present at any meeting of the Committee.</p> <p>the Committee shall meet at least twice a year with the External Auditors being at the completion of the full Financial Statements and the half-year Financial Statements and for part of that meeting to be without any management present.</p> <p>the Company Secretary shall act as secretary to the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda, supported by explanatory documentation, and circulating it to Committee members prior to each meeting.</p> <p>the Secretary will also be responsible for keeping the minutes of Committee meetings and circulating them to Committee members and to the other members of the Board of Directors at the Board meeting immediately following the Committee meeting.</p>
Objectives and Specific Responsibilities The objectives and specific responsibilities of this Committee are to ensure that:	<p>the systems of control which management have established are effective to safeguard the Company's assets;</p> <p>the Company's operations are conducted in accordance with its Constitution and all relevant laws and regulations;</p> <p>the accounting records are properly maintained;</p> <p>the financial information provided to the Board, shareholders and others is reliable;</p> <p>an avenue of communication exists between the External Auditors and the Board;</p> <p>the Board is provided with an assessment of the External Auditor's performance;</p> <p>the professional independence of the External Auditors is assured;</p> <p>the external audit plan is approved and the proposed External Auditor's fees approved in conjunction with management;</p> <p>the Committee meets with the External Auditors at least at the completion of the annual audit and the half yearly review of the Company's accounts to confirm the financial statements, address any queries and receive the Auditor's evaluation of management's presentation of the financial accounts, policies and procedures; and the Committee; and</p> <p>the Committee review and assure compliance with BSX requirements for all Lodgments with BSX.</p>
Authority The Board authorises the Audit Committee within the scope of its responsibilities to:	<p>obtain Company documents and any information it requires from any employee (and all employees are directed to co-operate with any request made by the Audit Committee); and External parties.</p> <p>obtain outside legal or other independent professional advice.</p> <p>the Committee shall also have the ability to consult independent experts where they consider it necessary to carry out their duties.</p>
Reporting	<p>the Audit Committee should report to the Board after each Committee meeting summarising its activities and recommendations since the previous meeting.</p>
Review of Charter	<p>this Charter will be reviewed annually by the Audit Committee to ensure its effectiveness and currency. Any proposed changes are to be recommended to the Board for approval.</p>

CORPORATE GOVERNANCE

➤ **Obligations and Responsibilities of Directors**

The Board expects all Directors to demonstrate a high standard of personal integrity, skill and diligence and to participate in educational opportunities when appropriate to enhance the performance of their duties.

The Board has adopted the following Code of Conduct, which applies to all Directors.

1. A director must act honestly, in good faith and in the best interests of the company as a whole.
2. A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. A director must use the powers of office for a proper purpose, in the best interests of the company as a whole.
4. A director must recognise that the primary responsibility is to the company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the company.
5. A director must not make improper use of information acquired as a director.
6. A director must not take improper advantage of the position of director.
7. A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
8. A director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board of directors.
9. Confidential information received by a director in the course of the exercise of directorial duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or the person from whom the information is provided, or is required by law.
10. A director should not engage in conduct likely to bring discredit upon the company.
11. A director has an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this code.

➤ **Assessment of Board, Director and Management Performance**

The Board conducts an annual self-assessment of its performance. This is a formal procedure in which all Directors individually review the Board's performance in each defined area of Board function. Results are collated and an average score determined in discussion at a Board meeting. The resulting assessment of performance is used as a basis for planning to improve outcomes in any areas where achievement is below the optimum.

A personal, individual self-assessment of performance is carried out annually by each Director. This is a formal, confidential process which Directors use as a basis for planning individual needs for further study or skill development where appropriate.

The Managing Director's performance is reviewed annually by the Board. The performance of senior Management Executives is reviewed annually by the Managing Director and the Board, comparing results achieved against agreed Key Performance Indicators.





