CAPILANO

ABN: 55 009 686 435

Appendix 4E

Preliminary Final Report

Listing Rule 4.3A

Capilano Honey Limited

and its Controlled Entities

ABN: 55 009 686 435

Reporting Period:	**1 July 2012 - 30 June 2013**
Prior Corresponding Period:	1 July 2011 - 30 June 2012

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

					$A'000
a)	Revenue from ordinary activities	up / ~~down~~	6.5%	to	72,160
		up / ~~down~~	$4,381	to	72,160
b)	Profit (loss) from ordinary activities after tax attributable to members	up / ~~down~~	35%	to	3,447
		up / ~~down~~	$894	to	3,447
c)	Net Profit (loss) for the period attributable to members	up / ~~down~~	35%	to	3,447
		up / ~~down~~	$894	to	3,447
d)	Dividends				
	Final				15 c
	Franking Rate applicable				100%
	Record Date for determining final Dividend				30 July 2013
	Interim				-
	Franking Rate applicable				-
	Record Date for determining interim Dividend				-

2. REVIEW OF OPERATIONS

Please refer to attached 'Review of Operations 2012/13'

3. NET TANGIBLE ASSETS

Net tangible asset backing per ordinary share:

Reporting Period	$3.06
Prior Corresponding Period	$2.47

4. DIVIDEND REINVESTMENT PLANS

There was no dividend reinvestment plan in operation during the financial year.

5. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST

There have been no changes to the group during the current period.

6 DETAILS OF ASSOCIATES & JOINT VENTURES

The company has established a joint venture with New Zealand Manuka. The joint venture did not trade during the year ended 30 June 2013.

7. AUDIT REPORT

The accounts have been audited. Please refer to 'Audit Report' on page ….. of the attached Financial & Statutory Reports.

Signed: …….....……..……. Dated: 28 AUGUST 2013
~~DIRECTOR~~ / COMPANY SECRETARY

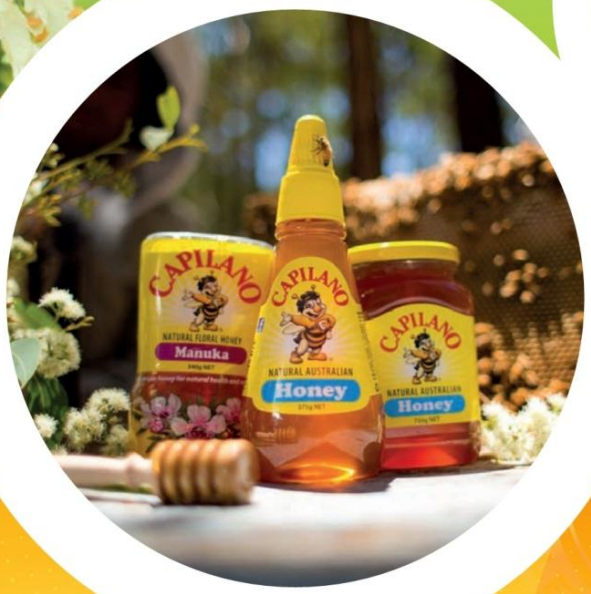
Print Name: DIRK KEMP

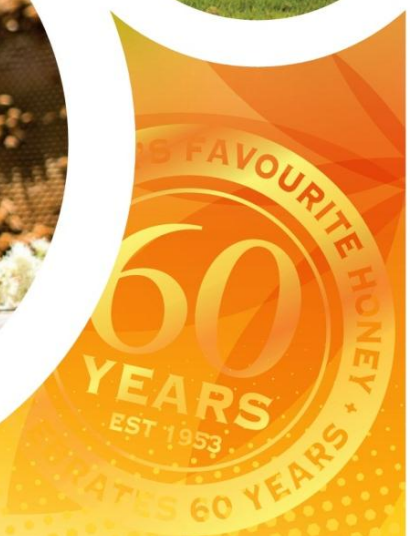
Attachment: Financial & Statutory Reports for Capilano Honey Limited and its controlled entities for year ended 30 June 2013

CAPILANO®

HONEY LIMITED

ABN 55 009 686 435





financial & statutory reports

for Capilano Honey Limited

for year ended 30 June 2013

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Chairman's Report

Capilano has once again achieved a good result for the financial year just completed improving on last year, during a period highlighted by some significant events.

A major fire that destroyed most of our decanting facility and much of the second building in September 2012, and the acquisition of West Australia's major honey business, Wescobee, in April 2013 are two of the most notable.

Results

A net profit after tax of $3.45m for this financial year is a good result and shows an improvement on the previous year.

This year's EBITDA of $7.76m is also an increase over last year's good result of $6.46m.

A fully franked dividend of 15¢ per share was declared in July based on this year's results and was paid to shareholders on 19 August 2013. This continues a consistent distribution of dividend over recent years.

Richlands' Fire

The fire at Richlands that destroyed much of Shed 2, which included most of the decanting capability, the QA lab and raw honey storage area, was a major event impacting the business from September 2012. This was literally a baptism of fire for new Managing Director, Dr Ben McKee, who with his team were able to manage the initial clean up and then the restructure of the lost assets without any interruption in supply of product to our customers.

As a result of the wise contingency planning that included adequate insurance cover, the fire, while being a major disruption and unwanted distraction for management and staff, has not had a detrimental effect on Capilano. In fact, as a result of the insurance settlement there is a favourable difference between the book value of assets destroyed and the insured value and we have seen a net gain of $772k included in this year's results.

I would like to congratulate all at Capilano for dealing with what potentially could have been a disaster, so well!

Wescobee Acquisition

The acquisition of the major local West Australian (WA) honey company Wescobee provides growth to Capilano within our existing area of expertise and also improves our ability logistically to participate in the market in that geographic area. As a result of the timing of the purchase and the costs associated with completing the deal we see very little net benefit in the financial year just completed, but we expect to see a more notable increase in both revenue and profit in coming years.

A greater presence in WA also broadens our supply base, which should help to mitigate against any difficulties with supply from our existing suppliers in the Eastern states caused by drought or other natural disasters. We also look forward to better understanding and marketing a greater variation in floral honeys that this new presence in WA brings.

Looking Forward

Capilano continues to strive for increased efficiencies within the core business with the aim of being the lowest cost participant in the honey category and to develop additional profitable markets both locally and overseas.

The establishment of a joint venture with New Zealand Manuka, explained in more detail in the Managing Director's Review of Operations, is just another way to expand our participation in the global honey market.

