FINANCIAL & STATUTORY REPORTS 2003

FINANCIAL & STATUTORY REPORTS
FOR CAPILANO HONEY LIMITED AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDING 30 JUNE 2003

CAPILANO Honey Limited

A.B.N. 55 009 686 435

Table of Contents

Report of the Directors

Your directors present their report on the consolidated financial statements for the year ended 30 June 2003.

DIRECTORS

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

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

ACTIVITIES

The principal activities of the economic 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 economic entity for the year after income tax was $2,386,797.

DISTRIBUTIONS - CAPILANO HONEY LIMITED

The 2002 final ordinary dividend of fifteen cents per share which was provided for in the 2002 accounts, was paid during the year absorbing $769,307 in cash.

Your directors have now declared an ordinary dividend of twenty cents per share absorbing $1,026,433 for the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There is at the date of this report no other matter or circumstance which has arisen since 30 June 2003 that has significantly affected or may significantly affect:-

i) the operations of the economic entity;
ii) the results of those operations; or
iii) the state of affairs of the economic entity in financial years subsequent to 30 June 2003.

REVIEW OF OPERATIONS

Sales revenue of $87,814,526 for the economic entity was $26,654,846 above the previous year's result. An analysis of this sales increase is as follows:-

	% increase / (decrease) of 2003 over 2002	*2003 $*	*2002 $*
Capilano Honey Limited	43.2%	86,771,351	60,601,516
Medihoney Pty Ltd	86.9%	1,043,175	558,164

The increase in revenue for the parent entity resulted from higher sales prices, despite lower sales volumes due to the increased sales prices and lower honey receivals. The increase in the subsidiary company's revenue results from higher sales due to an expanded product range and greater market distribution.

SIGNIFICANT CHANGES

There were no significant changes in operations during the year.

LIKELY DEVELOPMENTS

Likely future developments of the economic entity include continuing competitive marketing of the company's brands, on both domestic and export markets.

In the opinion of the directors it would prejudice the interests of the company if any further information on likely developments in the operations of the economic entity and the expected results of operations were included herein.

INFORMATION ON DIRECTORS

Director	*Experience*	*Special Responsibilities*	*Shares held in Parent entity*
Donald Gordon **KEITH**	Commercial apiarist. Director since 1989.	Chairman of Capilano Honey Limited Board, Chairman of the Nomination Committee, and a Member of the Honey Supply & Industry Committee. Director of Medihoney Pty Ltd	D G Keith is a partner in a partnership which holds 57,920 shares.
Ian Alfred **CANE**	Commercial apiarist. Director since 1990.	Deputy Chairman of Capilano Honey Limited Board, Member of the Honey Supply & Industry, Remuneration and Nomination Committees	I A Cane is a partner in a partnership which holds 24,235 shares
Roger David **MASTERS**	Managing Director since July 1996, twelve years senior management experience in the food industry.	Member of the Audit & Compliance and Honey Supply & Industry Committees. Director of Medihoney Pty Ltd.	1
Bernard James **BALLANTYNE**	Independent Director since 1991, and for six years prior was the nominee director representing the Allowrie shareholding. Over 30 years experience at senior management level in the food and agricultural industries, Currently Managing Director of Castlegate VGS Pty Ltd.	Independent Non-executive Director, Chairman of the Remuneration Committee & Member of the Audit & Compliance Committee. Chairman of Medihoney Pty Ltd.	1
Rosemary **DOHERTY**	Commercial apiarist. Director since 2000.	Member of the Nomination, Remuneration and Honey Supply & Industry Committees.	R Doherty is a partner in a partnership which holds 11,204 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 is a partner in a partnership which holds 33,676 shares and individually holds 1,000 shares
Trevor Richard **MORGAN**	Commercial apiarist. Director since 1998.	Member of the Honey Supply & Industry, Audit & Compliance and Nomination Committees.	T R Morgan is a partner in a partnership which holds 13,260 shares
Warwick Birdsall **WILSHIRE**	Managing Director from July 1984 to 30 June 1996. Appointed Independent Director in June 1996.	Independent Non-executive Director. Chairman of Audit & Compliance Committee and Member of the Remuneration Committee. Director of Medihoney Pty Ltd.	1

The particulars of directors' interests in shares are as at the date of this report. Directors retiring by rotation are Mr Keith and Mrs Doherty. Both being eligible, are offering themself 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	7	7	16	16	6	6	1	1
I.A. Cane	7	7	10	10	-	-	1	1
R.D. Masters	7	7	15	15	6	6	1	1
B.J. Ballantyne	7	7	15	15	6	6	1	1
R. Doherty	7	7	10	10	-	-	1	1
P. McHugh	7	7	7	7	-	-	1	1
T. R. Morgan	7	7	13	13	-	-	1	1
W.B. Wilshire	7	7	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.

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 note 26, the pro-rata payment of or entitlement to such a benefit for the period since 30 June 2002 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 in note 29.

SHARE OPTIONS

No options of any kind have been issued this year. No options have been exercised during the year.

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

	Options Issued
Directors	
R D Masters, Managing Director, Capilano Honey Limited	180,000
A P Moloney, Chief Executive Officer, Medihoney Pty Ltd	150,000
Other Executives of Capilano Honey Limited	
R B Eustace, Business Development Manager	60,000
Total Options Issued	390,000

The options were issued in 2001 over ordinary shares of Medihoney Pty Ltd under an Executive Option Plan at no consideration. The options vest progressively between three (3) and (5) years after the date of issue and may be exercised at $1 per share up to 24 February 2006 subject to the occurrence of specified future events and performance requirements.

No option holder has any right under the option to participate in any other share issue of the company or of any other entity.

ENVIRONMENTAL REGULATIONS

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

Senior management of the parent entity are 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 Authority required under Section 41 of the Environmental Protection Act (QLD) 1994. Application for such a licence is currently underway.

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 proceeding 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.

