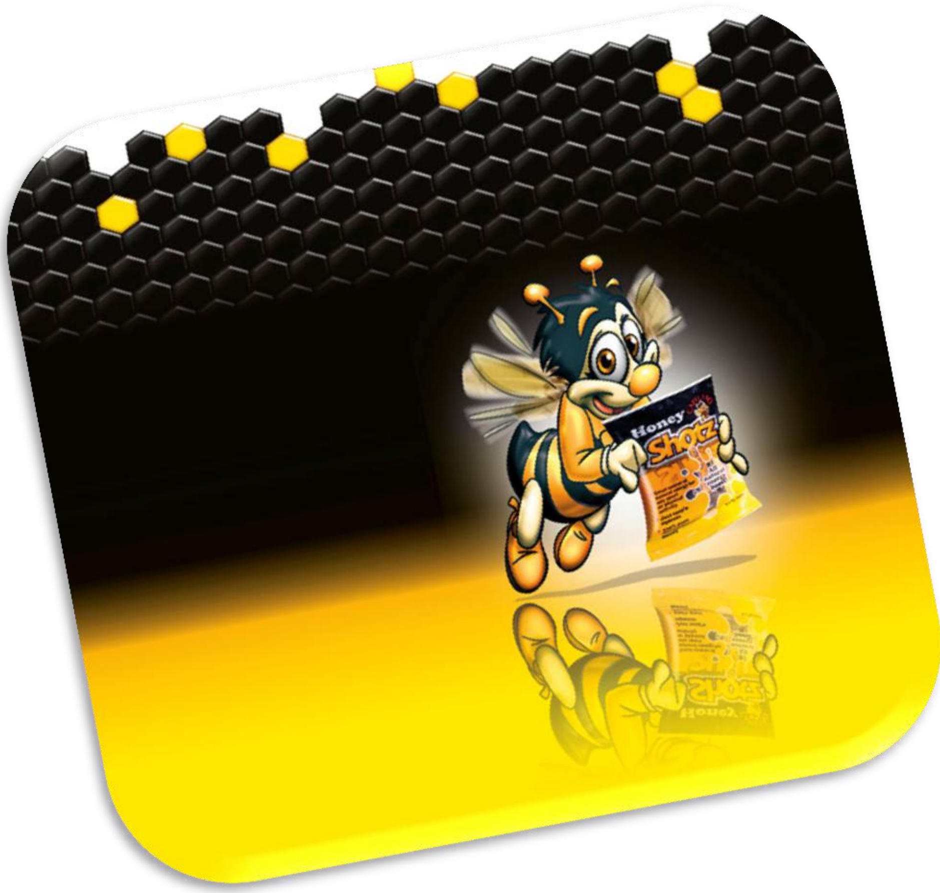
CAPILANO

HONEY LIMITED

ABN 55 009 686 435

Australia's favourite honey!



FINANCIAL & STATUTORY REPORTS

FOR CAPILANO HONEY LIMITED AND ITS CONTROLLED ENTITIES

FOR THE YEAR ENDED 30 JUNE 2011

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Report of the Directors

Your directors present their report on the consolidated entity consisting of Capilano Honey Limited ('CHL') and the entities it controlled at the end of or during the year ended 30 June 2011.

→ DIRECTORS

The following persons held office as directors during the financial year and up to the date of this report:

- Peter Barnes, *Director* (1 July – 26 November 2010)
- Roger D Masters, *Managing Director*
- Phillip F McHugh, *Deputy Chairman*
- Trevor R Morgan, *Chairman*
- Simon L Tregoning, *Independent Director*

→ ACTIVITIES

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

→ CONSOLIDATED RESULTS

The operating profit of the consolidated entity for the year after income tax was $4,470,429.

→ DISTRIBUTIONS

No dividend was paid during the year.

The directors have declared a fully franked ordinary dividend of fifteen cents per share amounting to $1,278,030 for the year ended 30 June 2011.

This dividend was payable on ordinary shares held at 28 June 2011 and has been paid on 12 July 2011.

→ REVIEW OF OPERATIONS

Sales revenue of $63,014,149 for the consolidated entity was $9,023,098 below the previous year's result. An analysis of this sales decrease is as follows:-

	% increase / of 2011 over 2010	*2011 $*	*2010 $*
Capilano Honey Limited	(4.5%)	63,014,149	65,982,799
Capilano Canada Inc.	(100%)	-	14,261,748
Intercompany sales	(100%)	-	(8,207,300)
Consolidated entity	(12.5%)	**63,014,149**	**72,037,247**

The decrease in revenue for the consolidated revenue was a result of the decision to withdraw from some export markets that were made marginally profitable by exchange rates. This withdrawal released substantial working capital, contributing to the achievement of debt reduction targets.

→ MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There is at the date of this report no matter or circumstance which has arisen since 30 June 2011 that has significantly affected or may significantly affect:-

i) the operations of the consolidated entity;

ii) the results of those operations; or

iii) the state of affairs of the consolidated entity in financial years subsequent to 30 June 2011.

→ SIGNIFICANT CHANGES

There were no significant changes in the state of affairs of the consolidated entity during the year.

→ LIKELY DEVELOPMENTS

Likely future developments of the consolidated entity include continuing competitive marketing of the consolidated entity's brands on both domestic and export markets, and the replacement of one of our packing lines improving our efficiencies and variable costs further.

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

Report of the Directors

→ INFORMATION ON DIRECTORS

Director	*Qualifications/ Experience*	*Special Responsibilities*	*Shares held in Parent entity*
Peter **BARNES**	Commercial apiarist. Director from 2007 to 26 November 2010.	***Period: 1 July – 26 November 2010*** Non-Executive Beekeeper Director of Capilano Honey Limited. Non-Executive Beekeeper Director of Capilano Beekeepers Ltd. Member of the Honey Supply & Industry, Audit & Compliance and Nomination Committees. ***Period: 26 November 2010 – 30 June 2011*** Non-Executive Beekeeper Director of Capilano Beekeepers Ltd.	P Barnes holds 107,520 shares directly and 11,400 shares indirectly.
Roger David **MASTERS**	B.Com, MBA, CA Managing Director since July 1996	Managing Director of Capilano Honey Limited. Member of the Audit & Compliance and Honey Supply & Industry Committees. Managing Director of Capilano Beekeepers Ltd. *In addition to the above*, Member of the HR & Nomination Committees from 26 November 2010.	R D Masters holds 1 share directly and 333,800 shares indirectly.
Phillip Francis **McHUGH**	Commercial apiarist. Director since 1993 Deputy Chairman since 2007	Non-Executive Deputy Chairman of Capilano Honey Limited. Non-Executive Deputy Chairman of Capilano Beekeepers Ltd. Chairman of the Honey Supply & Industry Committee and Member of the HR and Nomination Committees. *In addition to the above*, Member of the Audit & Compliance Committee from 26 November 2010.	P F McHugh holds 10,600 shares directly and 33,676 shares indirectly.
Trevor Richard **MORGAN**	FAICD Commercial apiarist Director since 1998 Chairman since 2006	Non-Executive Chairman of Capilano Honey Limited, Chairman of Nomination Committee and a Member of the Honey Supply & Industry Committee. Non-Executive Chairman of Capilano Beekeepers Ltd. *In addition to the above*, Member of the HR and Audit & Compliance Committees from 26 November 2010.	T R Morgan holds 37,128 shares directly and 2,000 shares indirectly.
Simon Lucien **TREGONING**	B.Com Independent Director since July 2006.	Independent Non-Executive Director of Capilano Honey Limited. Independent Non-Executive Director of Capilano Beekeepers Ltd. Chairman of both the Audit & Compliance and HR Committees. *In addition to the above*, Member of the Honey Supply & Industry and Nomination Committees from 26 November 2010. Also a Director of GrainCorp Limited.	Nil
Company Secretary			
Richard **RIVALLAND**	B.Com, CPA Company Secretary from 1 March 2008 – 28 January 2011.	***Period: 1 July 2010 – 28 January 2011*** Richard Rivalland has a Bachelor of Commerce Degree majoring in Accounting and Management Accounting and is a Certified Practising Accountant. Mr Rivalland joined the Company in March 2003 as Management Accountant and was appointed Financial Controller in November 2004. Mr Rivalland was appointed Company Secretary on 1 March 2008 in addition to his role as Financial Controller.	R Rivalland holds 13,000 shares directly and 58,685 shares indirectly.
David **GRAHAM**	B.Bus, CPA Appointed Company Secretary on 28 January 2011.	***Period: from 28 January 2011*** David Graham has a Bachelor of Business, majoring in Banking and Finance and is a Certified Practising Accountant. Mr Graham joined the Company in January 2011 as Financial Controller. Mr Graham was appointed Company Secretary on the 28th of January 2011 in addition to his role as Financial Controller.	Nil

Report of the Directors

→ 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 Meetings of the Company	***Committee Meetings of Directors*** No. of Meetings Attended / Held (*)				***General Meetings of the Company***
	No. of Meetings Attended / Held (*)	Audit & Compliance	Honey Supply & Industry	Human Resource	Nomination	No. of Meetings Attended / Held (*)
P Barnes	3 of 4	2 of 3	2 of 3	-	-	1 of 1
R Masters	9 of 9	6 of 6	6 of 6	6 of 6	-	1 of 1
P McHugh	9 of 9	6 of 6	6 of 6	6 of 6	-	1 of 1
T Morgan	9 of 9	6 of 6	6 of 6	6 of 6	-	1 of 1
S Tregoning	9 of 9	5 of 6	4 of 5	5 of 6	-	1 of 1

(*) Reflects the number of meetings held during the time the director held office during the year, or while he was a Member of a Board Committee. Number of meetings attended includes attendance by invitation.

→ ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are subject to environmental regulations under legislation in Queensland and Victoria 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 enquiries made, the directors are not aware of any significant breaches during the period covered by this report.

Compliance with the requirements of environmental regulations was achieved across all operations.

→ 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 proceedings 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.

→ REMUNERATION REPORT

1. CAPILANO HR COMMITTEE

- **Role**

The Committee is responsible for reviewing the remuneration of executive management and the Board, executive incentive plans and reporting to the Board on these matters.

The responsibilities of the Committee include:

(i) Formulation of remuneration policy. This involves ensuring that the policy:
- attracts, retains, develops and motivates executives of the calibre appropriate to deliver Capilano's strategic goals and objectives;
- reflects a clear relationship between remuneration and individual and Capilano performance;
- is internally consistent; and
- contributes to the overall integrity of the Capilano remuneration system.

(ii) Recommending remuneration for directors and executives, including fixed remuneration, short and long term incentives and terms of service.

- **Memberships and Meetings**

	No. of Meetings Attended / Held
Members of HR Committee	
S Tregoning (Chairman)	5 of 6
P McHugh	6 of 6
R Masters	6 of 6
T Morgan	6 of 6

2. CAPILANO'S REMUNERATION POLICY (AUDITED)

- **Reward Philosophy**

Capilano's remuneration philosophy is that:

(i) remuneration should emphasise performance;
(ii) the balance between fixed and variable remuneration should reflect market conditions and the extent to which the role contributes directly to performance;
(iii) individual objectives reflect the need to deliver sustainable outcomes for shareholders; and
(iv) short and long term incentives are linked to individual's and Capilano's performance.

Capilano aims to achieve a mix of total remuneration (fixed and variable) that is consistent with high performance organisations, maximises the motivational impact for employees, and best aligns the interests of Capilano employees and shareholders.

- **Reward Principles**

The purpose of the remuneration policy is to ensure that salary packages offered by Capilano will be sufficient to attract and retain managers and supervisors with abilities and skills appropriate to the needs of the company and are measured by the company as Total Employment Cost (TEC).

TEC includes all costs associated with employment, including but not limited to PAYG salary, provision of motor vehicles, FBT, superannuation, and any other approved expenditure but excluding oncosts. Fringe benefits or non-deductible expenditure shall be grossed up to include the tax effect as part of the cost of providing such benefits in a salary package.

The determination of TEC includes three basic principles:

1. external parity;
2. internal parity; and
3. reward for achievement.

1. External Parity

The principle of external parity means that CHL salary package values should be competitive and comparable with packages available from other companies of similar size, for jobs with similar content and level of responsibility. The Australian Institute of Management (AIM) conducts a comprehensive annual survey of up to 300 Australian companies which provides extensive remuneration details for a wide variety of management and supervisory positions. The information is statistically analysed and consolidated in a reference manual titled "AIM National Salary Survey" and this manual is used by Capilano as a basis for comparison.

In general, CHL salary packages should be comparable with the median or average value in the range recorded in the AIM Salary Survey for positions with similar job content and responsibility. (Note: median is the mid point in a range of values and average is the arithmetic mean of all values in the range.)

2. Internal Parity

The principle of internal parity means that within the management structure of CHL, similar TECs apply for jobs with similar contents and level of responsibility. It is however still important that during salary planning and review, individual judgments be made in cases where there are different levels of complexity between jobs which are similar, varying numbers of subordinates, specialist skills and qualifications, and where length of service or other factors may be relevant.

3. Reward for Achievement

Management and supervisory personnel should have the opportunity to earn incentive payments geared to achievement of annual results exceeding targets and improvements in long term shareholder prosperity. These principles are applied in the form of the Annual Incentive Plan. The Annual Incentive Plan is indorsed by the HR Committee and approved by the Board.

- **Annual Review**

TECs are determined to apply for the period of each financial year commencing on 1 July. Authority and responsibility for reviews are as follows:

a) Managing Director – reviewed by the Board with advice from the Board HR Committee;
b) Senior Executives reporting to the Managing Director – reviewed by the Managing Director and subject to endorsement by the Board HR Committee; and
c) All other salaried staff – reviewed by Functional Managers (Heads of Departments) and subject to approval by the Managing Director.

3. CAPILANO TOTAL REWARD STRUCTURE (AUDITED)

The HR Committee is responsible for reviewing and recommending remuneration arrangements for the directors, the Managing Director and the executive team. The HR Committee assesses the appropriateness of the nature and amount of remuneration of such officers on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient whilst controlling costs for Capilano.

To assist in achieving these objectives, the HR Committee links the nature and amount of executive directors' and officers' remuneration to the company's financial and operational performance.

In addition, the following plans are in place:

- **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 plan 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.

4. CAPILANO EMPLOYEE SHARE PLANS FOR FUTURE CONSIDERATION (AUDITED)

Capilano has no broad based share plans for the benefit of employees. As Capilano is a publicly listed company, the Board may recommend the introduction of an employee plan at some time in the future.

5. DIRECTORS AND EXECUTIVES REMUNERATION DISCLOSURE (AUDITED)

- **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 the directors and executives remuneration disclosure below, the pro-rata payment of or entitlement to such a benefit for the period since 30 June 2010, 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 below.

- **Details of Directors**

P Barnes	Director (Non Executive)	1 July – 26 November 2011
R Masters	Managing Director	
P McHugh	Deputy Chairman (Non Executive)	
T Morgan	Chairman (Non Executive)	
S Tregoning	Director (Independent Non Executive)	

- **Details of Most Highly Remunerated Executives and Key Management Personnel**

R Eustace	Marketing Manager	1 July 2010 – 31 March 2011
D Graham	Company Secretary, Financial Controller	From 28 January
P McDonald	Sales Director	
B McKee	General Manager (Operations)	
R Rivalland	Company Secretary, Financial Controller	1 July 2010 – 28 January 2011

- **Gross Remuneration of Directors**

	Short Term Benefits			*Post Employment Benefits*	
	Cash salary and fees	*Non monetary benefits*	*Incentives*	*Super annuation*	Total
	$	$	$	$	$
P Barnes	14,681	-	-	1,321	16,002
R Masters	167,930	197,698	77,175	18,103	460,906
P McHugh	44,220	-	-	3,979	48,199
T Morgan	17,832	-	-	59,917	77,749
S Tregoning	57,060	-	-	5,135	62,195
TOTALS 2011	**301,723**	**197,698**	**77,175**	**88,455**	**665,051**

The remuneration amounts listed above are gross earnings before tax.

5. DIRECTORS AND EXECUTIVES REMUNERATION DISCLOSURE (AUDITED) *(continued)*

- **Details of Most Highly Remunerated Executives and Key Management Personnel**

	Short Term Benefits			*Post Employment Benefits*		
	Cash salary and fees	*Non monetary benefits*	*Incentives*	*Super annuation*	*Termination Payments*	Total
	$	$	$	$	$	$
R Eustace Note:1	84,222	11,700	-	13,044	102,927	211,893
D Graham Note:2	55,696	-	-	5,022	-	60,718
P McDonald	136,137	10,520	33,398	12,095	-	192,150
B McKee	135,711	9,000	31,097	12,220	-	188,028
R Rivalland Note:2	118,662	-	34,000	8,188	-	160,850
TOTALS 2011	**530,428**	**31,220**	**98,495**	**50,569**	**102,927**	**813,639**

The remuneration amounts listed above are gross earnings before tax.

Note:1 *The Position of Marketing Manager was made redundant in March 2011 as part of the corporate restructure.*

Note:2 *Change in Company Secretary / Financial Controller on 28 January 2011.*

6. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION (AUDITED)

The Board's focus is on long-term strategic direction and overall performance of Capilano. As a consequence, NED remuneration is not directly related to short-term results, rather, it is related to long-term performance and market place parity.

- **Policy**

Fees and payments to NEDs are determined with regard to the need to maintain appropriately experienced and qualified Board members and in accordance with competitive pressures in the market place. The remuneration policy is designed:

1) to attract and retain NEDs;
2) to motivate NEDs to achieve Capilano's objectives; and
3) to align the interests of NEDs with the long term interests of shareholders.

The Board sought the advice of RPC Group Pty Ltd as independent remuneration consultants to ensure NED fees are reasonable and in line with the market.

- **Directors' Fees**

At the 2004 AGM, Shareholders approved the total remuneration of Directors. Distribution of Director's fees by position, for the 2010/11 year were as follows:

Organisation	Position	Directors' Fees $
Capilano Honey Limited	Chairman	71,330
	Deputy Chairman	6,815 *
	Independent NEDs	57,060 ea
	Beekeeper NEDs	37,405 ea

* In addition to the amount payable as a NED.

Superannuation Guarantee contribution - $16,856.

Directors and Officers Liability Insurance - 2011: $25,580; 2012: $25,580

7. LINKING TOTAL REWARD TO PERFORMANCE (AUDITED)

Capilano seeks to emphasise reward incentives for results and continued commitment to Capilano through provision of the Annual Incentive Plan, specifically through the incorporation of incentive payments based on the achievement of financial and non-financial performance targets and objectives. These conditions provide management with a performance target which focuses upon sales growth and efficient utilisation of group resources.

The table below indicates the earnings and shareholder value against the remuneration of Key Management personnel:

	2007	2008	2009	2010	2011
Earnings per share	36.4¢	(144.6¢)	13.7¢	(95.9¢)	52.6¢
Net Asset Value	$28,098,604	$22,176,095	$21,954,233	$18,699,916	$22,225,578
Key Management Personnel Remuneration (including Managing Director)	$1,488,714	$1,070,875	$1,147,858	$1,147,002	$1,274,545

8. EMPLOYMENT CONTRACTS (AUDITED)

The employment conditions of the Managing Director and the specified Executives are formalised in employment contracts. Employment contracts are not of a fixed term. Employment contracts specify a range of notice periods.