CONSOLIDATED INCOME STATEMENT

FOR THE YEAR 30 JUNE 2006

	Note	Consolidated	
		2006 \$	2005 \$
Revenue	3	76,174,239	79,633,312
Other income	4	591,703	94,085
Finance costs		(1,934,794)	(1,996,332)
Other expenses		(72,854,892)	(80,908,059)
Share of net loss of associates accounted for using the equity method		-	(170,922)
Profit (loss) before income tax		1,976,256	(3,347,916)
Income tax (expense) benefit		(586,538)	1,069,676
Profit (loss) attributable to members of CHL		1,389,718	(2,278,240)
Earnings per share (cents)		27.1	(44.4)
Diluted earnings per share (cents)		27.1	(44.4)

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

DISCUSSION & ANALYSIS

- The consolidated net profit before income tax is \$5.3 million higher than the result of 2005.
- The consolidated net profit after income tax attributable to members of CHL is \$3.7 million higher than the result of 2005. The major factors contributing to the turnaround from the prior year's loss were:
 - increased domestic private label sales volumes, and
 - lower purchase cost of honey following the prior year's decision to align domestic honey purchase prices with the lower world selling prices.
- The increase in net profit after tax includes the loss generated by Medihoney. Medihoney has recorded improved sales following the continued investment in the development of its markets.
- Australian shareholder raw honey prices decreased by an average of 25.9% over the whole year in response to:
 - the growth in Capilano's honey surplus,
 - pressure on profits through fragmentation of the local industry with more small competitors,
 - reduction in profit attributable to supermarket private label,
 - transfer of customers' manufacturing facilities offshore,
 - competition from other spread substitutes and
 - depressed export bulk prices and a rising exchange rate.
- Operating profit before tax includes depreciation and amortisation expense of \$2.2 million.
- The income tax expense of \$586,538 is calculated based on the 2006 profit before income tax, adjusted for permanent tax differences. As a result of the ability to recoup past tax benefits, no income tax is payable in respect of the 2006 year.



CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006

	Consolidated	
	2006 \$	2005 \$
CURRENT ASSETS		
Cash and cash equivalents	182,672	1,037,007
Trade and other receivables	13,321,799	9,868,396
Inventories	20,651,429	24,598,417
Other current assets	732,139	1,203,165
TOTAL CURRENT ASSETS	34,888,039	36,706,985
NON-CURRENT ASSETS		
Trade and other receivables	4,271,284	2,158,652
Investment accounted for using the equity method	-	-
Other financial assets	-	-
Property, plant and equipment	21,368,478	22,005,513
Intangible assets	653,174	768,976
Deferred tax assets	2,969,339	3,532,593
TOTAL NON-CURRENT ASSETS	29,262,275	28,465,734
TOTAL ASSETS	64,150,314	65,172,719
CURRENT LIABILITIES		
Trade and other payables	8,169,105	8,960,461
Short term borrowings	3,563,140	4,068,892
Short term provisions	256,770	-
TOTAL CURRENT LIABILITIES	11,989,015	13,029,353
NON-CURRENT LIABILITIES		
Long term borrowings	25,346,101	26,498,769
Long term provisions	650,941	580,685
TOTAL NON-CURRENT LIABILITIES	25,997,042	27,079,454
TOTAL LIABILITIES	37,986,057	40,108,807
NET ASSETS	26,164,257	25,063,912
EQUITY		
Issued capital	5,306,077	5,283,605
Reserves	2,694,920	2,749,995
Retained earnings	18,163,260	17,030,312
TOTAL EQUITY	26,164,257	25,063,912

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

DISCUSSION & ANALYSIS

- The equity of the consolidated entity increased by \$1.1 million. This was due to the profits generated for the year.
- Profits generated and a reduction in cash held at bank were used to pay down interest bearing liabilities by \$1.7 million. Working capital has remained at a similar level to 2005 due to the following:
 - Inventories decreased in value by \$3.9 million, mostly as a result of the reduction in the average cost of raw honey on hand.
 - Trade receivables increased in value by \$3.5 million relating to surplus stock sold into the export bulk commodity market during the latter months of the financial year.
 - Trade payables decreased in value by \$0.8 million.
- Other current assets (prepayments) have decreased by \$0.5 million.
- Deferred tax assets of \$2.97 million are based on the company tax rate of 30%.
- A dividend of 5 cents per share has been declared for the year ended 30 June 2006, resulting in the short term provision of \$0.257 million.
- Issued capital remains at \$5.3 million and net asset backing per share is \$5.10 in 2006 compared with \$4.89 at June 2005.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