AUDITORS

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

Signed at Brisbane this FIFTEENTH day of AUGUST 2003, in accordance with a resolution of the directors.

D.G. Keith

D G Keith, Director

R D Masters, Director

Independent Audit Report to the Members

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements and directors' declaration as set out on pages 6 to 26 for both Capilano Honey Limited (the company) and Capilano Honey Limited and Controlled Entities (the consolidated entity) for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during the year.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards in order to provide reasonable assurance as to whether the 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 performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001,* Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

We read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.

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 financial report of Capilano Honey Limited:

- gives a true and fair view of the financial position of Capilano Honey Limited and Capilano Honey Limited and Controlled Entities at 30 June 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia.

Cranstoun + Hussein

CRANSTOUN & HUSSEIN
Chartered Accountants

a j Cranstoun

A J Cranstoun
A Member of the Firm
Brisbane, 18 August 2003

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 7 to 26:

a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and

b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed at Brisbane this FIFTEENTH day of AUGUST 2003 in accordance with a resolution of the directors.

D G Keith, Director

R. D Masters, Director

Statement of Financial Performance

For the year ended 30 June 2003

	Notes	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Revenue from ordinary activities	2	89,177,972	61,316,109	88,132,552	60,753,446
Borrowing costs expense	3(b)	1,309,867	970,790	1,309,867	970,782
Other expenses from ordinary activities	3(a)	83,725,695	59,730,120	82,518,137	58,895,585
Profit from ordinary activities before income tax	3(b)	4,142,410	615,199	4,304,548	887,079
Income tax expense / (benefit)	4	1,755,613	(1,059,423)	1,812,129	(980,542)
Net profit attributable to members of Capilano Honey Limited		**2,386,797**	**1,674,622**	**2,492,419**	**1,867,621**
The above statements of financial performance should be read in conjunction with the accompanying notes.					

Movement in Retained Earnings

For the year ended 30 June 2003

	Notes	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Retained profits at the beginning of the financial year		13,007,275	13,124,868	13,314,558	13,239,152
Net profit attributable to members of Capilano Honey Limited		2,386,797	1,674,622	2,492,419	1,867,621
Dividend provided for		(1,025,919)	(769,252)	(1,025,919)	(769,252)
Bonus		-	(1,022,963)	-	(1,022,963)
Retained profits at the end of the financial year		**14,368,153**	**13,007,275**	**14,781,058**	**13,314,558**

Statement of Financial Position

As at 30 June 2003

	Notes	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
CURRENT ASSETS					
Cash		3,694,104	3,081,650	3,669,148	3,065,980
Receivables	6	12,787,619	7,901,822	12,657,435	7,845,068
Inventories	7	21,176,923	12,369,756	20,827,574	12,117,557
Other	8	275,610	212,565	275,610	212,565
TOTAL CURRENT ASSETS		**37,934,256**	**23,565,793**	**37,429,767**	**23,241,170**
NON-CURRENT ASSETS					
Receivables	9	649,430	-	1,711,902	733,187
Other financial assets	10	-	-	2	2
Property, plant & equipment	11	18,252,262	19,034,624	18,248,978	19,017,661
Intangibles	12	1,022,607	2,136,376	995,423	2,121,571
Deferred tax assets	13	2,710,852	4,466,465	2,540,808	4,352,937
TOTAL NON-CURRENT ASSETS		**22,635,151**	**25,637,465**	**23,497,113**	**26,225,358**
TOTAL ASSETS		**60,569,407**	**49,203,258**	**60,926,880**	**49,466,528**
CURRENT LIABILITIES					
Payables	14	7,435,145	7,824,298	7,384,331	7,798,342
Interest-bearing liabilities	15	8,493,979	2,720,253	8,493,979	2,720,253
Provisions	16	1,369,833	1,145,433	1,365,850	1,128,614
TOTAL CURRENT LIABILITIES		**17,298,957**	**11,689,984**	**17,244,160**	**11,647,209**
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	17	18,450,408	14,098,522	18,450,408	14,098,522
Provisions	18	446,135	401,839	445,500	400,601
TOTAL NON-CURRENT LIABILITIES		**18,896,543**	**14,500,361**	**18,895,908**	**14,499,123**
TOTAL LIABILITIES		**36,195,500**	**26,190,345**	**36,140,068**	**26,146,332**
NET ASSETS		**24,373,907**	**23,012,913**	**24,786,812**	**23,320,196**
EQUITY					
Contributed equity	19	5,286,793	5,286,677	5,286,793	5,286,677
Reserves	20	4,718,961	4,718,961	4,718,961	4,718,961
Retained profits		14,368,153	13,007,275	14,781,058	13,314,558
TOTAL EQUITY		**24,373,907**	**23,012,913**	**24,786,812**	**23,320,196**

The above statements of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the year ended 30 June 2003

	Inflows (Outflows) Consolidated		*Inflows (Outflows)* Parent Entity	
	2003 $	2002 $	2003 $	2002 $
Cash flows from operating activities				
Receipts from customers	84,145,857	62,414,223	83,126,894	61,696,256
Payments to suppliers and employees	(91,732,836)	(60,868,533)	(90,416,818)	(59,943,120)
Interest received	218,093	143,204	217,892	143,051
Goods & Services tax received	1,438,098	1,279,342	1,460,298	1,282,283
Interest paid	(1,137,531)	(851,827)	(1,137,531)	(851,827)
Net cash (used in) provided by operating activities (Note 32)	**(7,068,319)**	**2,116,409**	**(6,749,265)**	**2,326,643**
Cash flows from investing activities				
Payment for property, plant and equipment	(873,743)	(956,532)	(873,623)	(939,538)
Purchase of intangible asset	(823)	(17,635)	-	-
Proceeds from sale of fixed asset	772	374	772	374
Other loan	(801,852)	-	(801,852)	-
(Advances to) Repayments by controlled entities	-	-	(329,285)	(240,693)
Net cash used in investing activities	**(1,675,646)**	**(973,793)**	**(2,003,988)**	**(1,179,857)**
Cash flows from financing activities				
Proceeds from share allotments	116	149	116	149
Proceeds from borrowings	11,464,394	4,500,000	11,464,394	4,500,000
Repayment of borrowings	(1,338,782)	(4,155,879)	(1,338,782)	(4,155,879)
Bonus Paid	-	(1,022,963)	-	(1,022,963)
Dividend paid	(769,307)	(871,889)	(769,307)	(871,889)
Net cash provided by (used in) financing activities	**9,356,421**	**(1,550,582)**	**9,356,421**	**(1,550,582)**
Net increase (decrease) in cash held	612,454	(407,966)	603,168	(403,796)
Cash at the beginning of the financial year	3,081,650	3,489,616	3,065,980	3,469,776
Cash at the end of the financial year (Note 31)	**3,694,104**	**3,081,650**	**3,669,148**	**3,065,980**

