



# HALF-YEAR FINANCIAL REPORT 2006

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**FINANCIAL AND STATUTORY REPORTS  
FOR CAPILANO HONEY LIMITED AND ITS CONTROLLED ENTITIES  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

## Report of the Directors

Your directors present their report on the consolidated financial statements of the company and its controlled entities for the half-year ended 31 December 2006.

### Directors

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

Trevor Richard Morgan (Chairman)	Phillip Francis McHugh
Ian Alfred Cane (Deputy Chairman)	Rosemary Doherty
Roger David Masters	Gregory Paul Roberts
Bernard James Ballantyne	Simon Lucien Tregoning

### Activities

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

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

### Consolidated Results

The operating loss of the consolidated entity for the half-year after income tax was \$814,476.

### Review of Operations

Sales revenue for the consolidated entity was \$36,584,422. An analysis of these sales is as follows:-

	\$
Capilano Honey Limited	34,479,761
Medihoney Pty Ltd	2,104,661

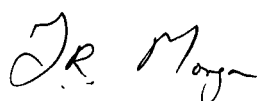
### Significant Changes

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

### Auditor's Independence Declaration

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

Signed at Brisbane this 9th day of February 2007, in accordance with a resolution of the directors.



T R Morgan  
Director



R D Masters  
Director

## Auditor's Independence Declaration

As lead auditor for the review of Capilano Honey Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



J Latif  
Principal  
Cranstoun & Hussein

Brisbane  
9 February 2007

# Independent Auditor's Review Report

To the Members of Capilano Honey Limited

We have reviewed the financial report, which comprises the directors' declaration, the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and accompanying notes to the financial statements for Capilano Honey Limited (the consolidated entity), for the half-year ended 31 December 2006. The consolidated entity comprises both Capilano Honey Limited (the company) and the entities it controlled during that half-year.

## Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and true and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Capilano Honey Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

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

## Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Cranstoun + Hussein

CRANSTOUN & HUSSEIN  
Chartered Accountants



J Latif  
A Member of the Firm

Brisbane  
9 February 2007

## Directors' Declaration

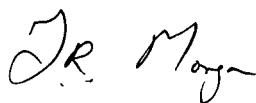
The directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 5 to 9:
  - (i) comply with Accounting Standard AASB134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date.

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

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

Signed at Brisbane this 9th day of February 2007, in accordance with a resolution of the directors.



T R Morgan  
Director



R D Masters  
Director

## Condensed Consolidated Income Statement

For the half-year ended 31 December 2006

	31 December 2006 \$	31 December 2005 \$
Revenue	36,724,138	38,365,646
Finance costs	(977,545)	(980,383)
Other expenses	(36,887,237)	(37,046,127)
Loss (profit) before income tax	(1,140,644)	339,136
Income tax benefit (expense)	326,168	(114,168)
<b>Net (loss) profit attributable to members of Capilano Honey Limited</b>	<b>(814,476)</b>	<b>224,968</b>
Basic earnings per share (cents)	(15.8)	4.4
Diluted earnings per share (cents)	(15.8)	4.4
<i>The above income statement should be read in conjunction with the accompanying notes.</i>		

## Condensed Consolidated Balance Sheet

As at 31 December 2006

	31 December 2006 \$	30 June 2006 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,184,682	182,672
Trade and other receivables	11,223,104	13,321,799
Inventories	17,633,725	20,651,429
Other current assets	1,403,433	732,139
<b>TOTAL CURRENT ASSETS</b>	<b>31,444,944</b>	<b>34,888,039</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	3,745,208	4,271,284
Investments accounted for using the equity method	-	-
Property, plant and equipment	20,791,517	21,368,478
Intangibles	588,766	653,174
Deferred tax assets	3,299,336	2,969,339
<b>TOTAL NON-CURRENT ASSETS</b>	<b>28,424,827</b>	<b>29,262,275</b>
<b>TOTAL ASSETS</b>	<b>59,869,771</b>	<b>64,150,314</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	7,257,451	8,169,105
Short term borrowings	2,635,079	3,563,140
Short term employee entitlements	460,618	256,770
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,353,148</b>	<b>11,989,015</b>
<b>NON-CURRENT LIABILITIES</b>		
Long term borrowings	23,437,583	25,346,101
Long term employee entitlements	669,631	650,941
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>24,107,214</b>	<b>25,997,042</b>
<b>TOTAL LIABILITIES</b>	<b>34,460,362</b>	<b>37,986,057</b>
<b>NET ASSETS</b>	<b>25,409,409</b>	<b>26,164,257</b>
<b>EQUITY</b>		
Issued capital	5,366,325	5,306,077
Reserves	2,694,300	2,694,920
Retained earnings	17,348,784	18,163,260
<b>TOTAL EQUITY</b>	<b>25,409,409</b>	<b>26,164,257</b>
<i>The above balance sheet should be read in conjunction with the accompanying notes</i>		

## Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2006

	Share Capital		Reserves		Retained Earnings	Total
	Ordinary \$	Foundation \$	Asset Revaluation \$	Foreign Currency Translation \$	\$	\$
<b>Balance at 1 July 2005</b>	5,283,604	1	2,773,478	(23,483)	17,030,312	25,063,912
Shares issued during the period	10	-	-	-	-	10
Net profit attributable to members of CHL	-	-	-	-	224,968	224,968
<b>Balance at 31 December 2005</b>	5,283,614	1	2,773,478	(23,483)	17,255,280	25,288,890

<b>Balance at 1 July 2006</b>	5,306,076	1	2,773,478	(78,558)	18,163,260	26,164,257
Shares issued during the period	60,248	-	-	-	-	60,248
Adjustments from the translation of foreign controlled entities	-	-	-	(620)	-	(620)
Net profit attributable to members of CHL	-	-	-	-	(814,476)	(814,476)
<b>Balance at 31 December 2006</b>	5,366,324	1	2,773,478	(79,178)	17,348,784	25,409,409

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



## Condensed Consolidated Cash Flow Statement

For the half-year ended 31 December 2006

	<i>Inflows (Outflows)</i>	
	31 December 2006 \$	31 December 2005 \$
Cash flows from operating activities		
Receipts from customers	39,182,360	38,310,211
Payments to suppliers and employees	(34,909,997)	(34,868,519)
Interest received	134,487	105,594
Goods and services tax received	861,152	877,802
Interest paid	(803,427)	(809,867)
<b>Net cash provided by operating activities</b>	<b>4,464,575</b>	<b>3,615,221</b>
Cash flows from investing activities		
Payment for property, plant and equipment	(510,062)	(684,814)
Loans (advanced to) / repaid by associated entity	-	(1,220,533)
Other loans repaid	81,999	78,009
Proceeds from sale of property, plant and equipment	-	1,935
<b>Net cash used in investing activities</b>	<b>(428,063)</b>	<b>(1,825,403)</b>
Cash flows from financing activities		
Proceeds from issue of shares	60,248	10
Proceeds from borrowings	-	2,334,131
Repayment of borrowings	(2,837,198)	(4,034,930)
Dividend paid	(257,552)	-
<b>Net cash used in financing activities</b>	<b>(3,034,502)</b>	<b>(1,700,789)</b>
Net increase in cash held	1,002,010	89,029
Cash at the beginning of the financial period	182,672	1,037,007
<b>Cash at the end of the financial period</b>	<b>1,184,682</b>	<b>1,126,036</b>
The above cash flow statement should be read in conjunction with the accompanying notes.		

# Notes to the Financial Statements

For the half-year ended 31 December 2006

## 1. BASIS OF PREPARATION

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

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2006 annual financial report.

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Capilano Honey Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

## 2. CONTINGENT LIABILITIES

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

## 3. SEGMENT REPORTING

Primary reporting – geographical segments	31 December 2006				
	Australia \$	Canada \$	Europe \$	Intersegment Elimination \$	Consolidated \$
Sales revenue	36,322,276	-	519,327	(257,181)	36,584,422
Other revenue	139,673	-	43	-	139,716
<b>Total segment revenue</b>	<b>36,461,949</b>	<b>-</b>	<b>519,370</b>	<b>(257,181)</b>	<b>36,724,138</b>
<b>Segment Result</b>	<b>(619,623)</b>	<b>-</b>	<b>(543,520)</b>	<b>22,499</b>	<b>(1,140,644)</b>
Unallocated revenue less unallocated expenses					-
<b>Loss before income tax</b>					<b>(1,140,644)</b>

Primary reporting – geographical segments	31 December 2005				
	Australia \$	Canada \$	Europe \$	Intersegment Elimination \$	Consolidated \$
Sales revenue	37,793,058	-	140,878	-	37,933,936
Other revenue	431,710	-	-	-	431,710
<b>Total segment revenue</b>	<b>38,224,768</b>	<b>-</b>	<b>140,878</b>	<b>-</b>	<b>38,365,646</b>
<b>Segment Result</b>	<b>858,177</b>	<b>-</b>	<b>(519,041)</b>	<b>-</b>	<b>339,136</b>
Unallocated revenue less unallocated expenses					-
<b>Profit before income tax</b>					<b>339,136</b>