Consolidated	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	159	-	-	-	-	-	159
Revaluation increments	-	-	2,437,211	-	-	-	2,437,211
Net loss attributable to members of CHL	-	-	-	-	-	(2,278,240)	(2,278,240)
Reserves transferred to Retained Earnings	-	-	-	(4,238,580)	-	4,238,580	-
Dividend under provided	-	-	-	-	-	(1,683)	(1,683)
Share application monies refunded	(3,414)	-	-	-	-	-	(3,414)
Adjustments from the translation of associates accounted for under the equity method	-	-	-	-	(2,051)	-	(2,051)
Balance at 30 June 2005	5,283,604	1	2,773,478	-	(23,483)	17,030,312	25,063,912
Shares issued during the period	22,472	-	-	-	-	-	22,472
Net profit attributable to members of CHL	-	-	-	-	-	1,389,718	1,389,718
Dividends provided for	-	-	-	-	-	(256,770)	(256,770)
Adjustments from the translation of foreign controlled entities	-	-	-	-	(55,075)	-	(55,075)
Balance at 30 June 2006	5,306,076	1	2,773,478	-	(78,558)	18,163,260	26,164,257

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



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Inflows (Outflows)	
	Consolidated	
	2006	2005
	\$	\$
Cash flows from operating activities		
Receipts from customers	73,215,818	81,148,606
Payments to suppliers and employees	(69,147,742)	(78,853,976)
Interest received	211,681	208,756
Goods and Services tax received	1,675,100	1,503,096
Interest paid	(1,622,508)	(1,696,529)
Net cash generated from operating activities	4,332,349	2,309,953
Cash flows from investing activities		
Payment for property, plant and equipment	(1,435,742)	(2,274,672)
Payment for intangible assets	(13,157)	-
Proceeds from sale of property, plant and equipment	18,875	13,682
Repayment of other loan	157,990	150,873
Loans to associated entity	(2,278,704)	(33,769)
Loans to controlled entities	-	-
Net cash used in investing activities	(3,550,738)	(2,143,886)
Cash flows from financing activities		
Proceeds from share allotments	22,472	159
Proceeds from borrowings	-	353,840
Repayment of borrowings	(1,658,418)	(2,567,488)
Dividend paid	-	(258,292)
Net cash used in financing activities	(1,635,946)	(2,471,781)
Net decrease in cash held	(854,335)	(2,305,714)
Cash at the beginning of the financial year	1,037,007	3,342,721
Cash at the end of the financial year	182,672	1,037,007

The above cash flow statement should be read in conjunction with the accompanying notes

DISCUSSION & ANALYSIS

- The consolidated entity increased cash generated from operating activities by \$2.0 million, affected by a significant reduction in revenue from private label following internet auctions, offset to some degree by the reduced domestic raw honey purchase prices. The cash generated from operating activities includes a net GST refund of \$1.7 million in respect of amounts paid to suppliers during the year.
- Cash generated was used to:
 - invest \$1.4 million in plant and equipment
 - invest \$2.3 million in an interest bearing loan to the associate entity and
 - repay borrowings of \$1.6 million.
- Cash held at 30 June 2006 was \$0.2 million.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The concise financial report is an extract for the full financial report for the year ended 30 June 2006. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports, and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of CHL. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of CHL as the full financial report.

The financial report of CHL complies with all Australian equivalents to International Financial Reporting Standards (AeIFRS) in their entirety. The presentation currency used in this concise financial report is Australian dollars.

A summary of the adjustments made on transition to AeIFRS is included in note 2 to this concise report.

Further financial information can be obtained from the full financial report which is available from the company free of charge on request. A copy may be requested by phoning (07) 3712 8282.

2. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AeIFRS)

Capilano Honey Limited and Controlled Entities have adopted AeIFRS from 1 July 2005. In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the consolidated accounts have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Capilano Honey Limited to be prepared in accordance with AeIFRS.

Reconciliations relating to the retrospective adoption of AeIFRS as required by AASB 1 are included in Note 2 to the financial report of Capilano Honey Limited and Controlled Entities.

A summary of the changes to equity resulting from the adoption of AeIFRS is included below.