Report of the Directors

→ NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code Of Ethics for Professional Accountants set by the Accounting Professional and Ethics Board.

The following fees for non-audit services were paid or were payable to the external auditors during the year ended 30 June 2011:

	$
Taxation Services	10,600
Review of Prospectus	3,150
	13,750

→ AUDITORS

William Buck continue in office in accordance with the *Corporations Act 2001*.

→ AUDITORS' INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 8 of the annual report.

Signed at Brisbane this NINETEENTH day of AUGUST 2011, in accordance with a resolution of the directors.

T R Morgan, Director

R D Masters, Director

Auditor’s Independence Declaration

William Buck

The Directors
Capilano Honey Limited
399 Archerfield Road
RICHLANDS QLD 4077

Auditor’s Independence Declaration under Section 307c of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck

Ayoob

M. Ayoob
Director

Brisbane

19 August 2011

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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CHARTERED ACCOUNTANTS & ADVISORS

Corporate Governance

→ THE BOARD OF DIRECTORS

Board Composition

The Board of CHL will be comprised of Beekeeper Directors, Independent Directors, and may include a Managing Director.

At 30 June 2011 the CHL Board of Directors consisted of two Beekeeper Directors, one Independent Director and the Managing Director.

Number and appointment of Directors

The number of Directors shall not be less than 3 nor more than 8, which the Board may from time to time determine.

The constitution of CHL provides that as long as the Foundation Share is on issue, the Foundation Shareholder may appoint two Beekeeper Directors to the Board of Directors of the Company from time to time by written notice to the Company.

Power to appoint Directors

The Beekeeper Directors shall be those persons appointed by the Foundation Shareholder.

Independent Directors shall be elected by the shareholders.

Retirement of Independent Directors

The Constitution of CHL provides that at every annual general meeting, one third of the Independent Directors or, if their number is not a multiple of 3, then the number nearest to but not less than one third must retire from office provided that no independent director who has served less than 2 years is required to retire. A Director must retire from office at the conclusion of the third annual general meeting after which the Director was elected or re-elected. A retiring Director if eligible may stand for re-election.

A Managing Director is not subject to retirement by rotation.

Board Chairman and Deputy Chairman

The Board Chairman and Deputy Chairman are elected by the Directors.

→ THE CAPILANO GROUP BOARD CHARTER

The Directors have formally adopted this Board Charter as a comprehensive document defining the role, purpose, functions, obligations and responsibilities of the Board and individual Directors.

The Corporations Act establishes that the Directors are ultimately accountable for all matters relating to the conduct of the company's affairs. The company's constitution further defines the obligations and powers of the Board. The Board recognises the distinction between its role of governance and the actual management of the company's business conducted by the executive management team under the leadership and direction of the Managing Director.

→ CORE PURPOSE

The core purpose of the Board is to guide the affairs of the Company so as to best serve the interests of and continuously add value for its shareholders.

→ BOARD FUNCTIONS

Strategic Plan - to define strategic direction for the business and ensure that suitable strategic analysis is undertaken and business plans prepared and regularly reviewed and performance monitored.

Chief Executive - to appoint a skilled and talented Chief Executive and ensure that he is adequately rewarded for results achieved.

Shareholder Prosperity - to adopt appropriate policies to reward shareholders for their supply of honey and capital investment in the company including honey supply agreements and honey pricing, bonuses, premiums, dividends, retained earnings and market value of shares.

Meetings - to meet regularly and with sufficient frequency to fulfil the Core Purpose.

Corporate Culture - to encourage an appropriate culture for CHL and monitor corporate conduct for good fit.

Listing Rules - to monitor lodgement and disclosure requirements and to ensure compliance with all listing rules of the Bendigo Stock Exchange.

Board Structure - to consider changes to Board structure when appropriate to improve the Board's ability to achieve the Core Purpose.

Management Resources - to ensure that the company maintains a management team of skilled and talented executives whose rewards reflect their contributions to company achievements.

Information - to review the content, style and frequency of reports provided by management and request changes when required.

Risk Management - to ensure that adequate risk identification and risk management functions are in place and regularly monitored.

Financial Performance - to establish financial performance objectives and regularly review operational results.

Annual Budgets - to approve annual operating budgets and capital investment budgets.

Funding - to ensure that the company has access to adequate funds to provide working capital and investment capital.

Operational Policies - to establish policies to guide management in key operational areas including quality, safety, security, foreign currency management and remuneration.

Board Committees - to review annually the functions and membership of Board Committees.

Financial Statements and Audit - to ensure that the statutory financial statements are prepared in accordance with all relevant standards and regulations and that the annual audit is conducted ethically, professionally and independently of management and the Board.

→ BOARD FUNCTIONS *(continued)*

Statutory Compliance - to regularly review the operation of the Corporate Compliance Program and compliance sign-offs from senior management.

Report to Shareholders - to maintain suitable reporting to shareholders through the Annual General Meeting, Annual Report, District Meetings, newsletters and circulars and establish dialogue through regular contact by Beekeeper Services Manager, Directors and other management people.

Community Obligations to recognise that the company has community, industry and social obligations and ensure that appropriate policies are in place to guide the company's conduct so that it is, and is seen to be a responsible corporate citizen.

→ BOARD COMMITTEES

The effectiveness of the Board is enhanced by the establishment of appropriate Board Committees. They distribute the Board's workload and enable more detailed consideration to be given to important matters, and where sensitive issues have to be considered, the appropriate Committee can give independent consideration.

The Board has appointed the following Committees:

- **HR** - The Remuneration Committee was re-named the HR Committee to properly reflect the scope of its charter. This Committee is responsible for reviewing and recommending executive management remuneration and incentive plans, human resource and occupational health & safety issues and reporting to the Board on these matters.
- **Honey Supply & Industry** - This Committee advises the Board on matters related to honey supply and the industry generally.
- **Nomination** - This Committee advises the Board of suitable candidates with the qualifications, skills and expertise for appointment to any vacancy occurring from time to time.
- **Audit and Compliance Charter –**

Committee Membership

- the Committee shall be appointed by the Board and shall comprise a majority of non-executive directors and may include the Managing Director.
- there shall be a minimum of three members.
- the Board shall appoint a Chairman who is not the Chairman of the Board.
- Membership of the Committee shall be reviewed by the Board annually.

Meetings

- the Committee shall meet at least five times a year. Additional meetings may be held as the work of the Committee demands.
- a quorum shall consist of two members.
- the Chairman will call a meeting of the Committee if so requested by any member of the Committee, the External Auditor or by the Chairman of the Board.
- the Chairman of the Board and the Financial Controller shall attend each meeting by invitation of the Committee Chairman.
- as necessary or desirable the Chairman may invite other members of the Board of Directors, other management and representatives of the External Auditors or other external advisors to be present at any meeting of the Committee.
- the Committee shall meet at least twice a year with the External Auditors being at the completion of the full Financial Statements and the half-year Financial Statements and for part of that meeting to be without any management present.
- the Company Secretary shall act as secretary to the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda, supported by explanatory documentation, and circulating it to Committee members prior to each meeting.
- the Secretary will also be responsible for keeping the minutes of Committee meetings and circulating them to Committee members and to the other members of the Board of Directors at the Board meeting immediately following the Committee meeting.

Objectives and Specific Responsibilities

The objectives and specific responsibilities of this Committee are to ensure that:

- the systems of control which management have established are effective to safeguard the Company's assets;
- the Company's operations are conducted in accordance with its Constitution and all relevant laws and regulations;
- the accounting records are properly maintained;
- the financial information provided to the Board, shareholders and others is reliable;
- an avenue of communication exists between the External Auditors and the Board;
- the Board is provided with an assessment of the External Auditor's performance;
- the professional independence of the External Auditors is assured and the appointed audit firm has audit partner rotation in place that complies with the provisions of the Corporations Act;
- the external audit plan is approved and the proposed External Auditor's fees approved in conjunction with management;
- the Committee meets with the External Auditors at least at the completion of the annual audit and the half yearly review of the Company's accounts to confirm the financial statements, address any queries and receive the Auditor's evaluation of management's presentation of the financial accounts, policies and procedures; and
- the Committee review and ensure compliance with BSX requirements for all lodgements.

→ BOARD COMMITTEES

- **Audit and Compliance Charter** *(continued)*

Authority

The Board authorises the Audit Committee within the scope of its responsibilities to:

- obtain Company documents and any information it requires from any employee (all employees are directed to co-operate with any request made by the Audit Committee) and external parties.
- obtain outside legal or other independent professional advice.
- consult independent experts where they consider it necessary to carry out their duties.

Reporting

- the Audit Committee should report to the Board after each Committee meeting summarising its activities and recommendations since the previous meeting.

Review of Charter

- this Charter will be reviewed annually by the Audit Committee to ensure its effectiveness and currency. Any proposed changes are to be recommended to the Board for approval.

→ OBLIGATIONS AND RESPONSIBILITIES OF DIRECTORS

The Board expects all Directors to demonstrate a high standard of personal integrity, skill and diligence and to participate in educational opportunities when appropriate to enhance the performance of their duties.

The Board has adopted the following Code of Conduct, which applies to all Directors:

1. A director must act honestly, in good faith and in the best interests of the company as a whole.
2. A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. A director must use the powers of office for a proper purpose, in the best interests of the company as a whole.
4. A director must recognise that the primary responsibility is to the company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the company.
5. A director must not make improper use of information acquired as a director.
6. A director must not take improper advantage of the position of director.
7. A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
8. A director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board of directors.
9. Confidential information received by a director in the course of the exercise of directorial duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or the person from whom the information is provided, or is required by law.
10. A director should not engage in conduct likely to bring discredit upon the company.
11. A director has an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this code.