The introduction of new products like the 'Honey Fusions' that we introduced locally this year help to maintain interest in the local retail honey category and to introduce and attract consumers to new ways of using honey. My friends have particularly commented on how much they like the Capilano Honey and Maple Syrup as a topping and in marinades.

Our People

Once again I must say how pleased I have been with the way everyone at Capilano has dealt with such significant events this year. A fire and the successful integration of another business into ours have not been easy tasks, but they were handled expeditiously and without interruption. Well done everyone!

Dr Ben McKee has proven our faith in his ability was not unfounded by doing an excellent job managing the business. His recent inclusion as a Director on the Board and subsequent change in title from CEO to Managing Director is an indication of the opinion other directors hold for his ability as a strategic manager.

The year for the company's suppliers has been reasonable for some and a year I am sure many would like to forget. Those in the south from Victoria and South Australia have struggled to produce much honey during the season. I am hoping with adequate winter rainfall they can be rewarded with a better season coming. Capilano's ability to grow is very much dependent on our suppliers, and like them, we are keen to see better environmental conditions raise beekeeper production and enable Capilano to capitalise on a heightened interest in our great product.

My thanks and appreciation also goes to the other members of the Board for the continued dedication to furthering the development of Capilano and to protecting the interests of all the stakeholders in the company.

With the completion of the first full year as an ASX listed company we have seen a modest gain in the share price during that period, hopefully with continued good results like the ones achieved this year we will see shareholders rewarded with further increases.

Trevor Morgan
Chairman

Board of Directors

Mr Trevor R. Morgan, FAICD
Chairman, Non-Executive Director, Commercial Apiarist
Age 58
Appointed and elected Director 1998, then Deputy Chairman 2004, and Chairman in 2005

Mr Morgan has been a director since 1998, was Deputy Chairman from 2004 – 2005 and was elected Chairman in 2005. He is a second generation beekeeper with over 30 years experience in honey production. He has been widely involved in industry matters for many years at both State and National level; serving on the South Australian Apiarist Association executive for more than 10 years, including 2 years as President. He is a Fellow of the Australian Institute of Company Directors and holds a Company Directors' Advanced Diploma.

Dr Benjamin A. McKee B.Agri.Sci (Hons), PhD, GAICD
Managing Director
Age 37
Appointed Director 2013

Dr McKee was appointed Chief Executive Office on 1 July 2012 and Managing Director on 31 May 2013. He was previously the General Manager – Operations and has been an employee of Capilano Honey for over 10 years. He has a Bachelor of Agricultural Science Degree (Honours), a PhD in a field of study related to the honey industry and is a Graduate of the Australian Institute of Company Directors. Previously, Dr McKee worked with the University of Melbourne and within the Victorian Department of Primary Industries, as well as managing his own commercial beekeeping enterprise.

Mr Phillip F. McHugh MAICD
Deputy Chairman, Non-Executive Director, Commercial Apiarist
Age 56
Elected Director 1993, Deputy Chairman 2007

Mr McHugh has been a Director since 1993 and Deputy Chairman since 2007. He is well known in the NSW apiculture industry and his family have been Capilano shareholders since 1975. He has successfully completed the Company Director's course of the Australian Institute of Company Directors and is a Member of the Australian Institute of Company Directors.

Mr Simon L. Tregoning, B.Com
Independent Non-Executive Director
Age 65
Appointed Director 2006

Mr Tregoning has been a director since 2006. He is also a Director of GrainCorp. He was formerly a director of Australian Co-operative Foods (Dairy Farmers) and was Vice-President of Kimberly-Clark Corporation. He has had broad FMCG experience in Australia, and overseas.

(FMCG – fast moving consumer goods)

Mr Robert N. Newey, GAICD
Non-Executive Director
Age 54
Appointed Director 2012

Mr Newey has been a director since 2012. He is also a Director of Bakers Delight Holdings Ltd, Rafferty's Garden Pty Ltd, Saleslink Australasia Pty Ltd and Aware Environmental Ltd. Mr Newey is a graduate of the Australian Institute of Company Directors and has over 30 years experience in business with skills in managing change, developing strategic plans, organising people, operational due diligence in merger and acquisitions and leading entrepreneurial teams. Previously, Mr Newey was a retail advisor with private equity investment firm TPG Capital, a consultant to the department store Myer Pty Ltd Management Board, director of a Myer Family Company retail subsidiary, member of the senior manager group of Woolworths

Review of Operations 2012/13

For the financial year 2013, we are pleased to report a net profit after tax of $3,446,604, which is an improvement of $893,782 (35.0%) on last year's result of $2,552,822.

EBITDA is also higher at $7.762m, when compared to last year's result of $6.455m.

The business has continued to operate under a low cost model focussing on core markets, product strengths and our primary expertise.

This focus has delivered a rise in revenue and profit, principally stemming from growth in local and international retail markets.

The acquisition of Western Australian (WA) honey company Wescobee was completed in mid-April 2013, and we have set about realising the synergies and opportunities we identified in this business. The total consideration was $4,068,565 before acquisition cost, which included saleable inventory of $3,097,562 (eg. honey) with the remaining cost being plant and equipment net of employee entitlements. The Wescobee operation gives Capilano a packing and supply base in WA, with increased revenue, profit and market share. The increased revenue consolidated from this acquisition is anticipated to exceed $9m and we have been pleased with the results to date.

As many of you are aware, Capilano suffered a devastating fire in September 2012, whereby we lost 80% of our hotroom and decanting capability and lost access to half of one of our major buildings. Adequate insurance support and effective contingency planning, such as the recommissioning of our Maryborough, Victoria facility, enabled the business to continue to meet on-going market demands with little disruption. However, it has been a demanding period for our operations team who have responded to the challenge. As a consequence of the difference between the book value of assets written-off and the insured value of these assets we have made a net gain of $772k following the settlement of major asset claims, which is included in this year's result.

Capilano's net interest bearing debt was $16.1m as at 30 June 2013, following an uplift in inventory this year of $5.36m. This compares to last year's net interest bearing debt of $13.4m as at 30 June 2012. Our larger business requires more inventory as can be expected, with raw inventory alone increasing by 765t (39%) on last year.

The ASX listing of Capilano was completed in July 2012, and we have seen some modest gains in share price over the first year of listing. A dividend totalling 15 cents per share was declared on 19 July 2013, and was paid on 19 August 2013.