	30 June 2005 \$	1 July 2004 \$
Reconciliation of Total Equity		
Total equity under Australian GAAP	25,774,531	24,140,016
Retrospective adjustments to equity at 1 July 2004		
Recognition of deferred tax asset on intangibles	815,866	815,866
Recognition of deferred tax liability on revalued assets	(144,114)	(144,114)
Recognition of deferred tax – temporary differences	100,162	100,162
	771,914	771,914
(Increase) decrease in current year loss resulting from transition to AeIFRS	(483,082)	-
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	24,911,930



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2006 \$	2005 \$
3. REVENUE		
Sales revenue	75,853,689	79,395,184
Interest received	211,681	208,756
Sundry	108,869	29,372
	76,174,239	79,633,312
4. OTHER INCOME		
Net foreign exchange gains	575,987	89,340
Profit on disposal of property, plant and equipment	15,716	4,745
	591,703	94,085
5. DIVIDENDS		
Ordinary shares		
A fully franked dividend of 5 cents has been declared for the year ended 30 June 2006 (2005 – nil)	256,770	-
Franked dividends		
Franking credits available for subsequent financial years	2,385,744	2,495,788

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.

6. SEGMENT REPORTING

a) Primary reporting – geographical segments	30 June 2006				
	Australia \$	Canada \$	Europe \$	Intersegment \$	Consolidated \$
Sales revenue	75,532,276	-	437,813	(116,400)	75,853,689
Other revenue	320,403	-	147	-	320,550
Total segment revenue	75,852,679	-	437,960	(116,400)	76,174,239
Segment result	3,048,845	-	(1,026,089)	(46,500)	1,976,256
Unallocated revenue less unallocated expenses	-	-	-	-	-
Share of net losses of associates	-	-	-	-	-
Profit before income tax					1,976,256
Income tax expense					(586,538)
Profit after income tax					1,398,718
Segment assets	63,176,093	-	974,221	-	64,150,314
Segment liabilities	37,803,761	-	2,341,427	(2,159,131)	37,986,057
Investment in associate	-	-	-	-	-
Acquisitions of non current segment assets	1,447,589	-	1,310	-	1,448,899
Depreciation and amortisation expense	2,192,705	-	5,869	-	2,198,574
Other non cash income	605,525	-	547	(14,369)	591,703
Other non cash expenses	-	-	-	-	-

06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT REPORTING

a) Primary reporting – geographical segments	30 June 2005				
	Australia \$	Canada \$	Europe \$	Intersegment \$	Consolidated \$
Sales revenue	79,685,800	-	185,565	(476,181)	79,395,184
Other revenue	238,128	-	-	-	238,128
Total segment revenue	79,923,928	-	185,565	(476,181)	79,633,312
Segment result	(2,207,992)	-	(840,987)	(128,015)	(3,176,994)
Unallocated revenue less unallocated expenses	-	-	-	-	-
Share of net losses of associates	-	(170,922)	-	-	(170,922)
Loss before income tax					(3,347,916)
Income tax benefit					1,069,676
Loss after income tax					(2,278,240)
Segment assets	64,401,291	-	771,428	-	65,172,719
Segment liabilities	40,049,577	-	1,364,184	(1,304,954)	40,108,807
Investment in associate	-	-	-	-	-
Acquisitions of non current segment assets	2,254,460	-	20,212	-	2,274,672
Depreciation and amortisation expense	1,939,387	-	41,513	-	1,980,900
Other non cash income	92,454	-	1,631	-	94,085
Other non cash expenses	45,068	-	-	-	45,068

b) Secondary reporting – business segments

The consolidated entity operates predominantly in the one industry, that being the processing and sale of honey.

7. CHANGE IN ACCOUNTING POLICY

The consolidated entity has adopted the following Accounting Standards for application on or after 1 January 2005:

- AASB 132: Financial Instruments: Disclosure and Presentation; and
- AASB 139: Financial Instruments: Recognition and Measurement.

The changes resulting from the adoption of AASB 132 relate primarily to increase disclosures required under the Standard and do not affect the value of amounts reported in the financial statements.

There were no material changes on adoption of AASB 139. The consolidated entity has elected not to adjust comparative information resulting from the introduction of AASB 139 as permitted under the transitional provisions of this Standard. As such, previous Australian Accounting Standards have been applied to comparative information.

