



ABN 55 009 686 435

---

# Half-Year Financial Report **09**

## TABLE OF CONTENTS:

Report of the Directors	1
Auditor's Independence Declaration	2
Independent Auditor's Review Report	3
Directors' Declaration	4
Condensed Consolidated Income Statement	5
Condensed Consolidated Statement of Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Financial Statements	10

**FINANCIAL AND STATUTORY REPORTS  
FOR CAPILANO HONEY LIMITED AND ITS CONTROLLED ENTITIES  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

## 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 2009.

### 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, Deputy Chairman  
Peter Barnes  
Roger David Masters  
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 \$4,058,946.

### Review of Operations

Sales revenue for the consolidated entity was \$40,806,263.

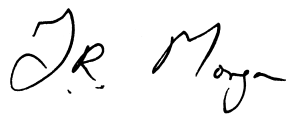
### Significant Changes

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 12th day of February 2010, in accordance with a resolution of the directors.



T R Morgan  
Director



R D Masters  
Director

# Auditor's Independence Declaration

---



**Principals**  
Andrew J Cranstoun  
John Feddema  
Masood Ayooob  
Junaide A Latif  
Paul A Copeland  
Julie D Smith

**Consultants**  
David J Cranstoun  
Yusuf Hussein

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](mailto:info@cah.com.au)  
Website [www.cranstounandhussein.com.au](http://www.cranstounandhussein.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

## Auditor's Independence Declaration

As lead auditor for the review of Capilano Honey Limited for the half-year ended 31 December 2009, 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, 12 February 2010

Liability limited by a scheme approved under Professional Standards Legislation

*Capilano Honey Limited and Controlled Entities - A.B.N 55 009 686 435  
for the half-year ended 31 December 2009*

# Independent Auditor's Review Report

## To the Members of Capilano Honey Limited



**Principals**  
Andrew J Cranstoun  
John Feddema  
Masood Ayoob  
Junaide A Latif  
Paul A Copeland  
Julie D Smith

**Consultants**  
David J Cranstoun  
Yusuf Hussein

Level 2  
102 Adelaide Street  
Brisbane

GPO Box 563  
Brisbane  
Queensland 4001

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

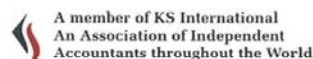
Email info@cah.com.au  
Website www.cranstounandhussein.com.au  
ABN 11 603 627 400

Our Ref

Your Ref

Date

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



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

### 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 statement of financial position as at 31 December 2009, the condensed income statement, condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 Capilano Honey Limited (the company) 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 Interim and Other Financial Reports 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 2009 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 2009 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, 12 February 2010

Liability limited by a scheme approved under Professional Standards Legislation

Capilano Honey Limited and Controlled Entities - A.B.N 55 009 686 435  
for the half-year ended 31 December 2009

## Directors' Declaration

---


The directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 5 to 12:
  - (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 2009 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 12th day of February 2010, 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 2009

	Note	31 December 2009 \$	31 December 2008 \$
Revenue		40,806,263	39,125,114
Other income		-	881,122
Finance costs		(829,429)	(1,217,422)
Other expenses		(41,227,761)	(38,157,161)
Operating (loss) profit		(1,250,927)	631,653
Goodwill impairment	4	(2,664,499)	-
(Loss) profit before income tax		(3,915,426)	631,653
Income tax expense		(143,520)	(274,908)
<b>Net (loss) profit attributable to members of Capilano Honey Limited</b>		<b>(4,058,946)</b>	<b>356,745</b>
Basic earnings per share (cents)		(78.80)	6.93
Diluted earnings per share (cents)		(78.80)	6.93
<i>The above income statement should be read in conjunction with the accompanying notes.</i>			

## Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2009

	31 December 2009 \$	31 December 2008 \$
Net (loss) profit attributable to members of Capilano Honey Limited	(4,058,946)	356,745
<b>Other comprehensive income</b>		
Change in market value of available for sale financial assets	711,116	(355,100)
Adjustments from the translation of foreign controlled entities	39,722	(764,654)
Other comprehensive income for the period, net of tax	750,838	(1,119,754)
<b>Total comprehensive income for the period attributable to members of Capilano Honey Limited</b>	<b>(3,308,108)</b>	<b>(763,009)</b>
<i>The above statement of comprehensive income should be read in conjunction with the accompanying notes.</i>		