→ ASSESSMENT OF BOARD, DIRECTOR AND MANAGEMENT PERFORMANCE

The Board conducts an annual self-assessment of its performance. This is a formal procedure in which all Directors individually review the Board's performance in each defined area of Board function. Results are collated and an average score determined in discussion at a Board meeting. The resulting assessment of performance is used as a basis for planning to improve outcomes in any areas where achievement is below the optimum.

A personal, individual self-assessment of performance is carried out annually by each Director. This is a formal, confidential process which Directors use as a basis for planning individual needs for further study or skill development where appropriate.

The Managing Director's performance is reviewed bi-annually by the Board. The performance of senior Management Executives is reviewed bi-annually by the Managing Director and the Board, comparing results achieved against agreed Key Performance Indicators.

Independent Audit Report to the Members

William Buck

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPILANO HONEY LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising Capilano Honey Limited (the Company) and the entities in controlled at the year's end or from time to time during the financial year, which comprises the statements of financial position as at 30 June 2011, the income statement, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

a. the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 3 to 6 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck

Ayoob

M. Ayoob
Director

Brisbane

19 August 2011

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Directors' Declaration

1. the financial statements and notes, as set out on pages 14 to 38, are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated entity;

2. the Group Financial Controller has declared that:

   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. in the director's opinion, the financial statements and notes to the financial statements are prepared in compliance with International Financial Reporting Standards as made by the International Accounting Standards Board.

Signed at Brisbane this NINETEENTH day of AUGUST 2011 in accordance with a resolution of the directors.

T R Morgan, Director

R D Masters, Director

Consolidated Income Statement
For the year ended 30 June 2011

	Notes	2011 $	2010 $
Revenue	2	63,191,242	72,155,516
Finance costs	3(b)	(1,194,967)	(1,942,695)
Expenses	3(a)	(58,292,333)	(70,042,104)
Operating profit		3,703,942	170,717
Goodwill impairment	4	-	(5,108,423)
Profit (loss) before income tax		3,703,942	(4,937,706)
Income tax saving (expense)	5	766,487	(1,041,289)
Net profit (loss) for the year attributable to members of CHL		**4,470,429**	**(5,978,995)**
Earnings per share (cents)	30	52.6	(95.9)
Diluted earnings per share (cents)	30	52.6	(95.9)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 $	2010 $
Net profit (loss) for the year attributable to members of CHL		4,470,429	(5,978,995)
Other comprehensive income			
Change in market value of available for sale financial assets		-	711,116
Adjustments from the translation of foreign controlled entities		-	(15,036)
Other comprehensive income for the year, net of tax		-	696,080
Total comprehensive income for the year attributable to members of CHL		4,470,429	(5,282,915)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	27	637,197	472,375
Trade and other receivables	7	11,807,346	10,628,939
Inventories	8	9,194,261	12,160,225
Other current assets	9	164,083	163,552
TOTAL CURRENT ASSETS		**21,802,887**	**23,425,091**
NON-CURRENT ASSETS			
Other financial assets	10	-	-
Property, plant and equipment	11	18,984,627	19,697,479
Intangible assets	12	141,789	180,324
Deferred tax assets	13	3,474,867	2,708,380
TOTAL NON-CURRENT ASSETS		**22,601,283**	**22,586,183**
TOTAL ASSETS		**44,404,170**	**46,011,274**
CURRENT LIABILITIES			
Trade and other payables	14	9,537,960	8,093,727
Short term borrowings	15	1,565,928	3,518,947
Provision for dividend	6	1,278,030	-
TOTAL CURRENT LIABILITIES		**12,381,918**	**11,612,674**
NON-CURRENT LIABILITIES			
Long term borrowings	16	9,526,648	15,389,460
Long term provisions	17	270,026	309,224
TOTAL NON-CURRENT LIABILITIES		**9,796,674**	**15,698,684**
TOTAL LIABILITIES		**22,178,592**	**27,311,358**
NET ASSETS		**22,225,578**	**18,699,916**
EQUITY			
Issued capital	18	7,728,221	7,394,958
Reserves	19	4,042,851	4,042,851
Retained earnings		10,454,506	7,262,107
TOTAL EQUITY		**22,225,578**	**18,699,916**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Share Capital		Reserves			
	Ordinary	Foundation	Revaluation Surplus	Foreign Currency Translation	Retained Earnings	Total Equity
	$	$	$	$	$	$
Balance at 30 June 2009	5,366,359	1	3,331,735	15,036	13,241,102	21,954,233
Shares issued during the year	2,028,598	-	-	-	-	2,028,598
Net loss attributable to members of CHL	-	-	-	-	(5,978,995)	(5,978,995)
Other comprehensive income for the year	-	-	711,116	(15,036)	-	696,080
Balance at 30 June 2010	7,394,957	1	4,042,851	-	7,262,107	18,699,916
Shares issued during the year	333,263	-	-	-	-	333,263
Net profit attributable to members of CHL	-	-	-	-	4,470,429	4,470,429
Dividend recognised for the year	-	-	-	-	(1,278,030)	(1,278,030)
Balance at 30 June 2011	7,728,220	1	4,042,851	-	10,454,506	22,225,578

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Inflows (Outflows)	
	2011 $	2010 $
Cash flows from operating activities		
Receipts from customers	62,060,466	72,459,171
Payments to suppliers and employees	(53,453,924)	(63,952,931)
Interest received	3,196	14,011
Goods and services tax received	1,011,007	1,196,881
Interest paid	(1,061,753)	(1,221,819)
Net cash generated from operating activities (Note 28)	**8,558,992**	**8,495,313**
Cash flows from investing activities		
Payment for property, plant and equipment	(918,133)	(1,416,048)
Proceeds from sale of shares in listed entity	-	1,480,839
Proceeds from sale of property, plant and equipment	6,532	33,745
Net cash (used in) generated from investing activities	**(911,601)**	**98,536**
Cash flows from financing activities		
Proceeds from share allotments	333,263	2,028,598
Repayment of borrowings	(7,567,179)	(10,638,260)
Net cash used in activities	**(7,233,916)**	**(8,609,662)**
Net increase (decrease) in cash and cash equivalents held	413,475	(15,813)
Cash and cash equivalents at the beginning of the financial year	223,722	239,535
Cash and cash equivalents at the end of the financial year (Note 27)	**637,197**	**223,722**

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

Notes to and Forming Part of the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensure that the financial statements and notes also comply with International Financial Reporting Standards.

Capilano Honey Limited is a listed public company, incorporated and domiciled in Australia. The financial statements cover the consolidated entity of Capilano Honey Limited and its controlled entities. The Corporations Amendment (Corporate Reporting Reform) Bill 2010 received Royal Assent on 28 June 2010. The accompanying Corporations Amendment Regulations 2010 (No.6) were made on 29 June 2010. In compliance with these legislative changes disclosure regarding the parent entity has been limited to those included in note 32.

The financial statements of Capilano Honey Limited and its controlled entities were authorised for issue in accordance with a resolution of the directors dated 19 August 2011.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Capilano Honey Limited ("parent entity") as at 30 June 2011 and the results of all controlled entities for the year then ended. Capilano Honey Limited and its controlled entities together are referred to in the financial statements as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in note 10(b) to the financial statements.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates are recognised in the consolidated income statement, and its share of post acquisition movements in reserves are recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(b) **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 Taxation 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.

(c) **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

CHL has control over the right to receive the interest payment.

Sale of non-current assets

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 gain is recognised as other income and any loss as an expense.

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

(d) **Property, plant and equipment**

Land and buildings

Land and buildings are valued by directors at fair value (being the amount for which an asset could be exchanged between knowledgeable parties in an arm's length transaction), based on periodic valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

Notes to and Forming Part of the Financial Statements

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

(d) **Property, plant and equipment** *(continued)*

Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying value of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their net present values in determining recoverable amounts.

Depreciation

Depreciation is calculated so as to write off the net cost of each item of property, plant and equipment (excluding land) over its useful life. Additions are depreciated from the date they are installed ready for use.

The principal rates of depreciation in use are:-

− Buildings	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	12.50%	prime cost

(e) **Capital Work in Progress**

Capital work in progress is valued at cost. Costs may include both variable and fixed costs which are allocated on a reasonable basis. Capital work in progress is not depreciated until the assets are ready for use.

(f) **Impairment**

At the end of each reporting period, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it's recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash generating unit.

(g) **Inventories**

All inventories including work in progress is 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. Overheads are applied on the basis of normal operating capacity.

(h) **Income tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or non-allowable items. It is calculated using tax rates that have been enacted or are substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be claimed.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the consolidated entity and its constituent member entities as applicable, will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The consolidated entity has decided not to implement the tax consolidation regime.

(i) **Financial instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: Financial Instruments: Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Notes to and Forming Part of the Financial Statements

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

(i) **Financial instruments** *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity, unless an impairment has been determined by the Board.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement. Subsequent increases in value are recognised directly in equity.

(j) **Foreign Currency**

Functional and presentation currency

The functional currency of each of the members of the consolidated entity is measured using the currency of the primary economic environment in which that member entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

General commitments

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.

Group controlled entities and associated entities

The financial results and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period
- Income and expenses are translated at average exchange rates for the period
- Equity and retained profits are translated at the exchange rates prevailing at the date of the transaction

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated entity's foreign currency translation reserve in the statement of changes in equity. These differences are recognised in the income statement in the period in which the operation is disposed.