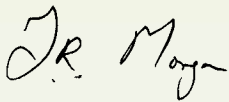


DIRECTORS' DECLARATION

The directors of the company declare that the concise financial report of Capilano Honey Limited and Controlled Entities for the financial year ended 30 June 2006, as set out on pages 34 to 40.

- a. complies with Accounting Standard AASB 1039: Concise Financial Reports; and
- b. is an extract from the full financial report for the year ended 30 June 2006 and has been derived from and is consistent with the full financial report of Capilano Honey Limited and Controlled Entities.

Signed at Brisbane this SIXTEENTH day of AUGUST 2006 in accordance with a resolution of the Board of Directors.



T R Morgan, Director



R D Masters, Director





INDEPENDENT AUDIT REPORT TO THE MEMBERS

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, discussion and analysis of and notes to the financial statements, and the directors' declaration for Capilano Honey Limited for the year ended 30 June 2006.

The directors of the company are responsible for the preparation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We have also performed an independent audit of the full financial report of the Company for the financial year ended 30 June 2006. Our audit report on the full financial report was signed on 16 August 2006 and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report

- examining, on a test basis, information to provide evidence supporting the amounts, discussions and analysis and other disclosures in the concise financial report which were not directly derived from the full financial report, and
- reviewing the overall presentation of information in the concise financial report.

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

Independence

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

Audit Opinion

In our opinion, the concise financial report of Capilano Honey Limited for the year ended 30 June 2006 complies with Australian Accounting Standard AASB1039: *Concise Financial Reports*.

Cranstoun + Hussein

CRANSTOUN & HUSSEIN

Chartered Accountants

J A Latif

A Member of the Firm

Brisbane, 16 August 2006



SHAREHOLDERS' INFORMATION

AS AT 31 JULY 2006

CHL listed on the Bendigo Stock Exchange on 18 June 2004.

a) Classes of Shares

There is one Foundation Share on issue, which is held by the ultimate parent entity CBL.

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.

However, the Foundation Share provides:

- CBL with 75% of the total number of votes which are able to be cast in relation to special resolutions of CHL;
- CBL with the power to pass or veto any ordinary resolution put to a shareholders meeting of CHL;
- For the elected CBL Beekeeper Directors to be appointed as Beekeeper Directors of CHL.

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
1-1,000	1	1	124	47,458
1,001-5,000			280	808,760
5,001- 10,000			174	1,288,366
10,001- 100,000			156	2,847,491
100,001 and over			1	143,332
			735	5,135,407

d) Shareholders holding less than a marketable parcel

There are 47 shareholders holding 673 shares which the company considers to be less than a marketable parcel of shares (value \$500), when using a value of \$3.52 per share, being the weighted average traded price of the last 5 share trades on the Bendigo Stock Exchange.

e) Ten largest shareholders

The names of the ten largest holders of quoted shares are:

	Number of Ordinary Shares	Percentage of Ordinary Shares
1. Benalto Holdings Pty Ltd	143,332	2.79
2. Baker Beekeeping Pty Ltd	58,343	1.14
3. D G, L R, J M, H M, K H Keith & M M McCrystal	57,920	1.13
4. Hughston & Sons Pty Ltd	55,024	1.07
5. Gundagai Bee Farms Pty Ltd	51,629	1.01
6. M A & B K Klingner	51,158	1.00
7. Berne No 132 Nominees Pty Ltd	47,724	0.93
8. W & J Millington	46,100	0.90
9. E N Peadon	44,667	0.87
10. Brazil Enterprises Pty Ltd	41,449	0.81
	597,346	11.65

f) Company Secretary

Mr Errol J Bailey.

g) Registered Office

399 Archerfield Road, Richlands Qld 4077.
Telephone (07) 3712 8282.

h) Register of Securities

The Register of Securities is held at 399 Archerfield Road, Richlands Qld 4077.





NOTES

Lined area for notes, consisting of horizontal lines for writing.

