



# HALF-YEAR FINANCIAL REPORT 2007

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**FINANCIAL AND STATUTORY REPORTS  
FOR CAPILANO HONEY LIMITED AND ITS CONTROLLED ENTITIES  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

## 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 2007.

### 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  
Ian Alfred Cane, Deputy Chairman (resigned 3 November 2007)  
Phillip Francis McHugh, Deputy Chairman (Appointed Deputy Chairman 6 November 2007)  
Rosemary Doherty  
Gregory Paul Roberts (retired 5 October 2007)  
Peter Barnes (elected 5 October 2007)  
Roger David Masters  
Bernard James Ballantyne  
Simon Lucien Tregoning

### Activities

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

### Consolidated Results

The operating loss of the consolidated entity for the half-year after income tax was \$1,355,560.

### Review of Operations

Sales revenue for the consolidated entity was \$30,760,201.

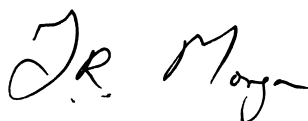
### Significant Changes

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 26th day of February 2008, in accordance with a resolution of the directors.



T R Morgan  
Director



R D Masters  
Director

## Auditor's Independence Declaration



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

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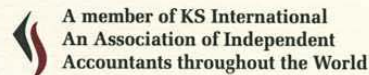
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ABN 11 603 627 400

Our Ref

Your Ref

Date

**Cranstoun & Hussein**  
Chartered Accountants & Business Advisers



The Directors  
Capilano Honey Limited  
399 Archerfield Road  
RICHLANDS QLD 4077

### Auditor's Independence Declaration

As lead auditor for the review of Capilano Honey Limited for the half-year ended 31 December 2007, 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.

M Ayoob  
Principal  
Cranstoun & Hussein

Brisbane  
26 February 2008

# Independent Auditor's Review Report

To the Members of Capilano Honey Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Capilano Honey Limited and Controlled Entities (the consolidated entity) which comprises the condensed consolidated balance sheet as at 31 December 2007, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

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

The directors of the consolidated entity are responsible for the preparation 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 establishing 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 Standard 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 2007 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 and Controlled Entities, *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 and Controlled Entities 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 2007 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard *AASB 134 Interim Financial Reporting* and *Corporations Regulations 2001*.

*Cranstoun + Hussein*

CRANSTOUN & HUSSEIN  
Chartered Accountants



M Ayoub  
A Member of the Firm

Brisbane  
26 February 2008

## Directors' Declaration

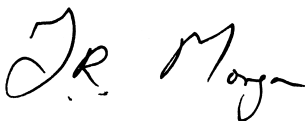
The directors of the company declare that:

- (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 2007 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 26th day of February 2008, 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 2007

	31 December 2007 \$	31 December 2006 \$
Revenue	30,976,940	36,724,138
Other income	512,791	-
Finance costs	(1,178,010)	(977,545)
Other expenses	(32,250,391)	(36,887,237)
Loss before income tax	(1,938,670)	(1,140,644)
Income tax benefit	583,110	326,168
<b>Net loss attributable to members of Capilano Honey Limited</b>	<b>(1,355,560)</b>	<b>(814,476)</b>
Basic earnings per share (cents)	(26.3)	(15.8)
Diluted earnings per share (cents)	(26.3)	(15.8)
<i>The above income statement should be read in conjunction with the accompanying notes.</i>		

## Condensed Consolidated Balance Sheet

As at 31 December 2007

	31 December 2007 \$	30 June 2007 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	421,227	296,036
Trade and other receivables	12,126,041	16,952,791
Inventories	15,535,430	23,375,640
Other current assets	1,074,553	956,513
<b>TOTAL CURRENT ASSETS</b>	<b>29,157,251</b>	<b>41,580,980</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	5,335,929	3,194,803
Financial assets	3,723,923	-
Property, plant and equipment	20,013,041	20,543,391
Intangibles	433,775	497,097
Deferred tax assets	2,165,580	1,582,470
<b>TOTAL NON-CURRENT ASSETS</b>	<b>31,672,248</b>	<b>25,817,761</b>
<b>TOTAL ASSETS</b>	<b>60,829,499</b>	<b>67,398,741</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	5,387,636	9,209,349
Short term borrowings	3,233,408	2,394,798
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,621,044</b>	<b>11,604,147</b>
<b>NON-CURRENT LIABILITIES</b>		
Long term borrowings	26,663,008	27,091,026
Long term provisions	578,464	604,964
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>27,241,472</b>	<b>27,695,990</b>
<b>TOTAL LIABILITIES</b>	<b>35,862,516</b>	<b>39,300,137</b>
<b>NET ASSETS</b>	<b>24,966,983</b>	<b>28,098,604</b>
<b>EQUITY</b>		
Issued capital	5,366,360	5,366,344
Reserves	973,918	2,749,995
Retained earnings	18,626,705	19,982,265
<b>TOTAL EQUITY</b>	<b>24,966,983</b>	<b>28,098,604</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 2007