(k) **Employment Benefits**

Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised, and are measured as the amount unpaid at the end of the reporting period at current pay rates in respect of employees' services up to that date. Where annual leave is not expected to be taken within twelve (12) months, the expected future payments are discounted using interest rates attaching, as at the end of the reporting period, to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

(k) **Employment Benefits** *(continued)*

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 end of the reporting period. 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 end of the reporting period, to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(l) **Provisions**

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) **Intangible Assets**

Trademarks & Brand Names

Trademarks and brand names are recorded in the financial statements at acquisition cost. Trade marks and brand names, having a benefit or relationship to more than one accounting period, are deferred and amortised to the income statement using the straight line method of calculation over 20 years. Carrying values are assessed at the end of each reporting period for impairment and any write down included in the income statement in the period determined.

Goodwill

Goodwill is carried at cost, less accumulated impairment losses. Goodwill is calculated as the excess of the consideration transferred over the acquisition date fair value of net identifiable assets acquired.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the consolidated entity's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(n) **Government grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to assets are credited to deferred income at fair value and are credited to the income statement over the expected useful life of the asset on a straight-line basis.

(o) **Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount within short-term borrowings in current liabilities on the Statement of Financial Position.

(p) **Earnings per share**

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction and production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(r) **Business combinations**

Business combinations occur when an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method. The business will be accounted for from the date that control is obtained, whereby the fair value of identifiable assets acquired and liabilities assumed is recognised.

All transactional costs incurred in relation to the business combination are expensed to the income statement.

(s) **Leases**

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments including any residual values. Lease payments are allocated between the reduction of the lease liabilities and the lease interest expense for the period.

(t) **Comparatives**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to and Forming Part of the Financial Statements

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

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current knowledge. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key Estimates

The consolidated entity assesses impairment at the end of each reporting period by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Judgements

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were actually recorded, such differences will impact the current and deferred tax positions in the period in which such determination is made.

		Consolidated	
		2011 $	2010 $
2.	**REVENUE**		
	Sales revenue	63,014,149	72,037,247
	Interest received	3,196	14,011
	Sundry	173,897	104,258
		63,191,242	**72,155,516**
3.	**OPERATING PROFIT**		
(a)	**Expenses**		
	Raw materials and consumables	35,463,019	46,765,058
	Net foreign exchange loss	-	47,455
	Loss on disposal of property, plant and equipment	2,515	8,317
	Loss on disposal of investment in listed corporation	-	127,472
	Employee benefits	6,008,198	6,732,850
	Depreciation of property, plant and equipment	1,621,937	1,587,778
	Amortisation of intangibles	38,535	66,229
	Transportation costs	2,097,916	3,052,976
	Factory costs	1,646,012	1,875,522
	Marketing and promotion	8,709,770	6,253,643
	Other	2,704,431	3,524,804
		58,292,333	**70,042,104**
(b)	Profit before income tax expense includes the following specific expenses:		
	Finance costs		
	Borrowing expenses	95,963	671,499
	Interest and finance charges paid	1,062,926	1,221,819
	Prospectus expenses	36,078	49,377
		1,194,967	1,942,695
4.	**IMPAIRMENT**		
	Goodwill Impairment		
	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	-	(5,108,423)
	Carrying Value of Goodwill	-	-
5.	**INCOME TAX**		
(a)	**Income tax (saving) expense**		
	Deferred tax	(766,487)	1,041,289
	Deferred income tax (benefit) expense included in the income tax expense comprises:		
	(Increase) decrease in deferred tax assets	(766,487)	1,025,564
	Increase (decrease) in deferred tax liabilities	-	15,725
		(766,487)	1,041,289

Notes to and Forming Part of the Financial Statements

		Consolidated 2011 $	Consolidated 2010 $
5.	**INCOME TAX** *(continued)*		
(b)	**Numerical reconciliation of income tax (saving) expense to prima facie tax payable**		
	Profit (loss) before income tax expense	3,703,942	(4,937,706)
	Tax at the Australian tax rate of 30% (2010:30%)	1,111,183	(1,481,312)
	Deferred tax asset of wholly owned subsidiary derecognised	-	1,241,897
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Write off of receivables due from foreign controlled entity	(1,663,925)	-
	Impairment of goodwill	-	1,532,527
	Amortisation of intangibles	(43,176)	(43,176)
	Loss on disposal of listed investments	-	38,242
	Entertainment	1,902	3,887
	Legal expenses	2,305	2,250
	Over provision in prior years	(180,196)	(209,250)
	Current year tax losses of controlled entity utilised	-	(99,043)
	Sundry items	5,420	55,267
	Income tax (saving) expense	(766,487)	1,041,289
(c)	**Tax losses**		
	Deferred tax assets include a benefit representing income tax losses as follows:		
	Unused tax losses	13,161,318	11,523,588
	Potential tax benefit	3,948,395	3,457,076

Realisation of the benefit shall depend upon:

a) the ability of the consolidated 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 of the consolidated entity and the parent entity to continue to comply with the conditions for deductibility imposed by law; and
c) an expectation that legislation will not change in a manner which would adversely affect the consolidated entity's and the parent entity's ability to realise the benefit.

		Parent Entity 2011 $	Parent Entity 2010 $
6.	**DIVIDENDS**		
	A fully franked dividend of 15 cents per ordinary share has been declared for the year ended 30 June 2011 (2010 – Nil), based on shares held at 28 June 2011.	1,278,030	-
	Franked dividends		
	Franking credits available for subsequent financial years	1,837,682	2,385,409

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period.

		Consolidated 2011 $	Consolidated 2010 $
7.	**TRADE AND OTHER RECEIVABLES**		
	Trade debtors	11,564,629	10,539,404
	Other debtors	734,795	646,638
	Provision for impairment of receivables	(492,078)	(557,103)
		11,807,346	**10,628,939**

7. TRADE AND OTHER RECEIVABLES *(continued)*	Gross Amount	Past due and impaired >120 days	Past due but not impaired (days overdue) 1-30	>30	Within initial trade terms
	$	$	$	$	$
2011					
Trade and term receivables	11,564,629	-	196,810	81,981	11,285,838
Other receivables	734,795	492,078	-	-	242,717
Total	12,299,424	492,078	196,810	81,981	11,528,555
2010					
Trade and term receivables	10,539,404	-	356,946	3,716	10,178,742
Other receivables	646,638	557,103	-	-	89,535
Total	11,186,042	557,103	356,946	3,716	10,268,277

	Consolidated 2011	Consolidated 2010
	$	$
Provision for impairment of receivables		
Opening balance	(557,103)	-
Decrease (increase) in impairment provision	65,026	(557,103)
Closing balance	**(492,078)**	**(557,103)**
8. INVENTORIES		
Raw materials and stores	5,518,514	7,655,023
Work in progress	45,887	434,905
Finished goods	3,629,860	4,070,297
	9,194,261	**12,160,225**
Cost of goods sold		
Honey levies	218,619	175,476
Other	44,076,856	54,892,322
Total cost of goods sold	44,295,475	55,067,798
9. OTHER CURRENT ASSETS		
Prepayments	**164,083**	**163,552**

10. OTHER FINANCIAL ASSETS

Other financial assets comprise of available-for-sale financial assets.

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturing dates attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of fair value estimates is significant. As a result all unlisted investments are reflected at cost.

	Consolidated 2011	Consolidated 2010	Parent Entity 2011	Parent Entity 2010
	$	$	$	$
(a) Available-for-sale financial assets included in the financial statements comprise:				
Shares in controlled entities (note 10(b))	-	-	1	1
	-	-	1	1

	Country of Incorporation	Class of Share	Parent Entity 2011 % holding	2011 Cost $	2010 % holding	2010 Cost $
(b) Investment in the controlled entities are unlisted and comprise:-						
Honey Corporation of Australia Pty Ltd	Australia	Ord	100	1	100	1
Capilano Canada Inc.*	Canada	Ord	-	-	100	-
				1		1

*The company was deregistered in December 2010

Notes to and Forming Part of the Financial Statements

		Parent Entity 2011	Parent Entity 2010
10.	**OTHER FINANCIAL ASSETS** *(continued)*		
(c)	Movements in carrying amounts of investments in controlled entities		
	Carrying amount at beginning of financial year	1	480,403
	Impairment of investment in Capilano Canada Inc.	-	(480,402)
	Carrying amount at end of financial year	1	1

		Consolidated 2011 $	Consolidated 2010 $
11.	**PROPERTY, PLANT AND EQUIPMENT**		
	Land and buildings		
	Freehold land – at valuation	5,990,000	5,990,000
	Buildings – at cost	13,441	5,188
	Buildings – at valuation	5,010,000	5,010,000
	Less: accumulated depreciation	(464,539)	(311,470)
		4,558,902	4,703,718
	Total land and buildings	**10,548,902**	**10,693,718**
	Plant and equipment		
	Cost	28,971,057	29,351,036
	Less: accumulated depreciation	(21,065,771)	(20,458,120)
	Total plant and equipment	**7,905,286**	**8,892,916**
	Motor vehicles		
	Cost	126,211	126,211
	Less: accumulated depreciation	(40,523)	(25,659)
	Total motor vehicles	**85,688**	**100,552**
	Capital work in progress	**444,751**	**10,293**
		18,984,627	**19,697,479**
(a)	**Reconciliations**		
	Reconciliations of the movements in carrying amounts for each class of property, plant and equipment are set out below:		
	Freehold land		
	Carrying amount at beginning of year	5,990,000	5,990,000
	Carrying amount at end of year	5,990,000	5,990,000
	Buildings		
	Carrying amount at beginning of year	4,703,718	4,859,557
	Additions	8,253	988
	Depreciation	(153,069)	(156,827)
	Carrying amount at end of year	4,558,902	4,703,718
	Plant and equipment		
	Carrying amount at beginning of year	8,892,916	7,972,618
	Additions	475,421	2,339,409
	Disposals	(9,047)	(6,342)
	Depreciation	(1,454,004)	(1,412,769)
	Carrying amount at end of year	7,905,286	8,892,916
	Motor Vehicles		
	Carrying amount at beginning of year	100,552	70,992
	Additions	-	83,462
	Disposals	-	(35,721)
	Depreciation	(14,864)	(18,181)
	Carrying amount at end of year	85,688	100,552
	Capital works in progress		
	Carrying amount at beginning of year	10,293	1,018,104
	Net movement	434,458	(1,007,811)
	Carrying amount at end of year	444,751	10,293