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements have been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and the Corporations Act 2001. Unless otherwise stated, these accounting policies were also adopted in the preceding year.

(a) **Historical cost**

The financial statements are prepared in accordance with the historical cost convention except for certain assets, as noted.

(b) **Principles of consolidation**

The consolidated accounts incorporate the assets and liabilities of all entities controlled by Capilano Honey Limited ("parent entity") as at 30 June 2003 and the results of all controlled entities for the year then ended. Capilano Honey Limited and its controlled entities together are referred to in this financial report as the economic entity. The effects of all transactions between entities in the economic entity are eliminated in full.

(c) **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Control of the goods has passed to the buyer.

Interest

Control of the right to receive the interest payment

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to retained earnings on disposal.

(e) **Land and Buildings**

The directors have established a policy to obtain independent valuations of land and buildings at least triennially and to disclose the details of these valuations in accordance with AASB 1040 “Statement of Financial Position”. This was last done in 2001 as disclosed in note 11.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(f) **Depreciation**

Depreciation is calculated so as to write off the net cost of each item of plant and equipment and motor vehicles over its useful life. Additions are depreciated from the date they are installed ready for use. The amount of depreciation is disclosed separately in note 3.

The principal rates of depreciation in use are:-

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

(g) **Inventories**

All inventories including contracts in progress are valued at the lower of cost and net realisable value. Cost includes direct materials, direct labour and an appropriate proportion of fixed and variable factory overhead expenditure.

(h) **Income tax**

Tax effect accounting procedures are followed whereby the income tax expense is matched with the accounting profit (after allowing for permanent differences). Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at rates which are expected to apply when those timing differences reverse. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of being realised.

(i) **Foreign currency**

Amounts payable to and by the company in foreign currencies at year end have been converted to Australian currency at rates of exchange applying at that date.

Hedging in the form of foreign exchange contracts and options is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates on the Australian currency equivalent of sales denominated in foreign currencies.

Sales in foreign currencies are recorded at the exchange rate applicable at the date of the invoice. Any gains or losses arising upon payment are reflected as a gain or loss in the statement of financial performance.

(j) **Fixed assets constructed by the economic entity**

The cost of fixed assets constructed by the economic entity includes the cost of all materials used in construction, direct labour worked on the project and an appropriate proportion of variable and fixed factory overhead.

(k) **Employee Benefits**

Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching, as at the reporting date, to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(l) **Intangible Assets & Expenditure Carried Forward**

Brand names are recorded in the accounts at acquisition cost. Trade marks, brand names and other significant items of expenditure, having a benefit or relationship to more than one accounting period, are deferred and amortised to the profit and loss account using the straightline method of calculation over the period of time during which the benefits are expected to arise, but not exceeding twenty years.

(m) **Cash and cash equivalents**

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

		Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
2.	**REVENUE**				
(a)	Revenue from Operating Activities				
	Sales revenue	87,814,526	61,159,680	86,771,351	60,601,516
(b)	Revenue from Outside the Operating Activities				
	(i) Drum Hire	48	-	48	-
	(ii) Interest received	218,093	143,204	217,892	143,051
	(iii) Proceeds on sale of non-current assets	772	375	772	375
	(iv) Insurance proceeds	544	2,648	544	2,648
	(v) Net Foreign Exchange Gain	1,126,943	-	1,131,909	-
	(vI) Sundry	17,046	10,202	10,036	5,856
		89,177,972	**61,316,109**	**88,132,552**	**60,753,446**
3.	**OPERATING PROFIT**				
(a)	**Other expenses from ordinary operations**				
	Raw material and consumables	61,376,419	35,134,129	60,854,084	34,928,779
	Change in inventories of finished goods and work in progress	249,831	1,784,309	152,681	1,749,018
	Employee benefits	7,336,794	7,128,499	7,089,244	6,884,791
	Depreciation of property, plant & equipment	1,600,208	1,600,644	1,600,010	1,600,611
	Amortisation of intangibles	1,128,192	332,884	1,126,147	330,054
	Transportation costs	2,124,974	1,627,242	2,113,895	1,615,562
	Marketing & Promotion	6,536,305	5,868,999	6,291,308	5,678,480
	Net Foreign Exchange Loss	-	1,806,415	-	1,801,106
	Other	3,372,972	4,446,999	3,290,768	4,307,184
		83,725,695	**59,730,120**	**82,518,137**	**58,895,585**
(b)	Profit from ordinary activities before income tax expense, includes the following specific net gains and expenses:				
	Expenses				
	Borrowing costs				
	Borrowing costs	143,981	92,389	143,981	92,389
	Interest and finance charges paid	1,137,531	851,835	1,137,531	851,827
	Prospectus expenses	28,355	26,566	28,355	26,566
		1,309,867	970,790	1,309,867	970,782
	Loss on disposal of non-current assets	41,525	251,797	41,525	251,797
	Bad & doubtful debts	-	3,276	-	3,276
	Provisions - Employee Entitlements	414,824	441,476	406,435	422,586
	Research & Development	14,475	8,633	4,690	5,469