Finance and Sales

Our Group results are shown below:

($,000's)	**2011**	**2012**	**2013**
Revenue	63,191	67,779	72,160
Earnings before Interest & Tax (EBIT)	4,767	4,684	5,903
Net Profit before tax (NPBT)	3,704	3,674	4,995
Net Profit after tax (NPAT)	4,470	2,553	3,447
Cash generated from Operating Activities	8,559	1,457	3,244

The 2013 profit includes the impacts of:

- A revenue increase of $4.38m (6.46%) as domestic and export retail sales grew, with costs growing less than sales at 6.27%
- EBIT improvement of 26.0%.
- Earnings per share increase of 10.4¢ (34.6%).
- The on-going effect on earnings due to greater discounting in retail markets.
- Insurance gains on assets written-off as a consequence of the fire.
- A tax expense of $1.55m this year, compared with $1.12m last year and a $0.76m tax write back in 2011.
- Due to tax credits no tax is payable this year.
- Synergies from the acquisition of Wescobee.

	2011	**2012**	**2013**
Current Ratio	1.76	2.29	2.73
Debt (Total Liabilities / Total Assets)	49.9%	49.4%	50.7%
Interest Cover (EBITDA/ Interest)	6.0x	6.4x	8.5x

The statement of financial position remains strong with net assets increasing by $3,446,604 (14.6%) this year, as we have continued to use cash to pay down debt. It is pleasing to note a continued improvement in the current ratio and interest cover.

Review of Operations 2012/13

Operations & Honey Supply

This year domestic honey receivals were 9,490 tonnes including stock purchased in WA, which compares to 9,048 tonnes last year. The supply of honey from WA helped bolster a reduced national crop that was adversely affected by extreme heat in the south and rain and floods in the north. A honey price bonus was paid in the last quarter as supply reduced during the winter low production season. The adequate supply of honey remains an on-going issue.

Going forward WA provides Capilano with a wider geographical supply base, with very different climatic conditions to that of eastern states. This will aid us in maintaining the supply of our premium retail honey blends, which are renowned for quality and consistency. An additional 1,873 tonnes was imported chiefly to service blending for bulk industrial markets, principally overseas.

Over peak demand periods Capilano now packs retail honey 24 hours a day, and the investment in packing equipment made in recent years has been an integral part of us delivering sales demand. We continue to pursue automation and efficiency gains in our operations.

Operations are placing considerable effort in designing and engineering the rebuilding of hotroom and decanting facilities post the fire. The final plan is to deliver the most efficient process that limits labour, utilities and preserves the natural goodness of honey by minimising heat exposure

Outlook

Capilano remains focused on continuing to deliver a high quality product and maintaining our position as market leader in the honey category and the honey industry. We will carry on identifying opportunities in our export markets for profitable growth. With some prospect of further easing in the Australian dollar, markets we have held at marginal return will hopefully improve in profitability. Whilst we do have some long standing retail markets in Asia, such as Singapore, Malaysia and Hong Kong, we will take time to focus more on this region.

Driving up the return of quality Australian honey in an international market place is a priority with a new range of premium honey products. In order to progress this objective, we have established a 50:50 joint-venture company with New Zealand Manuka to pool the supply and intellectual resources of Capilano and New Zealand Manuka. The aim of the venture is to better market and sell active manuka honey from both countries and to grow the supply base, especially in Australia. New Zealand Manuka is a small specialist manuka honey company with ownership links directly into the Asian retail market. Whilst this venture is new and in its infancy, we have great expectations of the future collaboration.

The share price continues to trade below the net tangible asset (NTA) value of $3.06 per share. Hopefully the consistency in performance, dividends and wider understanding of the company will see a continued improvement in share price.

The utilisation of incoming positive cash flows will be used to pay down debt and reduce gearing to better strengthen Capilano. Whilst we have no active merger and acquisition agenda, we will continue to remain informed of opportunities that present themselves to deliver growth and improved profitability.

This year's result was again consistent with the improving financial performance of the last 3 years, and is the highest earnings (EBIT) and net profit before tax (NPBT) result in the company's history. Increasing costs of doing business and raw materials remain a challenge to recover in the market. Conserving our return to a sustained profitability and delivering consistency in earnings remains a priority going forward.

There has been considerable change in the Capilano team this year as we have transformed the employee and management skills mix to best meet the challenges and growth plans ahead. I wish to thank all of our loyal suppliers and staff for their support this year and to congratulate the Capilano team on the continued effort they put into making Capilano a successful company.

Ben McKee
Managing Director

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 2013.

→ DIRECTORS

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

- Roger D Masters, *Non Executive Director* (from 1 July to 23 November 2012)
- Phillip F McHugh, *Deputy Chairman*
- Benjamin A McKee, *Managing Director* (CEO from 1 July – 31 May 2013 / Managing Director from 31 May 2013)
- Trevor R Morgan, *Chairman*
- Simon L Tregoning, *Independent Director*
- Robert N Newey, *Non-Executive Director* (elected 23 November 2012)

→ 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 $3,446,604.

→ DISTRIBUTIONS

On 19 July 2013 the directors declared a fully franked ordinary dividend of 15 cents per share amounting to $1,278,030.

The final dividend is payable on ordinary shares held at 30 July 2013 and paid on 19 August 2013.

→ REVIEW OF OPERATIONS

Revenue of $72,160,396 for the consolidated entity was $4,381,692 above the previous year's result. An analysis of this increase is as follows:-

	% increase of 2013 over 2012	*2013 $*	*2012 $*
Capilano Honey Limited	6.46%	72,160,396	67,778,704
Consolidated entity	**6.46%**	**72,160,396**	**67,778,704**

The increase in the consolidated revenue was a result of increased volumes in domestic and export retail markets, as well as non-honey sales. The sales increase also includes sales from the acquired company (Wescobee) from 8 April 2013.

Refer to the Review of Operations on pages 3 and 4 for further information.

→ 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 2013 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 2013.

→ SIGNIFICANT CHANGES

Significant changes included the acquisition of assets and business operations of Wescobee, a honey company in Western Australia, in April 2013.

→ LIKELY DEVELOPMENTS

A joint venture, The Manuka Honey Company Pty Ltd, was set up to develop Export Sales for active Manuka Honey. The likely future developments of this joint venture include continuing the competitive marketing of the Manuka brand through a joint venture.

