



ABN 55 009 686 435

Half-Year Financial Report **10**

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 2010**

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 2010.

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 (*retired 26 November 2010*)
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 net profit of the consolidated entity for the half-year after income tax was \$1,355,034.

Review of Operations

Sales revenue for the consolidated entity was \$30,541,034.

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 4th day of February 2011, in accordance with a resolution of the directors.



T R Morgan
Director



R D Masters
Director

Auditor's Independence Declaration



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 2010, 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.

William Buck
Chartered Accountants

M Ayooob
A member of the firm

Brisbane, 4 February 2011

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Level 21, 307 Queen Street, Brisbane QLD 4000
GPO Box 563, Brisbane QLD 4001
Telephone: +61 7 3229 5100 • Facsimile: +61 7 3221 6027
williambuck.com

William Buck is an association of independent firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide. Liability limited by a scheme approved under Professional Standards Legislation other than for acts or omissions of financial services licensees.



Independent Auditor's Review Report

To the Members of Capilano Honey Limited



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 its controlled entities (the consolidated entity), which comprises the condensed statement of financial position as at 31 December 2010, the condensed income statement, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Capilano Honey Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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*.

William Buck
Chartered Accountants

M Ayoob
A Member of the Firm

Brisbane, 4 February 2011

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Level 21, 307 Queen Street, Brisbane QLD 4000
GPO Box 563, Brisbane QLD 4001
Telephone: +61 7 3229 5100 • Facsimile: +61 7 3221 6027
williambuck.com

William Buck is an association of independent firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide. Liability limited by a scheme approved under Professional Standards Legislation other than for acts or omissions of financial services licensees.



STRATEGIC THINKING | TAILORED ADVICE | INTEGRATED SOLUTIONS

CHARTERED ACCOUNTANTS & ADVISORS

Capilano Honey Limited and Controlled Entities - A.B.N 55 009 686 435
for the half-year ended 31 December 2010

Directors' Declaration

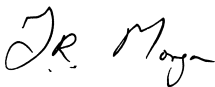
The directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 5 to 11:
 - (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 2010 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 4th day of February 2011, 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 2010

	31 December 2010	31 December 2009
	\$	\$
Revenue	30,541,034	40,806,263
Other income	22,441	-
Finance costs	(639,939)	(829,429)
Other expenses	(28,269,197)	(41,227,761)
Operating profit (loss)	1,654,339	(1,250,927)
Goodwill impairment	-	(2,664,499)
Profit (loss) before income tax	1,654,339	(3,915,426)
Income tax expense	(299,305)	(143,520)
Net profit (loss) attributable to members of Capilano Honey Limited	1,355,034	(4,058,946)
Basic earnings per share (cents)	15.90	(78.80)
Diluted earnings per share (cents)	15.90	(78.80)
<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 2010

	31 December 2010	31 December 2009
	\$	\$
Net profit (loss) attributable to members of Capilano Honey Limited	1,355,034	(4,058,946)
Other comprehensive income		
Change in market value of available for sale financial assets	-	711,116
Adjustments from the translation of foreign controlled entities	-	39,722
Other comprehensive income for the period, net of tax	-	750,838
Total comprehensive income for the period attributable to members of Capilano Honey Limited	1,355,034	(3,308,108)
<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 2010

	Note	31 December 2010 \$	30 June 2010 \$
CURRENT ASSETS			
Cash and cash equivalents		153,206	472,375
Trade and other receivables		8,951,917	10,628,939
Inventories		8,945,832	12,160,225
Other current assets		386,483	163,552
TOTAL CURRENT ASSETS		18,437,438	23,425,091
NON-CURRENT ASSETS			
Property, plant and equipment		19,131,484	19,697,479
Intangibles		160,898	180,324
Deferred tax assets		2,409,075	2,708,380
TOTAL NON-CURRENT ASSETS		21,701,457	22,586,183
TOTAL ASSETS		40,138,895	46,011,274
CURRENT LIABILITIES			
Trade and other payables		7,668,400	8,093,727
Short term borrowings	8	1,552,090	3,518,947
TOTAL CURRENT LIABILITIES		9,220,490	11,612,674
NON-CURRENT LIABILITIES			
Long term borrowings	8	10,238,882	15,389,460
Long term provisions		291,310	309,224
TOTAL NON-CURRENT LIABILITIES		10,530,192	15,698,684
TOTAL LIABILITIES		19,750,682	27,311,358
NET ASSETS		20,388,213	18,699,916
EQUITY			
Issued capital		7,728,221	7,394,958
Reserves		4,055,597	4,042,851
Retained earnings		8,604,395	7,262,107
TOTAL EQUITY		20,388,213	18,699,916
<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 2010

	Issued capital		Reserves				Retained earnings	Total equity
	Ordinary	Foundatio	Asset Revaluation	Asset Replacemen	Financial Asse	Foreign Currency Translation		
	\$	\$						
Balance at 1 July 2010	7,394,957	1	4,042,851	-	-	-	7,262,107	18,699,916
Net profit attributable to members of CHL	-	-	-	-	-	-	1,355,034	1,355,034
Total other comprehensive income for the period	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	12,746	-	-	(12,746)	-
Shares issued during the period	333,263	-	-	-	-	-	-	333,263
Balance at 31 December 2010	7,728,220	1	4,042,851	12,746	-	-	8,604,395	20,388,213
Balance at 1 July 2009	5,366,359	1	4,042,851	-	(711,116)	15,036	13,241,102	21,954,233
Net loss attributable to members of CHL	-	-	-	-	-	-	(4,058,946)	(4,058,946)
Total other comprehensive income for the period	-	-	-	-	711,116	39,722	-	750,838
Balance at 31 December 2009	5,366,359	1	4,042,851	-	-	54,758	9,182,156	18,646,125