Notes to and Forming Part of the Financial Statements

		Consolidated 2011 $	Consolidated 2010 $
11.	**PROPERTY, PLANT AND EQUIPMENT** *(continued)*		
(b)	If land and buildings were stated at historical cost, amounts disclosed would be as follows:		
	Freehold land		
	Cost	797,400	797,400
	Carrying amount at end of year	**797,400**	**797,400**
	Buildings		
	Cost	7,467,409	7,459,157
	Less: accumulated depreciation	(3,004,721)	(2,818,086)
	Carrying amount at end of year	**4,462,688**	**4,641,071**
	Valuations		
	The independent valuation of the consolidated entity's freehold land and buildings carried out in March 2010 was on the basis of open market values for existing use. The revaluation surplus net of applicable deferred income tax was credited to an asset revaluation reserve in shareholders equity.		
12.	**INTANGIBLE ASSETS**		
	Trademarks and brandnames	4,065,845	4,065,845
	Less: accumulated amortisation	(3,924,056)	(3,885,521)
		141,789	**180,324**
	Reconciliation		
	Intangibles		
	Carrying amount at beginning of year	180,324	5,354,976
	Impairment of investment in Capilano Canada Inc.	-	(5,108,423)
	Amortisation	(38,535)	(66,229)
	Carrying amount at end of year	**141,789**	**180,324**
13.	**TAX**		
(a)	**Liabilities**		
	Current income tax	-	-
	Non-current deferred tax liability	-	-
(b)	**Assets**		
	Deferred tax assets comprise:		
	Provisions	412,429	194,438
	Deferred tax assets attributable to tax losses	3,948,395	3,457,076
	Tax allowances relating to property plant and equipment	(318,677)	(345,665)
	Revaluation adjustments taken directly to equity	(1,732,650)	(1,732,650)
	Intangible assets	1,058,710	1,035,869
	Other	106,660	99,312
		3,474,867	**2,708,380**
(c)	**Reconciliation**		
	The overall movement in deferred tax assets is as follows:		
	Opening balance	2,708,380	3,726,444
	Credit (charge) to income statement	766,487	(1,041,289)
	Foreign currency adjustment on opening balance	-	23,225
	Closing balance	**3,474,867**	**2,708,380**
14.	**TRADE AND OTHER PAYABLES**		
	Unsecured		
	Beekeeper creditors	5,323,710	4,979,040
	Trade creditors	1,518,729	1,280,329
	Other creditors	2,082,863	1,495,456
	Employee entitlements	612,658	338,902
		9,537,960	**8,093,727**

Notes to and Forming Part of the Financial Statements

		Consolidated 2011 $	Consolidated 2010 $
15.	**SHORT TERM BORROWINGS**		
	Secured (note 21)		
	Bank overdraft	-	248,653
	Commercial bills	1,000,000	2,750,000
	Hire purchase	95,520	101,283
	Total secured liabilities	1,095,520	3,099,936
	Unsecured		
	Unsecured notes (note 20)	470,408	419,011
		1,565,928	**3,518,947**
16.	**LONG TERM BORROWINGS**		
	Secured (note 21)		
	Commercial bills	5,250,000	8,014,764
	Bank loans	4,039,081	7,040,972
	Hire purchase	231,495	333,557
	Total secured liabilities	9,520,576	15,389,293
	Unsecured		
	Unsecured notes (note 20)	6,072	167
		9,526,648	**15,389,460**
17.	**LONG TERM PROVISIONS**		
	Employee entitlements	**270,026**	**309,224**

		Consolidated Entity			
		No. of Shares	2011 $	No. of Shares	2010 $
18.	**ISSUED CAPITAL**				
(a)	**Foundation Share**				
	Opening Balance	1	1	1	1
	Movements	-	-	-	-
	Closing Balance	**1**	**1**	**1**	**1**

At the Annual General Meeting held on 30 November 2009, Shareholders voted to amend the Constitution, with the following major changes:

- The Foundation Share now ranks as an ordinary share with no special voting rights.
- The Foundation Shareholder may appoint two Beekeeper Directors to the Board of Directors.

		Consolidated Entity			
		No. of Shares	2011 $	No. of Shares	2010 $
(b)	**Ordinary Shares**				
	Opening Balance	**8,049,063**	**7,394,957**	**5,151,066**	**5,366,359**
	Share issues	471,135	333,263	2,897,997	2,028,598
	Closing Balance	**8,520,198**	**7,728,220**	**8,049,063**	**7,394,957**

Ordinary shares were issued under the Rights Issue Shortfall Facility as per the Prospectus dated 12 February 2010, on the 15 July 2010, raising $333,263 by issuing 471,135 ordinary shares.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held, and have no par value.

(c) **Capital Management**

Management controls the capital of the group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensuring that the group can fund its operations and continue as a going concern.

A $7.8 million reduction in debt has been achieved by capital raising, improved use of working capital and current cash flows.

Management manages capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

A strategic goal has been to ensure that the group's gearing ratio remains below 75%.

Notes to and Forming Part of the Financial Statements

		Note	Consolidated 2011 $	2010 $
18.	**ISSUED CAPITAL** *(continued)*			
	Total Borrowings	14,15,16	20,630,536	27,002,134
	Less: cash and cash equivalents	27	(637,197)	(472,375)
	Net debt		19,993,339	26,529,759
	Total equity		22,225,578	18,699,916
	Total capital		42,218,917	45,229,675
	Gearing ratio		47%	59%
19.	**RESERVES**			
	Revaluation Surplus		4,042,851	4,042,851
	The revaluation surplus is used to record increments and decrements in the value non-current assets property, plant and equipment.			
20.	**PAYABLES MATURITY ANALYSIS - UNSECURED NOTES**			
	Debts Payable			
	Not later than one year		470,408	419,011
	Later than one year but not later than two		6,072	167
			476,480	**419,178**
	The Unsecured Notes (Capilano Deposit Fund) were created under a Trust Deed dated 17 May 1993. Trust Company of Australia Limited is the Trustee. Further deposits have been received during the year pursuant to the issue of a Prospectus dated 18 October 2010.			
21.	**SECURED BORROWINGS**			
	The loans and commercial bills amounting to $10,289,081 (2010: $18,054,389) are secured by a registered mortgage over all land and buildings and a fixed and floating charge over all the company's and controlled entity's assets and undertakings. Hire purchase liabilities are secured over the related assets.			
22.	**CONTINGENT LIABILITIES**			
	The Directors are not aware of any significant contingent liabilities at the date of this report.			
23.	**COMMITMENTS**			
	Capital expenditure commitments			
	Contracted for but not provided for or payable: Not longer than one year		1,110,509	-
	Operating lease commitments			
	Future operating lease rentals not provided for in the financial statements or payable:			
	Not longer than one year		37,254	32,500
	Longer than one year but not longer than five years		69,246	71,293
			106,500	**103,793**
24.	**AUDITOR'S REMUNERATION**			
	Remuneration of the auditor of the parent entity for:			
	- auditing or reviewing the financial statements		91,510	99,700
	- audit of the share register		2,415	2,300
	- taxation services		10,600	7,075
	- review of prospectus		3,150	5,750
25	**RELATED PARTIES**			
(a)	**Directors and specified executives remuneration:**			
	Short term employee benefits		1,236,739	1,079,671
	Post employment benefits		241,951	273,809
	Total director and specified executives remuneration		**1,478,690**	**1,353,480**
	Directors who are apiarists trade with the company on the same trading conditions as other apiarists.			

Notes to and Forming Part of the Financial Statements

25 RELATED PARTIES *(continue)*

(b) **Shares held by Directors and specified Executives**

	1 July 2010 – 30 June 2011 Opening Balance	Grants as Remuneration during the year	Other Changes during the year	Closing Balance
Directors				
P Barnes	118,920	-	-	118,920
R Masters	330,801	-	3,000	333,801
P McHugh	44,276	-	-	44,276
T Morgan	39,128	-	-	39,128
S Tregoning	-	-	-	-
Executives & Key Management Personnel				
R Eustace [Note 1]	-	-	-	-
D Graham [Note 2]	-	-	-	-
P McDonald	20,000	-	22,425	42,425
B. McKee	44,401	-	29,425	73,826
R. Rivalland [Note 2]	44,400	-	27,285	71,685
	641,926	**-**	**82,135**	**724,061**

Shares held by Directors and specified Executives

	1 July 2009 – 30 June 2010 Opening Balance	Grants as Remuneration during the year	Other Changes during the year	Closing Balance
Directors				
P Barnes	30,000	-	88,920	118,920
R Masters	11,001	-	319,800	330,801
P McHugh	34,676	-	9,600	44,276
T Morgan	15,260	-	23,868	39,128
S Tregoning	-	-	-	-
Executives & Key Management Personnel				
R Eustace [Note 1]	-	-	-	-
P McDonald	-	-	20,000	20,000
B. McKee	-	-	44,401	44,401
R. Rivalland [Note 2]	-	-	44,400	44,400
	90,937	**-**	**550,989**	**641,926**

Note:1 *The Position of Marketing Manager was made redundant in March 2011 as part of the corporate restructure.*
Note:2 *Change in Company Secretary / Financial Controller on 28 January 2011.*

(c) **Wholly Owned Group:**

The wholly owned group consists of CHL and its wholly owned controlled entities. Information relating to the controlled entities is set out in note 10(b).

26. SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect of the following:

- the product sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customers for the products or services;
- the distribution method; and
- any external regulatory requirements.

Types of products and services by segment

- ***Domestic***
  Products sold to customers within Australia for Australian consumption or sale.
- ***Export***
  Products sold to customers outside Australia for consumption outside of Australia.

Notes to and Forming Part of the Financial Statements

26. **SEGMENT REPORTING** *(continued)*

Basis of accounting for purposes of reporting by operating segment.

- ***Accounting Policies***

  Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amounts of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities exclude deferred income taxes.

- ***Intersegment Transfers***

  Segment revenues, expenses and results include transfers between segments at cost.

  Inter-segment loans payable and receivable are initially recognised at the consideration received / to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

		30 June 2011		
		Domestic $	Export $	Consolidated $
(a)	**Segment Performance**	47,068,667	15,945,482	63,014,149
	Sales revenue	47,068,667	15,945,482	63,014,149
	Other revenue	75,717	101,376	177,093
	Total segment revenue	**47,144,384**	**16,046,858**	**63,191,242**
	Unallocated revenue less unallocated expenses			(59,487,300)
	Profit before income tax			**3,703,942**

	30 June 2010		
	Domestic $	Export $	Consolidated $
Sales revenue	45,157,409	26,879,838	72,037,247
Other revenue	97,021	21,248	118,269
Total segment revenue	**45,254,430**	**26,901,086**	**72,155,516**
Unallocated revenue less unallocated expenses			(77,093,222)
Loss before income tax			**(4,937,706)**

(b)	**Segment Assets**	Domestic $	Export $	Unallocated $	Consolidated $
	30 June 2010	7,443,783	3,490,182	35,077,309	46,011,274
	30 June 2011	9,359,405	2,660,835	32,383,930	44,404,170
	Change in total assets	**1,915,622**	**(829,347)**	**(2,693,379)**	**(1,607,104)**

The reduction in Group assets is predominantly due to a reduction in inventories of $2,965,964 against the addition of future income tax benefits of $766,487. The lower trade receivable for export 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.

(c)	**Segment Liabilities**	Domestic $	Export $	Unallocated $	Consolidated $
	30 June 2010	5,480,063	1,560,908	20,270,387	27,311,358
	30 June 2011	3,754,276	284,805	18,139,511	22,178,592
	Change in total liabilities	**(1,725,787)**	**(1,276,103)**	**(2,130,876)**	**(5,132,766)**

The reduction in Group liabilities of $5,132,766 is predominantly due to the repayment in borrowings of $7,567,179 ond offset by an increase in trade and other payables.

(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.

Notes to and Forming Part of the Financial Statements

		Consolidated 2011 $	Consolidated 2010 $
26.	**SEGMENT REPORTING** *(continued)*		
(e)	**Revenue by geographical region**		
	Australia	47,245,760	38,875,417
	Asia	8,562,977	12,120,305
	Middle East	2,731,612	3,333,407
	North America	2,961,819	14,307,694
	UK & Europe	1,257,326	3,128,509
	Other foreign countries	431,748	390,184
	Total revenue	**63,191,242**	**72,155,516**
	Revenue attributable to external customers is based on the location of the customer.		
(f)	**Assets by geographical region**		
	Australia	44,251,289	45,616,716
	Foreign countries	152,881	394,558
	Total assets	**44,404,170**	**46,011,274**
	The location of segment assets is by geographical location of the asset.		
(g)	**Major customers**		
	The Group has a number of customers to whom it provides products. The Group supplies five major customers accounting for 75% of revenue (2010: 70%). The next most significant customer accounts for 2.5% of revenue (2010: 3%).		
27.	**RECONCILIATION OF CASH**		
	For the purpose of the statement 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 statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
	Cash and cash equivalents	637,197	472,375
	Bank overdraft	-	(248,653)
	Total cash and cash equivalents	**637,197**	**223,722**
28.	**RECONCILIATION OF NET CASH GENERATED FROM OPERATING ACTIVITIES TO PROFIT (LOSS) AFTER INCOME TAX**		
	Profit (loss) after income tax	4,470,429	(5,978,995)
	Increase in provision for doubtful debts	(65,025)	19,411
	Goodwill impairment	-	5,108,423
	Depreciation	1,621,937	1,587,778
	Amortisation	38,535	66,229
	Loss on disposal of investment in listed entity	-	127,472
	Loss on sale of equipment	2,515	8,318
	Decrease in deferred tax assets	(766,487)	1,018,064
	Exchange differences on translation of foreign operations	-	(15,036)
	Change in assets and liabilities		
	Decrease (increase) in assets		
	Trade debtors	(1,025,225)	271,088
	Other debtors	(58,292)	3,686
	Inventory	2,965,964	5,647,962
	Prepayments	(531)	136,112
	Goods and Services Tax received	(29,864)	39,769
	Increase (decrease) in liabilities		
	Trade creditors	238,400	(806,970)
	Other creditors	587,408	99,230
	Beekeeper creditors	344,670	1,188,640
	Employee entitlements	234,558	(25,868)
	Net cash generated from operating activities	**8,558,992**	**8,495,313**

		Consolidated 2011 $	Consolidated 2010 $
29.	**FINANCING ARRANGEMENTS**		
	Total facilities		
	Unrestricted access was available at the end of the reporting period to the following lines of credit:		
	Multi-Option (refer note below)	7,500,000	6,000,000
	Fixed bill facility	3,250,000	6,000,000
	Debtor finance	7,429,116	9,751,723
		18,179,116	**21,751,723**
	Used at the end of the reporting period		
	Multi-Option	3,000,000	5,013,417
	Fixed bill facility	3,250,000	6,000,000
	Debtor finance	4,039,081	7,040,972
		10,289,081	**18,054,389**
	Unused at the end of the reporting period		
	Multi-Option	4,500,000	986,583
	Fixed bill facility	-	-
	Debtor finance	3,390,035	2,710,751
		7,890,035	**3,697,334**
30.	**EARNINGS PER SHARE (EPS)**		
	Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted EPS	8,500,836	6,237,815
	Earnings used in the calculation of basic and diluted EPS	4,470,429	(5,978,995)

31. FINANCIAL INSTRUMENTS

Financial Risk Management

The consolidated entity's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, loans to and from subsidiaries, bills, leases and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for consolidated entity operations.

Derivatives are used by the consolidated entity for hedging purposes. Such instruments may include forward exchange and currency option contracts. The consolidated entity does not speculate in the trading of derivative instruments.

The main risks the consolidated entity is exposed to through its financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk.

Foreign currency risk

The consolidated entity is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the consolidated entity's functional currency. Senior executives of the consolidated entity meet on a regular basis to analyse currency exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating debt. At 30 June 2011 approximately 98% of consolidated entity debt is floating. Management continuously monitors the debt profile of the consolidated entity in the context of the most recent economic conditions.

Honey price risk

Honey price risk is managed by using fixed published price lists, maintaining a geographically diverse group of suppliers, and our contracted system of quotas.

Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. All export debtors are insured.

Sensitivity Analysis

The group has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and honey price risk at the end of the reporting period. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	Consolidated	
	2011	2010
	$	$
31. FINANCIAL INSTRUMENTS *(continued)*		
(a) *Interest Rate Sensitivity Analysis*		
At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:		
Change in profit		
increase in interest rate by 2%	(295,000)	(471,000)
decrease in interest rate by 2%	295,000	471,000
Change in equity		
increase in interest rate by 2%	(295,000)	(471,000)
decrease in interest rate by 2%	295,000	471,000
Foreign Currency Risk Sensitivity Analysis		
At 30 June 2011, the effect on profit and equity as a result of changes in receivables following changes in the value of the Australian Dollar to foreign currencies, with all other variables remaining constant would be as follows:		
Change in profit		
increase in AUD:USD rate by 10%	(102,000)	(187,000)
increase in AUD:CAD rate by 10%	(27,000)	(33,000)
increase in AUD:EUR rate by 10%	(10,000)	(8,000)
decrease in AUD:USD rate by 10%	125,000	228,000
decrease in AUD:CAD rate by 10%	33,000	40,000
decrease in AUD:EUR rate by 10%	13,000	9,000
Change in equity		
increase in AUD:USD rate by 10%	(102,000)	(187,000)
increase in AUD:CAD rate by 10%	(27,000)	(33,000)
increase in AUD:EUR rate by 10%	(10,000)	(8,000)
decrease in AUD:USD rate by 10%	125,000	228,000
decrease in AUD:CAD rate by 10%	33,000	40,000
decrease in AUD:EUR rate by 10%	13,000	9,000
Honey Price Sensitivity Analysis		
At 30 June 2011, the effect on profit and equity as a result of changes in the purchase price of futured honey already delivered, with all other variables remaining constant would be as follows		
Change in profit		
increase in honey purchase price of 10%	(339,000)	(140,000)
decrease in honey purchase price of 10%	339,000	140,000
Change in equity		
increase in honey purchase price of 10%	(339,000)	(140,000)
decrease in honey purchase price of 10%	339,000	140,000

(b) **Financial Instruments**

i. Derivative Financial Instruments

Derivative financial instruments are used by the consolidated entity to hedge exposure to exchange risk associated with foreign currency transactions. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Forward exchange contracts

The consolidated 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 consolidated entity against unfavourable exchange rate movements for both contracted and anticipated future sales and purchases undertaken in foreign currencies.