		Consolidated		Parent Entity	
		2003 $	2002 $	2003 $	2002 $
4.	**INCOME TAX**				
	The aggregate amounts of income tax attributable to the financial year differ by more than 15% from the amounts prima facie payable on the profit from ordinary activities. The differences are reconciled as follows:				
	Profit from ordinary activities before income tax	**4,142,410**	**615,199**	**4,304,548**	**887,089**
	Prima facie tax payable at 30% (2002 – 30%)	1,242,723	184,560	1,291,364	266,127
	Tax effect of permanent differences				
	Depreciation of buildings	3,445	3,445	3,445	3,445
	Amortisation of intangibles	315,202	99,865	314,588	99,016
	Section 120(1)(b) dividends and bonus	-	(538,487)	-	(538,487)
	Section 120(1)(c) loan repayment	-	(700,500)	-	(700,500)
	Sundry items	13,862	8,766	12,971	6,849
	(Over)/Under provision for previous year	180,381	(117,072)	189,761	(116,992)
	Income tax (benefit)/expense	**1,755,613**	**(1,059,423)**	**1,812,129**	**(980,542)**
	Comprising:				
	Current	-	-	-	-
	Deferred	68,144	115,275	68,161	115,215
	Benefit	1,687,469	(1,174,698)	1,743,968	(1,095,757)
		1,755,613	**(1,059,423)**	**1,812,129**	**(980,542)**

Future income tax benefit includes a benefit representing income tax losses carried forward of $3,547,034 calculated at 30% (2002 $5,277,482) in respect of the economic entity and $3,378,608 at 30% (2002 $5,169,562) in respect of the parent entity.

The above benefit in respect of income tax losses is after reducing deferred income tax liability of the economic entity by $1,230,267 (2002 $1,162,183) and of the parent entity by $1,230,284 (2002 $1,162,123).

Realisation of the benefit shall depend upon:

(a) the ability of the economic entity and the parent entity to derive future assessable income of a nature and of sufficient amount to enable the benefit to be realised;

(b) the ability to transfer losses to an eligible entity in the economic entity; and

(c) the ability of the economic entity and the parent entity to continue to comply with the conditions for deductibility imposed by law; and

(d) an expectation that legislation will not change in a manner which would adversely affect the economic entity's and the parent entity's ability to realise the benefit.

		Parent Entity 2003 $	Parent Entity 2002 $
5.	**DIVIDENDS**		
	Ordinary shares		
	Final dividend of 20 cents (2002 – 15 cents) recognised as a liability at 30 June 2003 fully franked based on tax paid at 30%	1,026,433	769,821

	Consolidated 2003 $	Consolidated 2002 $
Franked dividends		
Franking credits available for subsequent financial years	2,605,971	3,045,871

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.

		Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
6.	**CURRENT ASSETS - RECEIVABLES**				
	Trade debtors	12,383,695	7,401,818	12,253,286	7,346,977
	Less Provision for Doubtful Debts	-	(3,276)	-	(3,276)
	Other debtors	251,502	503,280	251,727	501,367
	Other loan (note 9)	152,422	-	152,422	-
		12,787,619	**7,901,822**	**12,657,435**	**7,845,068**
7.	**CURRENT ASSETS – INVENTORIES**				
	Raw materials and stores	15,822,429	7,265,093	15,822,429	7,265,093
	Work in progress	183,952	63,363	183,916	63,327
	Finished goods	5,170,542	5,041,300	4,821,229	4,789,137
		21,176,923	**12,369,756**	**20,827,574**	**12,117,557**
	Cost of goods sold				
	Honey levies	252,191	358,458	251,701	358,223
	Other	67,257,589	43,051,846	66,735,389	42,813,238
	Total cost of goods sold	67,509,780	43,410,304	66,987,090	43,171,461
8.	**CURRENT ASSETS – OTHER**				
	Prepayments	**275,610**	**212,565**	**275,610**	**212,565**
9.	**NON-CURRENT ASSETS – RECEIVABLES**				
	Related corporation	-	-	1,062,472	733,187
	Other loan	649,430	-	649,430	-
		649,430	**-**	**1,711,902**	**733,187**

The other loan is interest bearing and relates to the sale of plant and equipment. Title to the plant and equipment does not pass to the purchaser until receipt of the final loan instalment in June 2008

Notes to and forming part of the Financial Statements

		Consolidated		Parent Entity	
		2003	2002	2003	2002
		$	$	$	$
10.	**NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS**				
(a)	The investments included in the accounts comprise:				
	Shares in controlled entities (note 10(b))	-	-	2	2

		Class of Share	*2003* % holding	*2003* Cost $	*2002* % holding	*2002* Cost $
(b)	Investment in the controlled entities is unquoted and comprises:-					
	Medihoney Pty Ltd	Ordinary	100	1	100	1
	Honey Corporation of Australia Pty Ltd	Ordinary	100	1	100	1
				2		2

		Consolidated		Parent Entity	
		2003	2002	2003	2002
		$	$	$	$
11.	**NON-CURRENT ASSETS -PROPERTY, PLANT AND EQUIPMENT**				
	Land and buildings				
	Freehold land – Cost	797,400	797,400	797,400	797,400
	Buildings – Cost	7,409,345	7,409,345	7,409,345	7,409,345
	Less				
	Accumulated depreciation	1,468,477	1,261,237	1,468,477	1,261,237
		5,940,868	6,148,108	5,940,868	6,148,108
	Total land and buildings	**6,738,268**	**6,945,508**	**6,738,268**	**6,945,508**
	Plant and equipment				
	Cost	19,955,955	19,387,753	19,954,201	19,386,118
	Less				
	Accumulated depreciation	8,544,406	7,716,897	8,544,175	7,716,864
	Total plant & equipment	**11,411,549**	**11,670,856**	**11,410,026**	**11,669,254**
	Motor vehicles				
	Cost	27,961	27,961	27,961	27,961
	Less				
	Accumulated depreciation	25,996	25,313	25,996	25,313
	Total motor vehicles	**1,965**	**2,648**	**1,965**	**2,648**
	Capital work in progress	**100,480**	**415,612**	**98,719**	**400,251**
		18,252,262	**19,034,624**	**18,248,978**	**19,017,661**