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*
Roger David **MASTERS**	B.Com, MBA, CA, FAICD Managing Director July 1996 – July 2012 Appointed Non-Executive Director on 1 July 2012 Retired 23 November 2012	***Period: from 1 July – 23 November 2012*** Non-Executive Director of Capilano Honey Limited and Capilano Beekeepers Ltd and a member of the Human Resource & Remuneration, Audit & Compliance and Honey Supply & Industry Committees. Director of Capilano Beekeepers Ltd.	Nil
Phillip Francis **McHUGH**	Commercial apiarist. Director since 1993 Deputy Chairman since 2007	Non-Executive Deputy Chairman of Capilano Honey Limited. Chairman of the Honey Supply & Industry Committee and a Member of the Audit & Compliance, Human Resource & Remuneration and Nomination Committees. Deputy Chairman of Capilano Beekeepers Ltd.	P F McHugh holds 10,600 shares directly and 33,676 shares indirectly.
Benjamin Alexander **McKEE**	B.Agri.Sci (Hons), PhD, GAICD Appointed Chief Executive Officer on 1 July 2012 Appointed Managing Director on 31 May 2013	Managing Director of Capilano Honey Limited and a member of the Human Resource & Remuneration, Audit & Compliance and Honey Supply & Industry Committees. Director of Capilano Beekeepers Ltd.	B A McKee indirectly holds 90,300 shares.
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, Human Resource & Remuneration and Audit & Compliance Committees. Chairman of Capilano Beekeepers Ltd.	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. Chairman of both the Audit & Compliance and Human Resource & Remuneration Committees and a member of the Honey Supply & Industry and Nomination Committees. Also a Director of Capilano Beekeepers Ltd. Directorship of other listed companies: GrainCorp.	Nil
Robert Neville **NEWEY**	GAICD Non-Executive Director since November 2012.	Non-Executive Director of Capilano Honey Limited. A Member of the Audit & Compliance, Human Resource & Remuneration, Honey Supply & Industry and Nomination Committees.	Nil
Company Secretary			
Dirk **KEMP**	CIMA, MBA, CPA, Bcompt (Hons) Appointed Company Secretary on 31 May 2012.	Mr Dirk Kemp was appointed Financial Controller and Company Secretary of Capilano Honey Limited and Capilano Beekeepers Ltd, effective 31 May 2012. Mr Kemp has over 20 years experience in finance roles including management, financial accounting and reporting in similarly sized SME's to Capilano.	Nil

No Directors hold options over unissued ordinary shares.

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 & Remuneration	Nomination	No. of Meetings Attended / Held (*)
R Masters	7 of 7	2 of 3	2 of 3	2 of 3	- of 1	1 of 1
B McKee	1 of 1	-	-	1 of 1	-	-
P McHugh	14 of 14	6 of 6	6 of 6	6 of 6	1 of 1	1 of 1
T Morgan	14 of 14	6 of 6	6 of 6	6 of 6	1 of 1	1 of 1
R Newey	9 of 9	3 of 3	3 of 3	3 of 3	-	-
S Tregoning	14 of 14	6 of 6	6 of 6	6 of 6	1 of 1	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, Western Australia 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 HUMAN RESOURCE & REMUNERATION COMMITTEE ('HRR')

- **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 HRR Committee	
S Tregoning (Chairman)	6 of 6
R Masters	2 of 3
P McHugh	6 of 6
B McKee	1 of 1
T Morgan	6 of 6
R Newey	3 of 3

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

Report of the Directors

3. CAPILANO TOTAL REWARD STRUCTURE (AUDITED)

The HRR Committee is responsible for reviewing and recommending remuneration arrangements for the directors, the Managing Director/Chief Executive Officer and the executive team. The HRR 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 HRR 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/Chief Executive Officer, 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 KEY MANAGEMENT PERSONNEL 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 key management personnel remuneration disclosure below, the pro-rata payment of or entitlement to such a benefit for the period since 30 June 2012, 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**

R Masters	Managing Director	Non-Executive Director 1 July – 23 November 2012
P McHugh	Deputy Chairman (Non Executive)	
B McKee	Managing Director	CEO 1 July – 31 May 2013 / MD from 31 May 2013
T Morgan	Chairman (Non Executive)	
R Newey	Director (Non Executive)	Appointed 23 November 2012
S Tregoning	Director (Independent Non Executive)	

- **Details of Remuneration for Key Management Personnel**

D Kemp	Company Secretary, Financial Controller	
P McDonald	Sales Director	Appointed 25 October 2012

- **Gross Remuneration of Directors**

	1 July 2012 – 30 June 2013					
	Short Term Benefits			*Post Employment Benefits*		
	Cash salary and fees	*Non monetary benefits*	*Incentives*	*Super annuation*	*Termination Payments*	Total
	$	$	$	$	$	$
R Masters	-	-	125,876	-	44,143	170,019
P McHugh	55,872	-	-	5,028	-	60,900
B McKee	237,398	-	52,193	24,206	-	313,797
T Morgan	89,380	-	-	8,044	-	97,424
R Newey	24,863	-	-	21,247	-	46,110
S Tregoning	69,760	-	-	6,278	-	76,038
TOTALS 2013	**477,273**	**-**	**178,069**	**64,803**	**44,143**	**764,288**

The remuneration amounts listed above are gross earnings before tax.

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

- **Gross Remuneration of Directors** *(continued)*

	1 July 2011 – 30 June 2012					
	Short Term Benefits			*Post Employment Benefits*		
	Cash salary and fees	*Non monetary benefits*	*Incentives*	*Super annuation*	*Termination Payments*	Total
	$	$	$	$	$	$
R Masters	180,000	182,367	66,235	43,801	-	472,403
P McHugh	55,872	-	-	5,028	-	60,900
T Morgan	67,035	-	-	30,389	-	97,424
S Tregoning	69,760	-	-	6,278	-	76,038
TOTALS 2012	**372,667**	**182,367**	**66,235**	**85,496**	**-**	**706,765**

The remuneration amounts listed above are gross earnings before tax.