# Condensed Consolidated Statement of Financial Position

As at 31 December 2009

	Note	31 December 2009 \$	30 June 2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		353,488	239,535
Trade and other receivables		11,367,930	10,962,893
Inventories		11,724,843	17,808,187
Financial assets		563,645	-
Other current assets		533,182	299,665
<b>TOTAL CURRENT ASSETS</b>		<b>24,543,088</b>	<b>29,310,280</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets		-	897,195
Property, plant and equipment		20,237,867	19,911,271
Intangibles		2,643,357	5,354,976
Deferred tax assets		3,573,948	3,726,444
<b>TOTAL NON-CURRENT ASSETS</b>		<b>26,455,172</b>	<b>29,889,886</b>
<b>TOTAL ASSETS</b>		<b>50,998,260</b>	<b>59,200,166</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		6,304,128	7,631,886
Short term borrowings	5	15,099,601	11,090,656
<b>TOTAL CURRENT LIABILITIES</b>		<b>21,403,729</b>	<b>18,722,542</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	5	10,666,556	18,207,358
Long term provisions		281,850	316,033
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>10,948,406</b>	<b>18,523,391</b>
<b>TOTAL LIABILITIES</b>		<b>32,352,135</b>	<b>37,245,933</b>
<b>NET ASSETS</b>		<b>18,646,125</b>	<b>21,954,233</b>
<b>EQUITY</b>			
Issued capital		5,366,360	5,366,360
Reserves		4,097,609	3,346,771
Retained earnings		9,182,156	13,241,102
<b>TOTAL EQUITY</b>		<b>18,646,125</b>	<b>21,954,233</b>
<i>The above statement of financial position should be read in conjunction with the accompanying notes.</i>			



## Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2009

	Issued capital			Reserves		Retained earnings	Total equity
	Ordinary	Foundator	Asset Revaluation	Financial Asset	Foreign Currency Translation		
	\$	\$	\$	\$	\$		
<b>Balance at 1 July 2009</b>	5,366,359	1	4,042,851	(711,116)	15,036	13,241,102	21,954,233
Total other comprehensive income for the period	-	-	-	711,116	39,722	-	750,838
Net loss attributable to members of CHL	-	-	-	-	-	(4,058,946)	(4,058,946)
<b>Balance at 31 December 2009</b>	5,366,359	1	4,042,851	-	54,758	9,182,156	18,646,125
<b>Balance at 1 July 2008</b>	5,366,358	1	4,042,851	-	233,034	12,533,851	22,176,095
Shares issued during the period	1	-	-	-	-	-	1
Total other comprehensive income for the period	-	-	-	(355,100)	(764,654)	-	(1,119,754)
Net profit attributable to members of CHL	-	-	-	-	-	356,745	356,745
<b>Balance at 31 December 2008</b>	5,366,359	1	4,042,851	(355,100)	(531,620)	12,890,596	21,413,087

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

## Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2009

	<i>Inflows (Outflows)</i>	
	31 December 2009 \$	31 December 2008 \$
Cash flows from operating activities		
Receipts from customers	40,383,318	39,125,844
Payments to suppliers and employees	(36,617,575)	(38,486,347)
Interest received	8,792	15,019
Net goods and services tax recovered	707,035	868,200
Interest paid	(655,131)	(1,061,613)
<b>Net cash provided by operating activities</b>	<b>3,826,439</b>	<b>461,103</b>
Cash flows from investing activities		
Payment for property, plant and equipment	(1,105,865)	(356,110)
Proceeds on sale of financial assets	925,236	-
Proceeds from sale of property, plant and equipment	-	691
<b>Net cash used in investing activities</b>	<b>(180,629)</b>	<b>(355,419)</b>
Cash flows from financing activities		
Proceeds from issue of shares	-	1
Repayment of borrowings	(3,531,857)	(982,806)
<b>Net cash used in financing activities</b>	<b>(3,531,857)</b>	<b>(982,805)</b>
Net increase (decrease) in cash held	113,953	(877,121)
Cash at the beginning of the financial period	239,535	1,312,700
<b>Cash at the end of the financial period</b>	<b>353,488</b>	<b>435,579</b>
The above statement of cash flows should be read in conjunction with the accompanying notes.		

# Notes to the Financial Statements

For the half-year ended 31 December 2009

---

## 1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Acts 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest financial statements of Capilano Honey Limited and its controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

### Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB, which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

#### *Presentation of Financial Statements*

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the inclusion of a Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of "other comprehensive income". In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

#### *Operating Segments*

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker, which, for the Group is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

## 2. CONTINGENT LIABILITIES

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

## Notes to the Financial Statements

For the half-year ended 31 December 2009

### 3. OPERATING SEGMENTS

(a) Segment Performance	31 December 2009			
	Australia \$	Canada \$	Intersegment elimination \$	Consolidated \$
Sales revenue	36,277,660	11,088,048	(6,643,370)	40,722,338
Other revenue	60,924	23,001	-	83,925
<b>Total segment revenue</b>	<b>36,338,584</b>	<b>11,111,049</b>	<b>(6,643,370)</b>	<b>40,806,263</b>
<b>Segment result</b>	<b>(1,499,380)</b>	<b>248,453</b>	<b>(2,664,499)</b>	<b>(3,915,426)</b>
Unallocated revenue less unallocated expenses				-
<b>Loss before income tax</b>				<b>(3,915,426)</b>