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
11. NON-CURRENT ASSETS -PROPERTY, PLANT AND EQUIPMENT (continued)				
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at beginning of year	797,400	797,400	797,400	797,400
Carrying amount at end of year	797,400	797,400	797,400	797,400
Buildings				
Carrying amount at beginning of year	6,148,108	6,272,721	6,148,108	6,272,721
Additions	-	82,874	-	82,874
Depreciation	(207,240)	(207,487)	(207,240)	(207,487)
Carrying amount at end of year	5,940,868	6,148,108	5,940,868	6,148,108
Plant and Equipment				
Carrying amount at beginning of year	11,670,856	11,762,164	11,669,254	11,762,164
Additions	1,175,275	1,517,627	1,175,155	1,515,992
Disposals	(42,296)	(216,882)	(42,296)	(216,882)
Depreciation	(1,392,286)	(1,392,053)	(1,392,087)	(1,392,020)
Carrying amount at end of year	11,411,549	11,670,856	11,410,026	11,669,254
Motor Vehicles				
Carrying amount at beginning of year	2,648	3,752	2,648	3,752
Additions	-	-	-	-
Depreciation	(683)	(1,104)	(683)	(1,104)
Carrying amount at end of year	1,965	2,648	1,965	2,648
Capital works in progress				
Carrying amount at beginning of year	415,612	1,094,867	400,251	1,094,867
Net additions	-	-	-	-
Net transfers to property, plant and equipment	(315,132)	(679,255)	(301,532)	(694,616)
Carrying amount at end of year	100,480	415,612	98,719	400,251

Valuations

The independent valuation of the consolidated entity's freehold land and buildings carried out in May 2001 on the basis of open market values for existing use resulted in a valuation of land and buildings of $8,120,000. As land and buildings are recorded at cost the valuation has not been brought to account (refer to Note 1)

		Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
12.	**NON-CURRENT ASSETS – INTANGIBLES**				
	Trademarks and brandnames (note 12(a))	3,964,510	3,950,087	3,932,452	3,932,452
	Less				
	Accumulated amortisation	2,941,903	1,813,711	2,937,029	1,810,881
		1,022,607	**2,136,376**	**995,423**	**2,121,571**
(a)	This includes the cost of the "Barnes" brand acquired in November 1989; Allowrie honey business acquired May 1995, Greens honey business acquired in January 2000 and Windsor Farms honey business acquired in November 2000.				
13.	**NON-CURRENT ASSETS – DEFERRED TAX ASSETS**				
	Future income tax benefit	**2,710,852**	**4,466,465**	**2,540,808**	**4,352,937**
14.	**CURRENT LIABILITIES - PAYABLES**				
	Beekeeper creditors	4,534,723	4,918,782	4,534,723	4,918,782
	Trade creditors	1,993,218	2,037,059	1,947,693	2,015,922
	Other creditors	907,204	868,457	901,915	863,638
		7,435,145	**7,824,298**	**7,384,331**	**7,798,342**
15.	**CURRENT LIABILITIES – INTEREST-BEARING LIABILITIES**				
	Secured (note 22)				
	Hire purchase	387,585	362,356	387,585	362,356
	Loans	5,838,757	-	5,838,757	-
	Total secured liabilities	6,226,342	362,356	6,226,342	362,356
	Unsecured				
	Loans				
	Deposit fund (note 21)	1,639,579	1,635,835	1,639,579	1,635,835
	Beekeeper retains	628,058	722,062	628,058	722,062
		8,493,979	**2,720,253**	**8,493,979**	**2,720,253**
16.	**CURRENT LIABILITIES – PROVISIONS**				
	Employee entitlements	343,400	375,612	339,417	358,793
	Dividends (note5)	1,026,433	769,821	1,026,433	769,821
	Income tax (note 4)	-	-	-	-
		1,369,833	**1,145,433**	**1,365,850**	**1,128,614**

		Consolidated		Parent Entity	
		2003	2002	2003	2002
		$	$	$	$
17.	**NON-CURRENT LIABILITIES – INTEREST-BEARING LIABILITES**				
	Secured (note 22)				
	Commercial bills	15,000,000	8,000,000	15,000,000	8,000,000
	Hire purchase	1,210,735	1,598,320	1,210,735	1,598,320
	Loans	-	1,500,000	-	1,500,000
	Total secured liabilities	16,210,735	11,098,320	16,210,735	11,098,320
	Unsecured				
	Loans -				
	Deposit fund (note 21)	214,503	92,610	214,503	92,610
	Beekeeper retains	2,025,170	2,907,592	2,025,170	2,907,592
		18,450,408	**14,098,522**	**18,450,408**	**14,098,522**
18.	**NON-CURRENT LIABILITIES – PROVISIONS**				
	Employee entitlements	**446,135**	**401,839**	**445,500**	**400,601**

		2003	2002
		$	$
19.	**CONTRIBUTED EQUITY**		
(a)	Issued and paid-up capital		
	5,132,163 (2002: 5,132,138) ordinary shares, fully paid	**5,286,793**	**5,286,677**

(b) During the year 10 ordinary shares were issued at $4.58 per share to existing shareholders, to enable those shareholders to comply with their Honey Supply Agreements.

(c) During the year 7 ordinary shares were issued at $4.48 per share to existing shareholders, to enable those shareholders to comply with their Honey Supply Agreements.

(d) During the year 8 ordinary shares were issued at $4.80 per share to existing shareholders, to enable those shareholders to comply with their Honey Supply Agreements.

