

# HALF-YEAR FINANCIAL REPORT 2004

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**FINANCIAL AND STATUTORY REPORTS  
FOR CAPILANO HONEY LIMITED AND ITS CONTROLLED ENTITIES  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**



A.B.N. 55 009 686 435

## Report of the Directors

Your directors present their report on the consolidated financial statements of the company and its controlled entities for the half year ended 31 December 2004.

### Directors

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

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

### Activities

The principal activities of the consolidated entity during the half-year continued to be:

- packing of honey for domestic and export sales.
- supply and distribution of honey based therapeutic products.

### Consolidated Results

The operating loss of the consolidated entity for the half-year after income tax was \$1,020,469.

### Review of Operations

Sales revenue for the consolidated entity was \$41,254,896. An analysis of these sales is as follows:-

	\$
Capilano Honey Limited	40,238,748
Medihoney Pty Ltd	1,016,148

### Significant Changes

There were no significant changes in operations during the half-year.

Signed at Brisbane this Eleventh day of February 2005, in accordance with a resolution of the directors.



D G Keith  
Director



R D Masters  
Director

## Auditor's Independence Declaration

As lead auditor for the review of Capilano Honey Limited for the half-year ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



M Ayooob  
Principal  
Cranstoun & Hussein



Brisbane  
17 February 2005

# Independent Review Report

To the Members of Capilano Honey Limited

## Scope

### *The financial report and directors' responsibility*

The financial report comprises the directors' declaration, statement of financial performance, statement of financial position, statement of cash flows and accompanying notes to the financial statements for Capilano Honey Limited (the consolidated entity), for the half-year ended 31 December 2004. The consolidated entity comprises both Capilano Honey Limited (the company) and the entities it controlled during that half-year.

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

## Review approach

We conducted an independent review of the financial report in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our role was to conduct the review in accordance with Australian Auditing Standards applicable to review engagements.

This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

The review procedures performed were limited primarily to:

- inquiries of company personnel of certain internal controls, transactions and individual items
- analytical procedures applied to financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

## Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

## Statement

Based on our review, which is not an audit, we have not become aware of any matter that causes us to believe that the half year financial report of Capilano Honey Limited is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (c) other mandatory professional reporting requirements.



CRANSTOUN & HUSSEIN  
Chartered Accountants



M Ayob  
A Member of the Firm

Brisbane  
17 February 2005



Capilano Honey Limited and Controlled Entities  
for the half-year ended 31 December 2004

A.B.N 55 009 686 435

## Directors' Declaration

The directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 5 to 10:
  - (i) comply with Accounting Standard AASB1029: Interim Financial Reporting and the Corporations Regulations; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and its performance for the half year ended on that date.

In the directors' opinion there are reasonable grounds to believe that:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
- (b) the company will be able to pay its debts as and when they become due and payable.

Signed at Brisbane this Eleventh day of February 2005, in accordance with a resolution of the directors.



D G Keith  
Director



R D Masters  
Director

## Condensed Consolidated Statement of Financial Performance

For the half-year ended 31 December 2004

	Note	31 December 2004 \$	31 December 2003 \$
(Loss) profit from ordinary activities before share of net loss of associate accounted for using the equity method		(1,116,485)	2,549,243
Share of net loss of associate accounted for using the equity method		(236,417)	(113,361)
(Loss) profit from ordinary activities before income tax expense		(1,352,902)	2,435,882
Income tax benefit (expense)		332,433	(755,931)
<b>Net (loss) profit attributable to members of Capilano Honey Limited</b>		<b>(1,020,469)</b>	<b>1,679,951</b>
Net exchange differences on translation of financial report of associate accounted for using the equity method		1,711	(25,664)
<b>Total changes in equity attributable to members of Capilano Honey Limited other than those resulting from transactions with owners as owners</b>		<b>(1,018,758)</b>	<b>1,654,287</b>
Earnings per share (cents)	5	(19.9)	32.7
Diluted earnings per share (cents)	5	(19.9)	32.7
<i>The above statement of financial performance should be read in conjunction with the accompanying notes.</i>			

## Condensed Consolidated Statement of Financial Position

As at 31 December 2004

	31 December 2004 \$	30 June 2004 \$
<b>CURRENT ASSETS</b>		
Cash	-	3,342,721
Receivables	10,735,054	11,546,660
Inventories	26,963,976	26,551,891
Other	1,021,549	807,283
<b>TOTAL CURRENT ASSETS</b>	<b>38,720,579</b>	<b>42,248,555</b>
<b>NON-CURRENT ASSETS</b>		
Receivables	2,186,834	2,030,205
Investments accounted for using the equity method	-	172,973
Property, plant & equipment	18,612,130	18,116,833
Intangibles	832,660	896,344
Deferred tax assets	3,006,223	2,735,523
<b>TOTAL NON-CURRENT ASSETS</b>	<b>24,637,847</b>	<b>23,951,878</b>
<b>TOTAL ASSETS</b>	<b>63,358,426</b>	<b>66,200,433</b>
<b>CURRENT LIABILITIES</b>		
Payables	9,243,062	7,723,848
Interest-bearing liabilities	4,692,117	4,188,186
Provisions	436,541	1,053,903
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,371,720</b>	<b>12,965,937</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing liabilities	25,264,468	28,588,987
Provisions	600,754	505,493
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>25,865,222</b>	<b>29,094,480</b>
<b>TOTAL LIABILITIES</b>	<b>40,236,942</b>	<b>42,060,417</b>
<b>NET ASSETS</b>	<b>23,121,484</b>	<b>24,140,016</b>
<b>EQUITY</b>		
Contributed equity	5,286,914	5,286,860
Reserves	4,699,241	4,697,529
Retained profits	13,135,329	14,155,627
<b>TOTAL EQUITY</b>	<b>23,121,484</b>	<b>24,140,016</b>
<i>The above statement of financial position should be read in conjunction with the accompanying notes</i>		

## Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2004

	<i>Inflows (Outflows)</i>	
	31 December 2004 \$	31 December 2003 \$
Cash flows from operating activities		
Receipts from customers	41,916,444	47,800,308
Payments to suppliers and employees	(40,970,399)	(43,155,405)
Interest received	98,249	104,640
Goods & services tax received	713,372	680,115
Interest paid	(795,747)	(655,658)
<b>Net cash provided by operating activities</b>	<b>961,919</b>	<b>4,774,000</b>
Cash flows from investing activities		
Payment for property, plant and equipment	(1,324,701)	(329,926)
Payment for investment in controlled entity	(1)	-
Payments for investment in associated entity	-	(480,402)
Loans to associated entity	11,881	(809,427)
Other loans	73,421	(403,073)
Proceeds from sale of fixed assets	11,286	-
<b>Net cash used in investing activities</b>	<b>(1,228,114)</b>	<b>(2,022,828)</b>
Cash flows from financing activities		
Proceeds from issue of shares	54	38
Proceeds from borrowings	211,097	313,793
Repayment of borrowings	(3,322,077)	(2,465,296)
Dividend paid	(255,992)	(1,025,747)
<b>Net cash used in financing activities</b>	<b>(3,366,918)</b>	<b>(3,177,212)</b>
Net (decrease) increase in cash held	(3,633,113)	(426,040)
Cash at the beginning of the financial period	3,342,720	3,694,104
<b>Cash at the end of the financial period</b>	<b>(290,393)</b>	<b>3,268,064</b>
The above statement of cash flows should be read in conjunction with the accompanying notes.		



# Notes to the Financial Statements

For the half-year ended 31 December 2004

## 1. BASIS OF PREPARATION

The half-year condensed consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of *Corporations Act 2001*, Accounting Standard AASB1029: Interim Financial Reporting and other mandatory professional reporting requirements.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Capilano Honey Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2004 annual report.

The half-year report does not include full disclosure of the type normally included in an annual financial report.

## 2. CONTINGENT LIABILITIES

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

## 3. INCOME TAX

The Australian Taxation Office has not yet been formally notified whether or not the consolidated entity will adopt the tax consolidation regime. Income tax balances for the half-year as disclosed in this report would remain unchanged had this decision been made.

## 4. ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS).

The consolidated entity's management, along with its auditors, have assessed the significance of these changes and have prepared for their implementation.

The directors are of the opinion that the key differences in the consolidated entity's accounting policies which will arise from the adoption of IFRS are:

### *Impairment of Assets*

The consolidated entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use.

### *Income Tax*

Currently, the consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account either as a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the consolidated entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

## Notes to the Financial Statements

For the half-year ended 31 December 2004

### Derivative Financial Instruments

The consolidated entity does not currently recognise derivative financial instruments in the financial statements. AASB 139: Financial Instruments: Recognition and Measurement will require a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements.

### Equity-based Compensation Benefits

Under AASB 2: Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

The financial impact, had IFRS been adopted as at 31 December 2004, on the consolidated entity would be as follows:

Increase in Retained Earnings	\$ 211,147
Increase in Deferred Tax Assets	\$ 16,623
Decrease in Deferred Tax Liabilities	\$ 50,410
Decrease in Asset Revaluation Reserve	\$ 144,114

### 5. EARNINGS PER SHARE

	31 December 2004	31 December 2003
Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted EPS	5,132,187	5,132,170
	\$	\$
Earnings used in the calculation of basic and diluted EPS	(1,020,469)	1,679,951

### 6. SEGMENT REPORTING

Primary reporting – geographical segments	31 December 2004				
	Australia \$	Canada \$	Europe \$	Intersegment Elimination \$	Consolidated \$
Sales revenue	41,439,934	-	11,094	(196,132)	41,254,896
Other revenue	(38,200)	-	-	-	(38,200)
Share of net losses of associates	-	(236,417)	-	-	(236,417)
<b>Total segment revenue</b>	<b>41,401,734</b>	<b>(236,417)</b>	<b>11,094</b>	<b>(196,132)</b>	<b>40,980,279</b>
<b>Segment Result</b>	<b>(958,055)</b>	<b>(236,417)</b>	<b>(50,812)</b>	<b>(107,618)</b>	<b>(1,352,902)</b>
Unallocated revenue less unallocated expenses					-
<b>Loss from ordinary activities before income tax expense</b>					<b>(1,352,902)</b>

## Notes to the Financial Statements

For the half-year ended 31 December 2004

### 6. SEGMENT REPORTING - continued

	31 December 2003				
<b>Primary reporting – geographical segments</b>	Australia \$	Canada \$	UK \$	Intersegment Elimination \$	Consolidated \$
Sales revenue	43,022,394	-	-	-	43,022,394
Other revenue	1,155,183	-	-	-	1,155,183
Share of net losses of associates	-	(113,361)	-	-	(113,361)
<b>Total segment revenue</b>	<b>44,177,577</b>	<b>(113,361)</b>	-	-	<b>44,064,216</b>
<b>Segment Result</b>	<b>2,549,243</b>	<b>(113,361)</b>	-	-	<b>2,435,882</b>
Unallocated revenue less unallocated expenses					-
<b>Profit from ordinary activities before income tax expense</b>					<b>2,435,882</b>