- **Details of Remuneration for Key Management Personnel**

	1 July 2012 – 30 June 2013					
	Short Term Benefits			*Post Employment Benefits*		
	Cash salary and fees	*Non monetary benefits*	*Incentives*	*Super annuation*	*Termination Payments*	Total
	$	$	$	$	$	$
D Kemp	131,881	-	-	11,869	-	143,750
P McDonald Note:1	102,034	-	-	9,183	-	111,217
TOTALS 2013	**233,915**	**-**	**-**	**21,052**	**-**	**254,967**

The remuneration amounts listed above are gross earnings before tax.
Note:1 *Appointed Sales Director effective 25 October 2012*

	1 July 2011 – 30 June 2012					
	Short Term Benefits			*Post Employment Benefits*		
	Cash salary and fees	*Non monetary benefits*	*Incentives*	*Super annuation*	*Termination Payments*	Total
	$	$	$	$	$	$
D Graham Note:2	123,853	-	-	11,147	9,371	144,371
D Kemp Note:2	14,608	-	-	1,315	-	15,923
P McDonald Note:1	48,159	-	63,459	10,046	21,333	142,997
B McKee	151,076	-	62,800	18,491	-	232,367
TOTALS 2012	**337,696**	**-**	**126,259**	**40,999**	**30,704**	**535,658**

The remuneration amounts listed above are gross earnings before tax.
Note:1 *Resignation of Sales Director effective 28 October 2011.*
Note:2 *Change in Company Secretary / Financial Controller on 31 May 2012.*

Incentives

Capilano seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue targets.

Incentive Scheme for Tier 1 employees:

90% - 100% of budget NPBT earns 0% - 25% of TEC prorata
100% - 120% of budget NPBT earns 25% - 40% of TEC prorata

At the Board Meeting on 23 August 2012, the Directors approved the Tier 1 incentive payments of 31.07% of TEC for Messrs Masters and McKee in accordance with the approved incentive scheme and results achieved and taking into account an adjustment made to the results following the ASX listing expenses.

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.

- **Directors' Fees**

At the 2004 AGM, Shareholders approved the total remuneration of Directors, excluding the Managing Director, Superannuation and Insurance Premiums, to $379,997. The total amount paid for Directors' Fees for the 2012/13 year of $239,875 is within the previously approved amount:

Distribution of Directors' Fees by position for the 2012/13 year is detailed below.

Organisation	Position	Directors' Fees $
Capilano Honey Limited	Chairman	89,380
	Deputy Chairman	9,000 *
	NEDs	69,760 each
	Beekeeper NEDS	46,870 each

* In addition to the amount payable as a NED
Superannuation Guarantee contribution - $23,158.
Directors and Officers Liability Insurance - 2012: $25,580. 2013: $25,510

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 objectives.

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

	2009	2010	2011	2012	2013
Earnings per share	13.7¢	(95.9¢)	52.6¢	30.0¢	40.4¢
Net Asset Value	$21,954,233	$18,699,916	$22,225,578	$23,500,370	$26,946,974
Dividends Per Share	-	-	15¢	15¢	-
Closing Share Price	$1.20	$1.00	$1.15	$2.05	$2.45
Key Management Personnel Remuneration (including CEO and Managing Director)	$1,147,858	$1,147,002	$1,274,545	$1,008,061	$738,783

8. EMPLOYMENT CONTRACTS (AUDITED)

The employment conditions of the Managing Director/Chief Executive Officer 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.

→ OPTIONS

No options over unissued ordinary shares are on issue at the date of this report.

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 Standards Board.

The following fees for non-audit services were paid or were payable to the external auditors during the year ended 30 June 2013:

	$
Taxation Services	8,930
Other	1,875
	10,805

→ 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 2013 has been received and can be found on page 13 of the annual report.

Signed at Brisbane this TWENTY-EIGHTH day of AUGUST 2013, in accordance with a resolution of the directors.

T R Morgan, Director

B A McKee, 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 2013 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 (QLD)
ABN 11 603 627 400

J A Latif
A Member of the Firm

Brisbane

28 August 2013

Sydney
Melbourne
Brisbane
Perth
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Corporate Governance

→ BOARD CHARTER

Introduction

This policy outlines the main corporate governance practices that are in place for the Company and to which both the Board collectively and the Directors individually are committed. The conduct of the Board is also governed by the Constitution, and, to the extent that the terms of the Constitution are inconsistent with this document, the Constitution is to prevail.

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 2001 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/CEO.

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.

Function

The Board's function includes:

- 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.
- Managing Director/CEO - to appoint a skilled and talented Managing Director/CEO and ensure that the Managing Director/CEO is adequately rewarded for results achieved.
- Shareholder Prosperity - to adopt appropriate policies to reward shareholders for their investment in the company including dividends, retained earnings and market value of shares.
- Meetings - to meet at least 9 times per year and with sufficient frequency to fulfil the Core Purpose.
- Diversity Culture - Capilano aims to actively promote a corporate culture that supports diversity in the workplace, in the composition of its Board and senior management and throughout the Capilano Group as a whole. - see page 19 'Diverstiy'.
- Listing Rules - to monitor lodgement and disclosure requirements and to ensure compliance with all listing rules of the Australian 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.
- Statutory Compliance - to regularly review the operation of the Corporate Compliance Program and compliance sign-offs from senior management.
- Report to Shareholders - as outlined on page 16 'Communication with Shareholders'
- 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.

Powers

The Board has responsibility for the matters specified above (see 'Function) and, in addition to those matters reserved to it by law, reserves to itself the following matters and all power and authority in relation to those matters:

- Composition of the Board itself;
- Oversight of the Group including its control and accountability systems;
- Appointment and the removal of the Managing Director/CEO;
- Appointment and the removal of the the Secretary;
- Reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- Monitoring senior management's performance;
- Approving strategy and monitoring implementation;
- Approving of major capital expenditure, acquisitions and divestitures;
- Approving and monitoring financial and other reporting;
- Monitor relevant industry developments;
- Developing suitable key indicators of financial performance;
- Overall corporate governance of the Group; and
- Oversight of Committees.

Corporate Governance

→ BOARD CHARTER (continued)

Composition

The composition of the Board is determined according to the following principles:

- The Board should comprise members with a broad range of experience, expertise and skills relevant to the Group and its business.
- The Board of CHL will be comprised of Beekeeper Directors, Independent Directors, and may include a Managing Director.
- 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.
- The Beekeeper Directors shall be those persons appointed by the Foundation Shareholder.
- Independent Directors shall be elected by the shareholders.
- The Board Chairman and Deputy Chairman are elected by the Directors.
- Subject to the limits in the constitution, the number of Directors may be increased where the Board considers that additional expertise is required in specific areas

Independence

a) The Board has adopted the following definition of an Independent Director:

An Independent Director is one who is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the company.

