

# Half-Year Report to Shareholders

for the six months ended 31 December 2010

Dear Shareholder

## RESULTS

We are pleased to report our half-year result being a net profit before tax of \$1.65 million, building upon the improved result of the previous six months.

The average cost of supplier shareholder honey for the 6 months to 31 December was \$3.25/kg compared with \$3.53/kg the same period last year.

There has been a further reduction in bank debt to \$10.9m compared with \$18.1m as at 30 June 2010 due to operating profit and reduced working capital requirements. Capilano's bank debt was \$27.8m at 30 June 2009.

Capilano Honey Limited Group - 6 months	1H 2010	1H 2009	1H 2008
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
<b>Revenue</b>	\$30.5	\$40.8	\$39.1
Earnings Before Interest and Tax (EBIT)	\$2.24	\$(0.6)	\$1.7
Operating Profit Before Tax (PBT)	\$1.65	\$(1.25)	\$0.6
Impairments to goodwill and FITB	-	\$(2.66)	-
Net Operating Profit Before Tax (NPBT)	\$1.65	\$(3.91)	\$0.6
Average Honey Price / Kg	\$3.25	\$3.53/kg	\$3.02/kg
Current Ratio	2.0	1.15	
Debt Ratio (Total Liabilities /Total Assets)	49%	63%	
Gearing Ratio (Interest Bearing Debt/Equity)	58%	138%	
Interest Cover	5.21	0.35	
<b>Net Assets</b>	\$20.39	\$18.65	
Net Assets Backing/Share	\$2.39	\$3.62	

The net asset movement over the 12 months reflects the profit made over the period, the reduction in bank debt together with change in working capital, capital raised and write-off of goodwill & future income tax benefits. Capilano's domestic market share has improved, helping offset the revenue lost in export markets.

## OUTLOOK

In October 2010 the Board of Directors advised it had formed a view that the Richlands' factory be closed and Maryborough, Victoria be retained as the single processing facility. Our continued focus on expense reduction and working capital management was behind this decision. We are currently negotiating with some interested parties in respect of a sale of the Richlands' site at an acceptable price. The change in our business will only proceed subject to the sale of Richlands.

Our results show that Capilano is already benefiting from our lower operating costs and being unburdened by marginal export business as unfavourable exchange rates continue. As we stated last year, our requirement for honey has reduced by around 5,000 tonnes per annum. In the event of a larger crop, our quota holders will be preferred suppliers.

Yours sincerely



R D Masters  
Managing Director