ATTENDANCE FORM

Office Use Only: Slip no No. of shares
Slip no No. of shares

Shareholder No:

Name

Address

I/we propose to attend the following function in Brisbane:

FRIDAY, 24 NOVEMBER 2006 (Location: Brisbane, Queensland)

Insert number attending and list names below

➔ **ANNUAL GENERAL MEETING**
Capilano Honey Limited (CHL)
2.00pm
Registration from 1.00pm

PLEASE LIST NAMES OF THOSE ATTENDING:

Shareholders of Capilano Honey Limited are also invited to attend the Management Presentation and Annual Company Dinner, being held in conjunction with the Capilano Beekeepers Ltd Annual General Meeting on Friday, 6 October 2006 at The Lakes Resort, 141 Brebner Drive, West Lakes, Adelaide SA 5021.

I/we propose to attend the following functions in South Australia:

FRIDAY, 6 OCTOBER 2006 (Location: West Lakes, South Australia)

Insert number attending and list names below

➔ **MANAGEMENT PRESENTATION**
10.00am
To update shareholders on company activities including local and export sales, marketing, finance and manufacturing, followed by informal discussions.

Insert number attending

➔ **ANNUAL COMPANY DINNER**
7.00pm

Special Dietary Requirements: _____

PLEASE LIST NAMES OF THOSE ATTENDING:

Complete and return this form by fax on (07) 3712 8287 or to PO Box 66, Richlands QLD 4077 by:

- ➔ **22 September 2006** If you plan to also attend the Management Presentation and Annual Company Dinner being held in conjunction with the CBL AGM on 6 October 2006 in South Australia.
- ➔ **17 November 2006** If you plan to only attend the CHL AGM on 24 November 2006 in Brisbane.

06



PROXY FORM

Capilano Honey Limited
ACN 009 686 435

Office Use Only: Slip no	No. of shares
Slip no	No. of shares

Shareholder Number: _____

I/We, (the undersigned) _____
(please print full name)

Of _____
(please print full address)

Being a member/s of Capilano Honey Limited HEREBY APPOINT _____
(refer to "Instructions for appointment of Proxy" detailed below) (please print full name)

Of _____
(please print full address)

or failing him/her, the Chairman of the Meeting, as my proxy to attend and exercise _____ of my votes *(refer note 1)* on my behalf at the Annual General Meeting of the Company to to be held on 24 November 2006 at 2.00pm and at any adjournment thereof.

Instructions for voting on Resolution:

- To vote FOR put an "X" in the "FOR" column.
- To vote AGAINST put an "X" in the "AGAINST" column.
- To give your proxy discretion to vote For or Against the Resolution as they see fit, put an "X" in the "AT DISCRETION" column
- To ABSTAIN from voting put an "X" in the "ABSTAIN" column – this will have the same effect as if no vote was recorded at all and will be disregarded completely in calculating votes "FOR" or "AGAINST".

RESOLUTION	FOR	AGAINST	AT DISCRETION <i>Refer Note 2</i>	ABSTAIN
To adopt the Remuneration Report included in the Report of the Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature of shareholder/s _____ Date: _____

Note 1: If only one proxy is appointed, please insert the word "ALL" in the space before "of my votes". If the space is not completed, all of your votes will be conferred on your proxy. If you desire to appoint two proxies to exercise differing proportions of your votes, a further form may be obtained from the Company Secretary.

Note 2: By marking 'at discretion', you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

INSTRUCTIONS FOR APPOINTMENT OF PROXY

(Please read this information and explanatory notes over page before completing this form)

1. A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote for them. A proxy need not be a shareholder of the company.
2. Proxies can be directed on how to vote by inserting an "X" in the appropriate box against each resolution, otherwise the proxies will vote as they see fit, or abstain from voting.
3. The proxy form must be signed personally by the shareholder or their attorney. If a proxy is given by a corporation it must be executed in accordance with the corporation's constitution.
4. In the case of a partnership, all partners must sign the proxy form unless the company has written advice to the contrary.
5. If the proxy is signed under power of attorney then the signatory declares that they have no notice of revocation of the power of attorney. A certified copy of the relevant power of attorney authorising that person to sign must be enclosed with this proxy form.
6. Shareholder/s' signatures do not require witnessing.
7. **For this proxy form to be valid, it must be received at the Registered Office of the company not less than forty-eight (48) hours before the start of the Annual General Meeting (see Rule 98). Accordingly, all proxy forms must be received at 399 Archerfield Road (PO Box 66, Richlands Q 4077) or by facsimile (07) 3712 8287 no later than 2.00pm on Wednesday 22 November 2006.**



EXPLANATORY NOTES – PROXY FORMS

Please note that a Proxy Form gives any shareholder unable to attend the Annual General Meeting the opportunity to record their vote on any matter which becomes the subject of a poll at the Annual General Meeting. (For an explanation of the meaning of the word “poll”, please refer to the explanatory note below.)