The board does not consider that the independence can be assessed with reference to an arbitrary and set period of time, but is reviewed from time to time as the business and other relationships between the director and the company evolve.

b) The Board will assess the Independence of each Director in the light of the interests disclosed by them. The Independence of Directors will be disclosed in the annual report.

Appointment and Retirement

a) When a vacancy exists the Board will consider candidates identified having regard to:

- What may be appropriate for the Company and the Group;
- The skills, expertise and experience of the candidates;
- The mix of those skills, expertise and experience with those of the existing Directors; and
- Compatibility of the candidates with the Group and with the existing Directors.

b) The Board then appoints the most suitable candidate who continues in office only until the next AGM and is then eligible for election.

c) The terms and conditions of the appointment of all new members of the Board must be specified in a letter of appointment.

d) The Constitution of CHL, as varied by the Listing Rules, together with the CBL Agreement provide that at every annual general meeting, one third of the 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 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.

e) A Managing Director is not subject to retirement by rotation.

Assessment of Board, Director and Management performance

a) An assessment of performance of all Directors 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. Results are assessed each year by the Chairman.

b) The performance of the Chairman is reviewed and assessed each year by the other Directors.

c) The Board conducts an annual self-assessment of its performance. This is a formal procedure in which all Directors 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.

d) The Managing Director/CEO's performance is reviewed bi-annually by the Board. The performance of senior Management Executives is reviewed bi-annually by the Managing Director/CEO and the Board.

Training and Advice

a) Directors are provided with proper information in relation to the Company and the Group before accepting appointment.

b) Each Director has the right to seek independent legal or other professional advice at the Company's expense. Prior approval from the Chairman is required but may not be unreasonably withheld or delayed.

Meetings

a) Board meetings are normally held monthly but will number not less than nine in any year.

b) Papers for Board and Committee meetings are circulated in advance of the relevant meeting.

Secretary

The Secretary is accountable to the Board on all corporate governance matters and is responsible for monitoring that the Charter is duly followed and for coordinating the completion and despatch of Board and Committee agenda and briefing materials.

Corporate Governance

→ BOARD CHARTER (continued)

Board Committees

a) The Board may establish Committees to assist it in carrying out its function and will adopt a charter for each Committee established dealing with the scope of its responsibility and relevant administrative and procedural arrangements.

b) The Committees established and subsisting at the date of this document are the following:

- Audit and Compliance Committee;
- Human Resources & Remuneration (HRR) Committee - 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.

Ethical Standards and Values

a) All Directors and all officers of the Group must act with the utmost integrity and objectivity.

b) The Directors must comply with the Code of Ethics in the exercise of their duties.

Dealings in Securities

The Constitution permits Directors to acquire Securities. Company policy is disclosed in the Code of Conduct for Transactions in Securities.

Business Risks

a) The Board has the responsibility for the maintenance of the strategy of the Company which includes the identification of significant business risks. The Board reviews the major risks affecting each business segment and develops strategies to mitigate these risks.

b) Once a risk is identified, an action plan is instigated by management for Board review and approval. Corrective action is taken as soon as practicable.

c) The Managing Director/CEO and CFO must each provide a statement to the Board with the half yearly and annual financial report as to whether or not the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Communication with Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to Shareholders as follows:

a) The Company's continuous disclosure obligations are reviewed as a standing item on the agenda for each regular meeting of the Board.

b) The annual report is distributed to all shareholders that have elected to receive a copy and is also made available on the ASX website and company website.

c) Proposed major changes in the Group which may impact on share ownership rights and the removal and appointment of Directors are submitted to a vote of shareholders at an AGM. If resolutions are required to be put to Shareholders before the next AGM, a general meeting will be called. The Board encourages full participation of Shareholders at the AGM and at other general meetings.

d) The external auditors will be requested to attend the AGM and be available to answer questions by Shareholders on the conduct of the audit and the preparation and content of the audit report.

e) The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The report is lodged with and available from the ASX.

f) Information concerning the Company and the Group, including copies of announcements made through the ASX and the annual report and half-yearly report, is made available to Shareholders and prospective investors in the Company on the Company's website.

g) Maintain suitable other 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.

→ CODE OF CONDUCT FOR TRANSACTIONS IN SECURITIES

Purpose

There are legal duties relating to transactions in securities. Heavy sanctions apply if these duties are breached. The major issue is price sensitive information or other confidential information.

The Board has adopted this code governing dealings in securities of the Company and the securities of certain other companies by Key Personnel.

It is desirable that Key Personnel and other employees of the Company hold securities in the Company. Key Personnel who wish to buy or sell (trade) securities in the Company must consider both the legal constraints and this code. They must abide by the spirit of this code as well as the letter of the law.

Key Personnel in possession of price sensitive information must not trade in securities in the Company, either for short-term speculative gain or otherwise.

→ CODE OF CONDUCT FOR TRANSACTIONS IN SECURITIES (continued)

Persons Covered by this Code

This code applies to:

a) All Directors and all officers of the Company including the Managing Director/Chief Executive Officer;

b) Key executives including the chief financial officer and any director of a subsidiary of the Company;

c) Corporate and divisional accounting officers reporting directly to any of the above executives;

d) Secretaries and assistants performing confidential work and reporting to any of the above positions;

e) Members of corporate staff who have access to Company results; and

f) All persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly.

Legal Constraints

a) Legal constraints on dealing in securities of the Company arise from the following sources:

(i) Common law;
(ii) The Corporations Act; and
(iii) The ASX Listing Rules.

b) If Key Personnel possess any price sensitive information which has not been publicly disclosed, there are a number of general, and some specific, legal constraints on dealings in securities.