At the end of the period, there were US$300,000 of outstanding forward exchange contracts in respect of the consolidated entity (2010: Nil).

Foreign currency options

From time to time the consolidated entity enters into arrangements with options to sell US dollars and buy Australian dollars. These options provide a guaranteed rate for settlement which is more favourable at the time of booking than the standard forward outright rate. A contingency obliges the company to deal further options at a contingent rate should the spot rate fall below the contingent rate.

At the end of the reporting period, the consolidated entity had no currency options (2010: US$1,600,000 at $0.8615).

31. FINANCIAL INSTRUMENTS *(continued)*

ii. Net Fair Values

The net fair values of:

a) unlisted investments have not been established, as detailed in note 10.
b) other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
c) forward exchange contracts are the recognised unrealised gain or loss at the end of the reporting period determined from the current forward exchange rates for contracts with similar maturities.
d) foreign currency options are not brought to account as they do not meet the recognition criteria under AASB 139 "Financial Instruments: Recognition and Measurement".
e) other assets and liabilities approximate their carrying values.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than forward exchange contracts and foreign currency options.

iii. Interest Rate Risk

The consolidated 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:

	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
2011		$	$	$	$	$
Financial assets						
Cash	2.14%	635,038	-	-	2,159	637,197
Total financial assets		**635,038**	**-**	**-**	**2,159**	**637,197**
Financial liabilities						
Commercial bills	8.28%	6,250,000	-	-	-	6,250,000
Hire purchase	4.76%	-	95,520	231,495	-	327,015
Unsecured Notes (Note 20)	4.96%	476,480	-	-	-	476,480
Beekeeper creditors		-	-	-	5,323,710	5,323,710
Bank loans	7.85%	4,039,081	-	-	-	4,039,081
Trade & sundry creditors		-	-	-	3,601,592	3,601,592
Total financial liabilities		**10,765,561**	**95,520**	**231,495**	**8,925,302**	**20,017,878**

	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
2010		$	$	$	$	$
Financial assets						
Cash	2.98%	471,086	-	-	1,288	472,374
Total financial assets		**471,086**	**-**	**-**	**1,288**	**472,374**
Financial liabilities						
Commercial bills	8.87%	10,764,764	-	-	-	10,764,764
Hire purchase	4.69%	-	119,953	314,887	-	434,840
Unsecured Notes (Note 20)	4.67%	419,178	-	-	-	419,178
Beekeeper creditors	-	-	-	-	4,979,040	4,979,040
Bank loans	6.61%	7,289,625	-	-	-	7,289,625
Trade & sundry creditors	-	-	-	-	2,775,784	2,775,784
Total financial liabilities		**18,473,567**	**119,953**	**314,887**	**7,754,824**	**26,663,231**

32. PARENT ENTITY INFORMATION

	Consolidated 2011 $	Consolidated 2010 $
Net profit (loss) attributable to members of CHL	4,344,615	(6,753,221)
Change in market value of available for sale financial assets	-	711,116
Total comprehensive income for the year attributable to members of CHL	**4,344,615**	**(6,042,105)**
Current assets	21,802,887	23,404,232
Total assets	**44,404,170**	**46,969,475**
Current liabilities	12,381,918	11,612,674
Total liabilities	**22,178,592**	**27,311,358**
Issued Capital	7,728,221	7,394,958
Revaluation surplus	4,042,851	4,042,851
Retained earnings	10,454,506	8,220,308
Total equity	**22,225,578**	**19,658,117**
Capital expenditure commitments not provided for in the financial statements	1,110,509	-
Future operating leases not provided for in the financial statements	106,500	103,793

33. CHANGE IN ACCOUNTING POLICY

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the consolidated entity has decided not to early adopt. A discussion of those future requirements and their impact on the consolidated entity is as follows:

- *AASB 9: Financial Instruments, AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013)*

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The changes also incorporate the classification and measurement requirements for financial liabilities, and the recognition and derecognition requirements for financial instruments. The consolidated entity has not yet determined any potential impact on the financial statements.

  The changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives ;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
  - financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.

- *AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011)*

  This standard removes the requirement for government related entities to disclose details of all transaction with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. This Standard is not expected to impact the consolidated entity.

- *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)*

  AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

  - Tier 1: Australian Accounting Standards; and
  - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

  Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

33. CHANGE IN ACCOUNTING POLICY *(continued)*

New Accounting Standards for Application in Future Periods *(continued)*

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and State, Territory and Local Governments.

Subject to AASB 1049, General Government Sectors of the Australian Government and State and Territory Governments would also apply Tier 1 reporting requirements.

The following entities can elect to apply Tier 2 of the framework when preparing general purpose financial statements:

- for-profit private sector entities that do not have public accountability;
- not-for-profit private sector entities; and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific 'RDR' disclosures.

This Standard is not expected to impact the consolidated entity.

- *AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)*

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. This Standard is not expected to impact the consolidated entity.

  - *AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011)*

    This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This Standard is not expected to impact the consolidated entity.

  - *AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011)*

    This standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. This Standard is not expected to impact the consolidated entity.

  - *AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods commencing on or after 1 January 2011)*

    The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. This Standard is not expected to impact the consolidated entity.

  - *AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods commencing on or after 1 July 2011)*

    This Standard adds and amends disclosure requirements about transfers of financial assets, including in respect of the nature of the financial assets involved and the risks associated with them. This Standard is not expected to impact the consolidated entity.

  - *AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applicable for annual reporting periods commencing on or after 1 January 2012)*

    This standard provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in AASB 140 Investment Property. This Standard is not expected to impact the consolidated entity.

  - *AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2011)*

    This standard makes amendments to provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. The standard also provides guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time. This Standard is not expected to impact the consolidated entity.

33. CHANGE IN ACCOUNTING POLICY *(continued)*

New Accounting Standards for Application in Future Periods *(continued)*

- *AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applicable for annual reporting period commencing on or after 1 January 2013)*

  This standard provides relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. This Standard is not expected to impact the consolidated entity.

- AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113] (applicable for annual reporting periods commencing on or after 1 July 2011)*

  AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. This Standard is not expected to impact the consolidated entity.

- *AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054] (applicable for annual reporting periods commencing on or after 1 July 2013)*

  AASB 2011-2 establishes reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements in relation to the Australian additional disclosures arising from the Trans-Tasman Convergence Project. The consolidated entity has not yet assessed the impact of this standard.

- *AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).*

  This Standard makes amendments to AASB 1049 Whole of Government and General Government Sector Financial Reporting to amend the definition of the ABS GFS Manual, provide relief from adopting the latest version of the ABS GFS Manual, and require related disclosures where the latest version of the ABS GFS Manual has not been applied. The standard is not expected to impact the consolidated entity.

- *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (applicable for annual reporting periods commencing on or after 1 July 2013).*

  This standard removes all the individual key management personnel disclosures contained in Aus paragraphs 29.1 to 29.9.3 of AASB 124. The changes apply to each disclosing entity, or group of which a disclosing entity is the parent that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act for their first annual reporting period beginning on or after 1 July 2013.

- *AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131] (applicable for annual reporting periods commencing on or after 1 July 2011)*

  This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit entities that comply with Australian Accounting Standards. The standard is not expected to impact the consolidated entity.

- *AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131] (applicable for annual reporting periods commencing on or after 1 July 2013)*

  This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements, as stated above. The standard is not expected to impact the consolidated entity.

The consolidated entity does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

Shareholders’ Information

As at 31 July 2011

CHL is listed on the Bendigo Stock Exchange using the ticker code ‘CAP’.

a) **Classes of Shares**

There is one Foundation Share on issue, which is held by CBL.

All other shares are ordinary shares in the company.

b) **Voting Rights**

Ordinary Shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the company.

The Foundation Share ranks as an ordinary share with no special voting rights, however, the Foundation Shareholder may appoint two Beekeeper Directors to the Board of Directors.

c) **Distribution of Shareholdings**

The number of shareholders, by size of holding are:

	Foundation Share		Ordinary Shares	
	Number of Holders	Number of Shares	Number of Holders	Number of Shares
1 – 1,000	1	1	88	37,507
1,001 – 5,000			266	755,462
5,001 – 10,000			153	1,136,695
10,001 – 100,000			180	3,851,900
100,001 and over			8	2,738,634
			695	8,520,198

d) **Shareholders holding less than a marketable parcel**

There are 42 shareholders holding 4,303 shares which the company considers to be less than a marketable parcel of shares (value $500), when using a value of $1.12 per share, being the weighted average traded price of the last 5 share trades on the Bendigo Stock Exchange.

e) **Ten largest shareholders**

The names of the ten largest holders of quoted shares are:

		Number of Ordinary Shares	Percentage of Ordinary Shares
1	GPG NOMINEES PTY LIMITED	1,078,167	12.65%
2	BAKER FAMILY SUPER FUND	387,143	4.54%
3	MASTERS R D <SUPER FUND>	333,800	3.92%
4	QUINN P J <SUPER FUND>	328,666	3.86%
5	JENIK M	201,000	2.36%
6	YTQUES S	201,000	2.36%
7	PAULEY G F & M J	108,856	1.28%
8	CAPEFIN PTY LTD	100,002	1.17%
9	WINPAR HOLDINGS LIMITED	100,000	1.17%
10	SLOSS J & N	84,887	1.00%
		2,923,521	**34.31%**

f) **Company Secretary**

Mr David Graham

g) **Registered Office**

399 Archerfield Road, Richlands Qld 4077. Telephone (07) 3712 8282.

h) **Register of Securities**

The Register of Securities is held at 399 Archerfield Road, Richlands Qld 4077.

Contact Details

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Bankers	HSBC Bank Australia Limited
Auditors	William Buck Chartered Accountants

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