	Share Capital		Asset Revaluation	Reserves		Retained Earnings	Total
	Ordinary	Foundation		Financial Asset	Foreign Currency Translation		
	\$	\$	\$	\$	\$	\$	
<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
<b>Balance at 1 July 2007</b>	5,366,343	1	2,773,478	-	(23,483)	19,982,265	28,098,604
Shares issued during the period	16	-	-	-	-	-	16
Change in market value of available for sale financial assets	-	-	-	(1,776,077)	-	-	(1,776,077)
Net profit attributable to members of CHL	-	-	-	-	-	(1,355,560)	(1,355,560)
<b>Balance at 31 December 2007</b>	5,366,359	1	2,773,478	(1,776,077)	(23,483)	18,626,705	24,966,983

*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 2007

	<i>Inflows (Outflows)</i>	
	31 December 2007 \$	31 December 2006 \$
Cash flows from operating activities		
Receipts from customers	30,060,716	39,182,360
Payments to suppliers and employees	(28,189,736)	(34,909,997)
Interest received	215,337	134,487
Goods and services tax received	803,044	861,152
Interest paid	(1,019,884)	(803,427)
<b>Net cash provided by operating activities</b>	<b>1,869,477</b>	<b>4,464,575</b>
Cash flows from investing activities		
Payment for property, plant and equipment	(511,397)	(510,062)
Proceeds on sale of Medihoney Pty Ltd	6,000,000	-
Purchase of investments	(5,500,000)	-
Loans advanced to associated entity	(2,231,539)	-
Other loans repaid	86,195	81,999
Proceeds from sale of property, plant and equipment	1,848	-
<b>Net cash used in investing activities</b>	<b>(2,154,893)</b>	<b>(428,063)</b>
Cash flows from financing activities		
Proceeds from issue of shares	16	60,248
Proceeds from borrowings	410,591	-
Repayment of borrowings	-	(2,837,198)
Dividend paid	-	(257,552)
<b>Net cash used in financing activities</b>	<b>410,607</b>	<b>(3,034,502)</b>
Net increase in cash held	125,191	1,002,010
Cash at the beginning of the financial period	296,036	182,672
<b>Cash at the end of the financial period</b>	<b>421,227</b>	<b>1,184,682</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 2007

## 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, Australian Accounting 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 2007 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 2007 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 2007			
	Australia \$	Europe \$	Intersegment Elimination \$	Consolidated \$
Sales revenue	30,760,201	-	-	30,760,201
Other revenue	216,739	-	-	216,739
<b>Total segment revenue</b>	<b>30,976,940</b>	<b>-</b>	<b>-</b>	<b>30,976,940</b>
<b>Segment Result</b>	<b>(1,938,670)</b>	<b>-</b>	<b>-</b>	<b>(1,938,670)</b>
Unallocated revenue less unallocated expenses				-
<b>Loss before income tax</b>				<b>(1,938,670)</b>

Primary reporting – geographical segments	31 December 2006			
	Australia \$	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>519,370</b>	<b>(257,181)</b>	<b>36,724,138</b>
<b>Segment Result</b>	<b>(619,623)</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>

## 4. EVENTS SUBSEQUENT TO REPORTING DATE

An agreement has been signed whereby the remaining fifty percent interest in Capilano Labonte Inc (CLI) will be transferred to Capilano Honey Limited (CHL) at no cost, effective 29 February 2008. CLI will become a wholly owned subsidiary of CHL.

CHL/CLI have terminated their involvement in the factory operation in Victoriaville, Canada, which will come under the control and ownership of Miel Labonte Inc. CHL will undertake in Australia the majority of the honey packing requirements of CLI, creating significant savings for the CHL Group.