Prohibited trading periods

a) Trading in securities in the Company by Key Personnel is prohibited at the following times:

(i) Between 1 January and 72 hours after the announcement to ASX of the half-yearly results of the Company;
(ii) Between 1 July and 72 hours after the announcement to ASX of the audited final results of the Company; and
(iii) Such other times as are nominated by the Chairman and notified to Key Personnel from time to time.

b) Trading in securities in the Company by Key Personnel is permitted at other times.

c) Subject to (d) below, permission to trade in securities in the Company during the prohibited periods set out in (a) above may be obtained in writing:

(i) in the case of any proposed trade by the Chairman - from another non-executive Director; and
(ii) in the case of a proposed trade by any other person - from the Chairman or, in the absence of the Chairman, a non-executive Director nominated by the Chairman for the purpose.

d) Permission may be given for trading under (c) above if the approving person is satisfied that the transaction would not be:

(i) contrary to law;
(ii) for short term speculative gain;
(iii) to take advantage of insider knowledge; or
(iv) seen by the public, press, other Shareholders or ASX as unfair.

e) For example, approval to trade during the prohibited periods in (a) may be given if securities in the Company are to be sold to realise cash in a time of need or where securities in the Company are transferred from one member of a family or trust to another and to delay the transaction to the next permitted period would be detrimental to the family's affairs.

f) Approval could only be given under exceptional circumstances where trading would occur in the period between 1 August and 24 hours after the announcement to the ASX of final results for the year and between 1 February and 24 hours after the announcement to the ASX of the interim results for the half-year.

Informing the Company

a) Key Personnel involved in any trading in securities in the Company, either personally or through a family member, or a trust or a company referred to in this code, must advise the Secretary in writing of the details of completed transactions within fourteen days after each transaction. Notification is necessary whether or not prior authority was required.

b) The Secretary must maintain a register of securities in the Company transactions under this code.

c) Directors or directors of any subsidiary registered (or incorporated) in Australia have an obligation under the Corporations Act 2001 to notify both the ASX and the Company in writing of any changes in their holdings of securities in the Company or interest in securities in the Company.

Securities in the Company Covered by this Code

a) This code applies to all Securities issued by the Company of any kind including ordinary shares, preference shares, debentures, convertible notes and options.

b) This code does not apply to any acquisition of securities in the Company as part of a new issue or dividend reinvestment plan where the issue is available pro rata to all holders of securities in the Company of the relevant class.

Families and Trusts

Persons to whom this code applies must not trade through any member of their family, or through a trust or company over which they have influence or control, in circumstances where they would have been prohibited from trading in their own name.

Corporate Governance

→ CODE OF ETHICS AND VALUES

Objective

The objective of this code is to give the Directors a guide to be followed in performing their duties with a view to enabling them to achieve the highest possible standards in the discharge of their obligations.

Obligation

A Director has an obligation, at all times, to comply with the spirit and the principles of this code as well as the law.

General Duties

Directors must:

- Act in good faith in the best interests of the Company and for a proper purpose;
- Act in the interests of all shareholders and to avoid any potential conflict of interest;
- Exercise a reasonable degree of care and diligence;
- Not make improper use of information; and
- Not make improper use of their position.

The Act requires directors to act honestly and with a reasonable degree of care and diligence in the exercise of their powers and duties and the discharge of their duties.

The Company maintains directors' and officers' liability insurance. Directors should ensure that they are fully aware of the terms of this insurance so as to be able to qualify for protection under it.

Business Judgement Rule

a) A director's duty to act with care and diligence will be taken to be satisfied where the director:
   - Makes a judgment in good faith and for a proper purpose;
   - Has no material personal interest in the subject-matter of the judgment made. It is noted that recommendations relating to the honey price come to the Board from the Honey Supply & Industry Committee;
   - Is informed about the subject-matter of the judgment to the extent the director reasonably believes to be appropriate; and
   - Rationally believes the judgment to be in the best interest of the company.

b) The business judgment rule:
   - Relates only to decisions about the ordinary business operations of the company; and
   - Does not relieve a director from other fiduciary duties (over and above those owed as a director) such as to act in good faith, not to misuse the position of director, not to make improper use of confidential information, and to prevent insolvent trading.

c) A business judgment is any decision to take or not to take action in respect of a matter relevant to the business operations of the company; it does not apply to any failure to take a decision.

Decision-making

A Director must be independent in judgement and actions and must take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.

In order to satisfy this requirement a Director must:

- Make a reasonable effort to become and remain familiar with the affairs of the Group;
- Attend all Board meetings and Board functions unless there are valid reasons for non-attendance; and
- Commit the necessary time and energy to Board matters to ensure that they are contributing their best endeavours in the performance of their duties for the benefit of the Group without placing undue reliance on other Directors to fulfil those duties.

Directors should rely on advice relating to Company or the Group or their affairs only where that advice is given or prepared by:

- An employee whom the Director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- A professional adviser or expert in relation to matters that the Director believes on reasonable grounds to be within the person's professional or expert competence;
- Another Director or officer in relation to matters within that Director's or officer's authority; or
- A Committee (on which the Director did not serve) in relation to matters within the Committee's authority.

And should only rely on such information or advice if:

- The Director's reliance was made in good faith, and after making an independent assessment of the information and advice, having regard to the Director's knowledge of the Company and Group and the complexity of their structure and operations; and
- The reasonableness of the reliance arose in proceedings brought to determine whether the Director performed his or her duties under the Corporations Act 2001 or the common law.

Confidentiality

Directors must observe confidentiality regarding all Board matters and all confidential information received by a Director in the course of the exercise of their duties.

a) All information received by a Director in the course of fulfilling Board duties must be regarded as confidential and remains the property of the Company.

b) A Director may not disclose information, or allow it to be disclosed, to any other person unless that disclosure has been authorised by the Company or is required by law to be disclosed.

c) Authorisation by the Company will be presumed where and to the extent that Board or Committee minutes convey, either expressly or implicitly, that it is intended that disclosure should be made to third parties.

d) Any Director in any doubt as to their obligations of confidentiality or in relation to any matter of disclosure should consult with the Chairman prior to making any disclosure.

→ CODE OF ETHICS AND VALUES (continued)

Improper Use of Information

A Director must not make improper use of information acquired as a Director.

Co-operation

Directors must observe solidarity with the resolutions of the Board and co-operate in their implementation.

Personal Interests and Conflicts

A Director must not take improper advantage of their position as a Director.

No Director may allow any personal interest, or the interest of any associated person, to influence or prejudice their conduct or any Board or Committee decision.

Conduct

A Director must not engage in conduct likely to bring discredit upon the Company or the Group.

Each Director must be and remain aware of, and observe, any standing orders adopted by the Board from time to time for the conduct of Board and committee meetings.

Directors must at all times comply with the spirit as well as the letter of the law and with the principles of this code.

→ DIVERSITY

Diversity

Capilano aims to:

a) comply with the diversity recommendations published by the ASX by establishing measurable objectives for achieving gender diversity;
b) promote diversity among employees, consultants and senior management throughout the Capilano Group; and
c) keep shareholders informed of Capilano's progress towards implementing and achieving its diversity objectives.