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 2010

	<i>Inflows (Outflows)</i>	
	31 December 2010 \$	31 December 2009 \$
Cash flows from operating activities		
Receipts from customers	32,225,506	40,383,318
Payments to suppliers and employees	(25,447,359)	(36,617,575)
Interest received	862	8,792
Net goods and services tax recovered	517,922	707,035
Interest paid	(589,250)	(655,131)
Net cash provided by operating activities	6,707,681	3,826,439
Cash flows from investing activities		
Payment for property, plant and equipment	(247,268)	(1,105,865)
Proceeds on sale of financial assets	-	925,236
Proceeds from sale of property, plant and equipment	4,590	-
Net cash used in investing activities	(242,678)	(180,629)
Cash flows from financing activities		
Proceeds from issue of shares	333,263	-
Repayment of borrowings	(7,117,435)	(3,531,857)
Net cash used in financing activities	(6,784,172)	(3,531,857)
Net (decrease) increase in cash and cash equivalents held	(319,169)	113,953
Cash and cash equivalents at the beginning of the financial period	472,375	239,535
Cash and cash equivalents at the end of the financial period	153,206	353,488
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 2010

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the *Corporations Acts 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

The interim financial statements are intended to provide users with an update on the latest financial statements of Capilano Honey Limited and its controlled entities (the consolidated entity). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in the interim financial statements as were applied in the most recent annual financial statements.

2. CONTINGENT LIABILITIES

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

3. EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There have been no events subsequent to the end of the interim period.

4. CHANGES IN COMPOSITION OF THE CONSOLIDATED ENTITY

In December 2010 Capilano Canada Inc (CCI) was wound up and as a result ceased being a controlled entity. As at 30 June 2010 the investment in CCI had a nil value (refer note 7).

5. ISSUED CAPITAL

In July 2010 471,135 shares were issued at \$0.70 per share which raised \$333,263 in capital (2009: nil).

6. OPERATING SEGMENTS

(a) Segment Performance	31 December 2010			Consolidated \$
	Domestic \$	Export \$		
Sales revenue	22,348,197	8,150,271		30,498,468
Other revenue	42,566	-		42,566
Total segment revenue	22,390,763	8,150,271		30,541,034
Unallocated revenue less unallocated expenses				(28,886,695)
Profit before income tax				1,654,339
	31 December 2009			
	Domestic \$	Export \$		Consolidated \$
Sales revenue	20,261,768	20,460,570		40,722,338
Other revenue	60,924	23,001		83,925
Total segment revenue	20,322,692	20,483,571		40,806,263
Unallocated revenue less unallocated expenses				(44,721,689)
Loss before income tax				(3,915,426)
(b) Segment Assets	Domestic \$	Export \$	Unallocated \$	Consolidated \$
30 June 2010	7,443,783	3,095,622	35,471,869	46,011,274
31 December 2010	7,009,256	1,882,459	31,247,180	40,138,895
Change in total assets	(434,527)	(1,213,163)	(4,224,689)	(5,872,379)

The reduction in Group assets is predominantly due to a reduction in trade receivables of \$1,677,042, a reduction in inventories of \$3,214,393 and the utilisation of future income tax benefits of \$299,305. The lower trade receivables has resulted from the exit from certain export market segments while the reduction in inventories is largely due to the seasonal nature of the primary production of honey.

Notes to the Financial Statements

For the half-year ended 31 December 2010

6. OPERATING SEGMENTS *(continued)*

(c) Segment Liabilities	Domestic	Export	Unallocated	Consolidated
	\$	\$	\$	\$
30 June 2010	5,480,063	1,560,908	20,270,387	27,311,358
31 December 2010	2,624,864	591,221	16,534,597	19,750,682
Change in total liabilities	(2,855,199)	(969,687)	(3,735,790)	(7,560,676)

The reduction in Group liabilities of \$7,560,676 is predominantly due to the repayment in borrowings of \$7,117,435 (refer note 8).

(d) Change in identification of segments

The review of and subsequent withdrawal from some marginal export markets, combined with an increased domestic focus has necessitated a change in the identification of operating segments. Previously segments were identified by the geographical segment the business operated in, namely Australia and North America. Segments are now identified by customer location.

7. GOODWILL

	31 December 2010 \$	30 June 2010 \$
Goodwill on acquisition of Capilano Canada Inc	-	5,108,423
Impairment of goodwill relating to Capilano Canada Inc following exit of some significant Canadian market segments (refer note 4)	-	(5,108,423)
Carrying value of Goodwill	-	-

8. BORROWINGS

	31 December 2010 \$	30 June 2010 \$
SHORT TERM BORROWINGS		
Secured liabilities	1,090,759	3,099,936
Unsecured notes	461,331	419,011
	1,552,090	3,518,947
LONG TERM BORROWINGS		
Secured Liabilities	10,238,882	15,389,293
Unsecured notes	-	167
	10,238,882	15,389,460
Total Borrowings	11,790,972	18,908,407

Total borrowings have reduced by \$7,117,435 since 30 June 2010, principally as a result of operating profits earned and working capital reductions following the withdrawal from some marginal export markets.