		Consolidated		Parent Entity	
		2003	2002	2003	2002
		$	$	$	$
20.	**RESERVES**				
(a)	Composition				
	Asset revaluation	480,381	480,381	480,381	480,381
	Asset replacement	4,238,580	4,238,580	4,238,580	4,238,580
	Total reserves	**4,718,961**	**4,718,961**	**4,718,961**	**4,718,961**
(b)	Movements				
	Asset revaluation				
	Balance 1 July 2002	480,381	480,381	480,381	480,381
	Movements during the year	-	-	-	-
	Balance 30 June 2003	**480,381**	**480,381**	**480,381**	**480,381**
	Asset replacement				
	Balance 1 July 2002	4,238,580	4,238,580	4,238,580	4,238,580
	Movements during the year	-	-	-	-
	Balance 30 June 2003	**4,238,580**	**4,238,580**	**4,238,580**	**4,238,580**

(c) Nature and purpose of reserve

Asset revaluation

Prior to the adoption of AASB1041 Revaluation of non-current assets, the asset revaluation reserve was used to record increments and decrements in the value of non-current assets.

Asset replacement

The amount standing to the credit of the asset replacement reserve resulted from prior period allocations of retained profits for the purpose of replacement of assets in future periods.

		Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
21.	**PAYABLES MATURITY ANALYSIS - DEPOSIT FUND**				
	Debts Payable				
	Not later than one year	1,639,579	1,635,835	1,639,579	1,635,835
	Later than one year but not later than two	155,121	71,025	155,121	71,025
	Later than two years but not later than three	59,382	21,585	59,382	21,585
		1,854,082	**1,728,445**	**1,854,082**	**1,728,445**

The Capilano Deposit Fund (Unsecured Deposit Notes) was created under a Trust Deed dated 17 May 1993. Trust Company of Australia Limited is the Trustee. Deposits have been received pursuant to the issue of a Prospectus dated 14 October 2002.

22. **SECURED BORROWINGS**

The hire purchase, loans and commercial bills amounting to $19,437,077 (2002: $9,960,676) are secured by a negative pledge, a registered mortgage over certain of the freehold land and buildings of the company and by registered equitable mortgages over certain assets of the company.

Security for loans amounting to $3,000,000 (2002: $1,500,000) is provided by way of bank guarantee included in overall bank facilities and secured as detailed above.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
23. **CONTINGENT LIABILITIES**				
The Directors are not aware of any significant contingent liabilities at the date of this report.				
24. **COMMITMENTS**				
Capital expenditure commitments				
Contracted for but not provided for and payable: -				
Not longer than one year	23,072	267,263	23,072	267,263
Operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Not longer than one year	103,130	110,915	103,130	110,915
Longer than one year but not longer than two years	50,669	95,789	50,669	95,789
Longer than two years but not longer than five years	21,432	15,392	21,432	15,392
	175,231	**222,096**	**175,231**	**222,096**
25. **AUDITOR'S REMUNERATION**				
Amounts received, or due and receivable, by the auditors of the parent entity for:				
Audit or review of financial reports of the entity or any entity in the consolidated group				
- Current Year	47,510	42,935	46,510	41,935
Other Services				
- Current Year	18,327	20,305	17,327	19,305
- Prior Year	1,500	-	1,500	-
	67,337	**63,240**	**65,337**	**61,240**
No other benefits were received by the auditors.				

	2003 $	2002 $
26. REMUNERATION OF DIRECTORS		
Consolidated		
Amounts received, or due and receivable, by all the directors of each corporation in the economic entity from respective corporations and related corporations	701,817	658,620
Parent Entity		
Amounts received, or due and receivable, by directors of Capilano Honey Limited from the company and related corporations	701,817	658,620
Number of directors of Capilano Honey Limited whose remuneration was within the following bands-		
$ 30,000 - $ 39,999	3	4
$ 40,000 - $ 49,999	1	-
$ 50,000 - $ 59,999	2	2
$ 60,000 - $ 69,999	-	1
$ 70,000 - $ 79,999	1	-
$340,000 - $349,999	-	1
$370,000 - $379,999	1	-

Amounts received or due and receivable by the directors, include directors fees and superannuation contributions, and if applicable as an employee, salary, superannuation contributions, incentive payments and the value of any fringe benefits and applicable tax.

	Consolidated		Parent Entity	
	2003 $	2002 $	2003 $	2002 $
27. REMUNERATION OF EXECUTIVES				
Amounts received, or due and receivable, from each corporation in the economic entity by executives of the economic entity whose income exceeded $100,000				
Executive officers of parent	1,209,783	1,109,127	1,209,783	1,109,127
Executive officers of controlled entity	143,672	136,610	-	-
	1,353,455	1,245,737	1,209,783	1,109,127
Number of executive officers whose remuneration was within the following bands-				
$ 110,000 - $ 119,999	-	1	-	1
$ 120,000 - $ 129,999	1	-	1	-
$ 130,000 - $ 139,999	-	1	-	-
$ 140,000 - $ 149,999	1	-	-	-
$ 150,000 - $ 159,999	-	2	-	2
$ 160,000 - $ 169,999	-	1	-	1
$ 170,000 - $ 179,999	2	1	2	1
$ 180,000- $ 189,999	2	-	2	-
$ 340,000 - $ 349,999	-	1	-	1
$ 370,000 - $ 379,999	1	-	1	-

27. **REMUNERATION OF EXECUTIVES (continued)**

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 scheme 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 including profit, honey price and return on investment. The value of bonuses paid or payable is included in the table of remuneration bands.

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 rolling periods of five years. The Plan commenced in 2000 and no bonuses have yet accrued or been paid to any Executive. Future payment of bonuses will be included in the financial reports for the years in which they are paid.

28. **SUPERANNUATION COMMITMENTS**

The Capilano Group Superannuation Fund was wound up last year and benefits rolled over to an accumulation fund under a master trust arrangement.

The company has agreed with a number of the previous defined benefit category members to meet any shortfalls of benefits under the new arrangements compared to those that would have been payable from the Capilano Group Superannuation Fund, subject to continuation of existing company and employee contributions. The agreement covers the period from 30 June 2001 to 30 June 2006 or earlier retirement by the member.