The intersegment loss of \$2,664,499 relates to the impairment of goodwill attributable to the Canadian entity (refer note 4)

	31 December 2008			
	Australia \$	Canada \$	Intersegment elimination \$	Consolidated \$
Sales revenue	37,118,256	7,847,076	(5,863,125)	39,102,207
Other revenue	16,609	6,298	-	22,907
<b>Total segment revenue</b>	<b>37,134,865</b>	<b>7,853,374</b>	<b>(5,863,125)</b>	<b>39,125,114</b>
<b>Segment result</b>	<b>1,219,062</b>	<b>(612,873)</b>	<b>25,464</b>	<b>631,653</b>
Unallocated revenue less unallocated expenses				-
<b>Profit before income tax</b>				<b>631,653</b>

(b) Segment Assets	Australia \$	Canada \$	Intersegment elimination \$	Consolidated \$
31 December 2009	50,256,679	4,236,163	(3,494,582)	50,998,260
30 June 2009	57,662,188	3,979,207	(2,441,229)	59,200,166
<b>Change in total assets</b>	<b>(7,405,509)</b>	<b>256,956</b>	<b>(1,053,353)</b>	<b>(8,201,906)</b>

The reduction in Group assets is predominantly due to a reduction in inventories of \$6,083,344 and a non-cash goodwill impairment of \$2,664,499 (refer note 4). The lower inventories have resulted from a combination of lower domestic honey receivables and an exit from certain export market segments.

(c) Segment Liabilities	Australia \$	Canada \$	Intersegment elimination \$	Consolidated \$
31 December 2009	32,151,378	3,695,339	(3,494,582)	32,352,135
30 June 2009	36,536,536	3,150,626	(2,441,229)	37,245,933
<b>Change in total liabilities</b>	<b>(4,385,158)</b>	<b>544,713</b>	<b>(1,053,353)</b>	<b>(4,893,798)</b>

The reduction in Group liabilities of \$4,893,798 is predominantly due to reduced working capital requirements following the exit from certain export market segments.

## Notes to the Financial Statements

For the half-year ended 31 December 2009

### 4. GOODWILL

	31 December 2009 \$	30 June 2009 \$
Goodwill on acquisition of Capilano Canada Inc	5,108,423	5,108,423
Impairment of goodwill relating to Capilano Canada Inc following exit of some significant Canadian market segments	(2,664,499)	-
Carrying value of Goodwill	2,443,924	5,108,423

### 5. BORROWINGS

	31 December 2009 \$	30 June 2009 \$
<b>SHORT TERM BORROWINGS</b>		
Secured liabilities	14,474,245	10,366,651
Unsecured notes	625,356	724,005
	15,099,601	11,090,656
<b>LONG TERM BORROWINGS</b>		
Secured Liabilities	10,653,714	18,194,833
Unsecured notes	12,842	12,525
	10,666,556	18,207,358
<b>Total Borrowings</b>	<b>25,766,157</b>	<b>29,298,014</b>

Total borrowings have reduced by \$3,531,857 since 30 June 2009.

Following an extensive review by NAB, CHL has ongoing bank facilities in place which, as part of their terms, requires CHL to implement a capital raising, further reduce its working capital and potentially implement further asset sales.

In the Explanatory Memorandum included with the notice of meeting sent to shareholders for the 2009 Annual General Meeting, CHL initially advised that a debt reduction of approximately \$10 million (to \$17.5 million) was required, with most of the debt to be repaid by 31 March 2010.

Following their extensive review, NAB has utilised CHL's debt reduction targets and incorporated them into CHL's facility. Both the timing and amount of the required pay down of debt have changed. The revised debt targets are \$18.8 million by 30 June 2010, \$11.5 million by 30 September 2010 and \$10.2 million by 31 December 2010.

CHL plans to achieve the required reduction in debt by a combination of:

- the proceeds of a \$6.5 million rights issue,
- the proceeds from the placement (if any) of any shortfall under the rights issue,
- planned operating profits and improved use of working capital.

If the rights issue, together with the placement of shortfall shares, does not achieve a raising of at least \$6 million (after costs), it is likely that CHL will implement a sale and leaseback of its land and buildings.

In this case, the 30 September 2010 debt target is \$16.5 million, with the final 31 December 2010 debt target likely to be less than \$10.2 million, reflecting the deduction of additional funds likely to be achieved on a sale of land and buildings.