Rules 87 and 91 of the company’s Constitution, reproduced below for information, outline the circumstances and manner in which a poll is conducted.

Rule 87

“A poll may be demanded by:

- (a) the chairman;*
- (b) at least 5 shareholders present entitled to vote on the resolution;*
- (c) by a member or members present with at least 5% of the votes that may be cast on the resolution on a poll; or*
- (d) the Foundation Shareholder.”*

Rule 91

“Subject to these rules and in particular rules 25, 26 and 72 and subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney or a representative of a member that is a corporation and, subject to the Act on a show of hands every person present who is a member or a representative of a member that is a corporation shall have one vote, and on a poll every member present in person or by proxy or by attorney or a representative of a member that is a corporation shall have one vote for each share held.”

It should be noted that a proxy can only be used in those instances where a poll is demanded in accordance with the Rules; in all other circumstances resolutions are decided on a show of hands of the shareholders present at the meeting.

However, as has customarily been the case at previous General Meetings and to afford all shareholders the opportunity to have their vote recorded, the Chairman will, in accordance with Rule 87(a) above, declare at the commencement of the Annual General Meeting, that all resolutions shall be the subject of a poll.

If you are unable to attend the Annual General Meeting, but wish to exercise your right to vote, please complete and return the Proxy Form to reach us by 2.00pm on 22 November 2006. If you wish to do so, please assist the person you nominate as your proxy by directing them to vote in the manner in which you require. You can do this by placing an “X” in the appropriate “FOR”, “AGAINST” or “ABSTAIN” space on the Proxy Form.

The person you appoint as your proxy need not be a shareholder of the company, but **MUST** be a person who will be attending the meeting. If any further explanation of this very important matter is required, please do not hesitate to contact me in writing or by phone.

E.J. Bailey

Company Secretary.

(Note: A “poll” is the situation which occurs when the votes of all shareholders present at a meeting, either personally or by proxy, are counted, and each share held by a shareholder is given one vote. For example if shareholder “A” holds 5,000 shares and he is present at the meeting, and shareholder “B” who holds 6,000 shares is not present, but has appointed person “C” as his proxy, shareholder “B” has 6,000 ‘votes’ compared to shareholder “A”’s 5,000. Appointing a proxy is therefore of **paramount importance**, as it gives all shareholders the opportunity to exercise their democratic right to vote, and the votes are recorded in direct proportion to the number of shares they hold. {In the above example, if “A” and “B” were the only shareholders voting, “B”, though the proxy he has given to “C”, could defeat “A” on any issue if he so directed his proxy.})

CONTACT DETAILS

Registered Office	399 Archerfield Road
Head Office	Richlands Qld 4077
Queensland Branch	Telephone: (07) 3712 8282 Fax: (07) 3712 8286
Victoria	Capilano Drive PO Box 49 Maryborough VIC 3465 Telephone: (03) 5461 0700 Fax: (03) 5461 0777
Email	honey@capilano.com.au
Websites	www.capilano.com.au www.medihoney.com
Capilano Group of Companies	Capilano Beekeepers Ltd Capilano Honey Limited Medihoney Pty Ltd Medihoney (Europe) Ltd Honey Corporation of Australia Pty Ltd Capilano Labonté Inc.
	399 Archerfield Road PO Box 66 Richlands Qld 4077 Telephone: (07) 3712 8282 Fax: (07) 3712 8286
Bankers	National Australia Bank Limited
Auditors	Cranstoun & Hussein, Chartered Accountants





399 Archerfield Road PO Box 66 Richlands Qld 4077 Telephone: +(61 7) 3712 8282 Fax: +(61 7) 3712 8286
Email: honey@capilano.com.au Website: www.capilano.com.au