29. **RELATED PARTIES**

Controlled Entities:

Information relating to the controlled entities is set out in note 10(b).

Superannuation Plan:

Information relating to the superannuation plan of the group is set out in note 28.

Directors:

The names of persons who are currently directors of the parent entity are set out in the directors' report on page 1.

Directors who are apiarists trade with the company on the same trading conditions as other shareholders. In view of these arrangements no quantification has been made of the total sum of transactions.

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 $33,958.

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 $33,958.

30. **SEGMENTAL INFORMATION**

The economic entity operates predominantly in the one industry and in one geographical area and accordingly does not differentiate between a primary and secondary reporting segment. The principal activities of the economic entity fall in one business segment that being the processing and sale of honey and one geographical segment being Australia.

The company exports to many countries, including the United Kingdom, Germany, other European Community countries, Japan, Middle East, South East Asia, Canada and the United States of America.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
31. RECONCILIATION OF CASH				
For the purpose of the statements of cash flows, cash includes cash on hand and at banks and investments in the money market, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:				
Cash	**3,694,104**	**3,081,650**	**3,669,148**	**3,065,980**
32. RECONCILIATION OF NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES TO PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX.				
Profit from ordinary activities after income tax	2,386,797	1,674,622	2,492,419	1,867,621
Depreciation	1,600,208	1,600,644	1,600,010	1,600,611
Amortisation	1,128,192	332,885	1,126,147	330,054
Loss (Profit) on sale of equipment	41,525	251,797	41,525	251,797
Provision for doubtful debts	(3,276)	3,276	(3,276)	3,276
(Decrease) Increase in deferred tax payable	1,755,613	(1,059,424)	1,812,129	(980,542)
Change in assets and liabilities				
(Increase) Decrease in assets				
Trade debtors	(4,981,829)	860,376	(4,906,309)	726,025
Other debtors	96,289	326,116	96,137	326,252
Inventory	(8,807,167)	(3,088,183)	(8,710,017)	(3,052,892)
Prepayments	(63,045)	(39,298)	(63,045)	(39,298)
Goods & Services Tax received	155,444	(80,043)	153,503	(76,714)
Increase (Decrease) in liabilities				
Trade creditors	(43,369)	(414,710)	(68,230)	(391,862)
Other creditors	38,277	178,176	38,277	200,611
Beekeeper creditors	(384,059)	1,609,951	(384,059)	1,609,951
Provisions	12,081	(39,776)	25,524	(48,247)
	(7,068,319)	**2,116,409**	**(6,749,265)**	**2,326,643**

	2003 $	2002 $
33. FINANCING ARRANGEMENTS		
Total facilities		
Unrestricted access was available at balance date to the following lines of credit:		
Multi-Option (refer note below)	15,050,000	9,085,000
Letters of credit	200,000	1,101,000
Lease/hire purchase	2,000,000	1,960,676
Trade Finance Facility	5,000,000	-
Secured loan	3,000,000	3,000,000
	25,250,000	**15,146,676**
Used at balance date		
Multi-Option	15,000,000	8,000,000
Letter of Credit	-	131,744
Hire purchase	1,598,320	1,960,676
Trade Finance Facility	2,838,757	-
Secured loan	3,000,000	1,500,000
	22,437,077	**11,592,420**
Unused at balance date		
Multi-Option	50,000	1,085,000
Lease/hire purchase	401,680	-
Letters of credit	200,000	969,256
Trade Finance Facility	2,161,243	-
Secured loan	-	1,500,000
	2,812,923	**3,554,256**

The Multi-Option facility includes bank guarantees required as part of the secured loan agreement. The total amount of the facility including these guarantees is $18,050,000. The Trade Finance Facility is $5,000,000. These facilities are secured by a negative pledge, a registered mortgage debenture and a mortgage over certain freehold land and buildings.

Interest is charged at variable rates.

The secured loan facility provides for total drawdowns of $3 million. All amounts are repayable by 30 June 2004 in accordance with the repayment schedules set out in the facility agreement. The loan facility is secured by bank guarantees included in the Multi-Option facility above.

34. **FINANCIAL INSTRUMENTS**

Financial Instruments

The information included in this note is provided as required by Accounting Standard AASB 1033 "Presentation and disclosure of Financial Instruments".

(a) Derivative Financial Instruments

Derivative financial instruments are used by the economic entity to hedge exposure to exchange risk associated with foreign currency transactions. The derivative financial instruments used by the economic entity are not recognised in the financial statements. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Unrecognised Financial Instruments

(i) Forward exchange contracts

The economic entity enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for both contracted and anticipated future sales and purchases undertaken in foreign currencies.

At balance date, there were no outstanding forward exchange contracts in respect of the economic entity.

(ii) Foreign currency options

From time to time the company enters into arrangements with options to sell US dollars and buy Australian dollars. These options confer no obligation upon the company except where a “kick-in” price is reached and the company is obliged to deal at the agreed option strike rate at the expiry date. Where an agreed “knock-out” rate is reached, the options may be exercised at the more favourable of the strike rate or the spot rate.

At 30 June 2003, options with a face value of $US3,600,000 were held by the company. These options, in respect of the 2004 year, were “knocked-out” as at 30 June 2003.

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheets and notes to the financial statements.

The credit risk exposure to forward exchange contracts is the potential deferred exchange loss as disclosed in note 34(a).

34. **FINANCIAL INSTRUMENTS (continued)**

(c) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities is as follows:

2003	Weighted Average Interest Rate	Floating Interest Rate $	Fixed Interest maturing in less than 1 year $	Fixed Interest maturing in 1 - 5 years $	Non-interest Bearing $	Total $
Financial assets						
Cash	4.50%	3,653,688	-	-	40,416	3,694,104
Receivables	-	-	-	-	12,635,197	12,635,197
Other loan	5.00%	-	152,422	649,430	-	801,852
Total financial assets		**3,653,688**	**152,422**	**649,430**	**12,675,613**	**17,131,153**
Financial liabilities						
Bank loans & overdraft	4.85%	15,000,000	-	-	-	15,000,000
Hire Purchase	6.75%	-	-	1,598,320	-	1,598,320
Capilano Deposit Fund	3.97%	1,854,082	-	-	-	1,854,082
Beekeeper creditors	-	-	-	-	4,534,723	4,534,723
Beekeeper retains	3.67%	2,653,228	-	-	-	2,653,228
Secured loans	5.67%	3,000,000	2,838,757	-	-	5,838,757
Trade & sundry creditors	-	-	-	-	2,900,422	2,900,422
Total financial liabilities		**22,507,310**	**2,838,757**	**1,598,320**	**7,435,145**	**34,379,532**

2002	Weighted Average Interest Rate	Floating Interest Rate $	Fixed Interest maturing in more than 5 years $	Non-interest Bearing $	Total $
Financial assets					
Cash	4.50%	3,059,117	-	22,533	3,081,650
Receivables	-	-	-	7,901,822	7,901,822
Total financial assets		**3,059,117**	**-**	**7,924,355**	**10,983,472**
Financial liabilities					
Bank loans & overdraft	4.96%	8,000,000	-	-	8,000,000
Hire Purchase	6.75%	-	1,960,676	-	1,960,676
Capilano Deposit Fund	4.40%	1,728,445	-	-	1,728,445
Beekeeper creditors	-	-	-	4,918,782	4,918,782
Beekeeper retains	3.71%	3,629,654	-	-	3,629,654
Secured loan	5.26%	1,500,000	-	-	1,500,000
Trade & sundry creditors	-	-	-	2,905,516	2,905,516
Total financial liabilities		**14,858,099**	**1,960,676**	**7,824,298**	**24,643,073**

The economic entity has in place a "cap & collar" arrangement with its bankers in relation to $2.0m of the multi-option facility. Under this arrangement, the interest rate payable by the economic entity on the secured loan will not fall below 4.98% nor exceed 9.6%. Any interest rate risk outside the cap & collar is borne by the bank.

(d) **Net Fair Value**

The net fair value of financial assets and liabilities approximates their carrying value.

Condensed Financial History 1994 to 2003

$000's except as noted

Year ended 30 June	**2003**	2002	2001	2000	1999	1998	1997	1996	1995	1994
Group total sales revenue	**87815**	61160	59431	59473	55445	55034	59539	46903	40827	43814
Earnings before interest and tax, premiums, interim bonus and loyalty payments	**7306**	2331	6421	4741	1195	3944	3937	3102	2500	1848
Interest expense	**1138**	852	931	1068	944	793	487	530	495	424
Profit before tax, premiums, interim bonus and loyalty payments	**6168**	1479	5490	3673	251	3151	3450	2572	2005	1424
Loyalty bonus payment - Quota & Over Quota Honey	**-**	-	-	-	-	930	353	-	-	-
Interim bonus payment - Quota & Over Quota Honey	**2026**	864	729	-	-	-	-	-	-	-
Operating profit before tax	**4142**	615	4761	3673	251	2221	3097	2572	2005	1424
Income tax attributable to operating profit	**1756**	(1060)	(343)	758	(2034)	(1414)	52	520	517	349
Operating profit after tax	**2386**	1675	5104	2915	2285	3636	3045	2052	1488	1075
Number of issued shares	**5132**	5132	5132	5132	5102	5064	5136	5109	5213	5704
Earnings per Share (cents)	**46.5**	32.6	99.5	56.8	44.8	71.8	59.3	40.2	26.4	18.8
Dividend per Share (unfranked) (cents)	**-**	-	17.0	17.0	5.0	15.0	15.0	15.0	12.0	9.0
Dividend per Share (franked) (cents)	**20.0**	15.0	-	-	-	-	-	-	-	-
Dividend: Times Covered	**2.33**	2.18	5.85	3.34	8.96	4.79	3.95	2.61	2.20	2.09
Total dividend paid	**1026**	769	872	872	255	776	768	784	678	512
Bonus - year end appropriation	**-**	1032	1565	-	-	-	-	-	-	-
Bonus - per kilogram (cents)	**-**	7.0	10.0	-	-	-	-	-	-	-
Total retained profit at 30 June	**14368**	13007	13125	10456	8413	5946	5179	4896	3737	3083
Net assets at 30 June	**24374**	23013	23130	20462	18311	16161	13501	11155	10100	9553
Net asset backing per issued share (NAB)	**$4.75**	$4.48	$4.51	$4.00	$3.59	$3.19	$2.63	$2.18	$1.94	$1.67
Average Traded Price (ATP) *	**$2.53**	$2.55	$2.78	-	-	-	-	-	-	-
Dividend Yield (Based on ATP)	**7.9%**	5.9%	6.1%	-	-	-	-	-	-	-
Total Debt Percentage of Total Assets	**59.8%**	53.2%	51.6%	55.8%	56.8%	61.9%	60.6%	60.7%	56.6%	60.1%
Total Honey Price + Dividend + Retained Earnings (cents/kg)	**$4.40**	$2.28	$2.05	$1.93	$1.86	$1.79	-	-	-	-
Movement Year on Year $	**$2.12**	$0.23	$0.13	$0.07	$0.07	$0.03	-	-	-	-
Movement Year on Year %	**92.64%**	11.15%	6.71%	3.58%	4.07%	1.85%	-	-	-	-
Five Year Average	**23.63%**	5.47%	4.94%	6.88%	6.81%	4.40%	-	-	-	-
Number of full time equivalent employees as at 30 June	**122**	121	123	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - not available

* ATP - based on weighted average of traded prices over twelve months to 30 June, excluding nominated transactions between buyer and seller.

Where necessary, values have been adjusted for share issues and share buy-backs.