Purpose

The purpose of this policy is to outline Capilano's commitment to fostering a corporate culture that encourages diversity and focuses on the composition of its Board and senior management. The policy also provides a process for the Board to determine measurable objectives and procedures which Capilano will implement and report against to achieve its diversity goals.

What is diversity?

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

Corporate culture

Capilano aims to promote a corporate culture that supports diversity in the workplace, in the composition of its Board and senior management and throughout the Capilano Group as a whole.

A corporate culture that includes diversity seeks to encourage and facilitate opportunities for the employment of women and people from different backgrounds, provide skills and career development initiatives, increase workforce participation and create an inclusive environment where employees feel they are valued. Such a corporate culture recognises that employees at all levels have responsibilities outside of the workplace.

Capilano acknowledges benefits flow from advancing employee and Board diversity, in particular gender diversity, including gap analysis of the skills and experience of employees, enhanced employee retention, greater innovation and maximisation of available talent to achieve corporate goals and better financial performance.

Capilano aims to select well-qualified employees, senior management and Board candidates so that there is appropriate diversity to maximise the corporate goals of the Capilano Group.

Diversity commitments

Capilano will aim for the following diversity commitments:

a) through the Committee, the Board will review and determine, as frequently as required, a diversity profile that meets the particular needs of the Capilano Group, including identifying the skill and experience set for the Board and senior management necessary to effectively oversee its business and achieve its corporate goals;
b) through the HRR Committee, the Board will seek to ensure that the diversity profile is taken into account in the selection and appointment of qualified employees and senior management and will consider options in order to expand the pool of qualified candidates to select from;
c) the Board will seek to ensure that the diversity profile is taken into account in the selection and appointment of qualified Board candidates; and
d) the Board will seek to identify and consider programs and initiatives that:
   - assist in the development of a broader pool of skilled and experienced Board candidates, in particular women;
   - assist with enhancing employee retention, in particular that of women from middle management;
   - assist with minimising career disruption when employees take time out of the workplace to meet other obligations and attempt to re-enter the workforce.

While the key focus of this policy and the ASX recommendations is on promoting the role of women within organisations, Capilano recognises that other forms of diversity are also important and will seek to promote and facilitate a range of diversity initiatives throughout the Capilano Group.

Implementing diversity commitments

The Board will aim to ensure that appropriate procedures and measures are introduced and responsibilities delegated to the HRR Committee to ensure that Capilano's diversity commitments are implemented appropriately.

→ DIVERSITY (continued)

Setting measurable objectives

The Board, in consultation with the HRR Committee, will set measurable objectives consistent with the particular needs of the Capilano Group for achieving diversity, in particular gender diversity, in accordance with this policy and the diversity profile set by the Board and will review the effectiveness and relevance of these measurable objectives on an annual basis.

The measurable objectives should identify ways and, where applicable, specify benchmarks against which the achievement of diversity is measured, in order for the Board to assess and report annually on Capilano's progress towards achieving its diversity goals.

How will the measurable objectives be determined?

In order to set meaningful objectives, the Board (in consultation with the HRR Committee) will assess its current diversity levels and identify where gaps exist. Measurable objectives will then be developed which are consistent with the particular needs of the Capilano Group and tailored towards improving diversity in areas where most work is needed.

Types of measurable objectives

Capilano acknowledges that there are a number of different types of measurable objectives which may be implemented to assist in meeting its diversity goals, including:

a) procedural and structural objectives – for example, implementing internal review and reporting procedures or ensuring that candidates are interviewed by a diverse selection/interview panel;

b) diversity targets – setting targets for the number of women throughout the Capilano Group or to increase the proportion of women within senior management positions and implementing timeframes for this to occur by; and

c) initiatives and programs – for example, identifying appropriate initiatives and programs and determining how the initiative will operate, who will be responsible for implementing it and setting a timetable for its introduction.

Measurable objectives as key performance indicators

The Board, in consultation with the HRR Committee, will consider the extent to which the achievement of these measurable objectives should be tied to key performance indicators for the Board, the Managing Director/CEO and other senior management.

Purpose of reporting

Capilano acknowledges that reporting to shareholders on its diversity profile and diversity objectives facilitates greater transparency and accountability in relation to diversity matters and that such reporting and transparency has been endorsed by the Board.

It is anticipated that shareholders will have greater confidence in Capilano and the Board if they are fully informed of the policies and the measurable objectives which have been implemented to facilitate the performance of the Capilano Group.

What will be reported?

As part of its annual reporting requirements to shareholders, Capilano will disclose the measurable objectives set by the Board for achieving diversity in accordance with the diversity profile and will report on its progress against those objectives. A copy of these measurable objectives may also be published on Capilano's website from time to time.

A component of Capilano's disclosure on diversity in its annual report should also include information about:

a) the proportion of women employees in the Capilano Group;

b) the number of women in senior management positions; and

c) the number of women on the Board.

The Board will determine the most appropriate method to present this information to ensure that it is accurate and does not falsely represent the participation of women and men within the Capilano Group.

Board selection process

Capilano is also committed towards achieving greater transparency of the Board candidate selection and nomination process and may include in its annual report the information about the mix of skills and diversity which the Board is looking to achieve in membership of the Board.

Responsibility

The Board may delegate these obligations to the HRR Committee but the Board retains ultimate responsibility for ensuring that these reporting benchmarks are met.

Role of the Human Resources and Remuneration Committee

The HRR Committee will be responsible for implementing Capilano's diversity policy, profile and measurable objectives and for ensuring compliance with this policy. The HRR Committee will report to the Board as necessary to facilitate compliance.

The HRR Committee will also be responsible for reviewing and reporting to the Board, at least annually, the proportion of women and men in the workforce at all levels of the Capilano Group.

Internal review

An internal review will be undertaken by the HRR Committee as required to ensure that it remains relevant and appropriate to the Capilano Group, to determine the effectiveness of this policy and to recommend changes to correct any identified deficiencies.

Review of policy

External reviews of this policy may be undertaken at the request of the Board.

A copy or summary of this policy will be made available on Capilano's website.

Endorsement

Capilano is committed to this policy and its implementation and to ensuring that diversity is achieved throughout the Capilano Group.

Corporate Governance

→ STANDING RULES OF COMMITTEES

Application

These rules apply to, and are deemed incorporated into the Charter of each Committee, except insofar as they may conflict with any of its terms.

Composition

a) Each Committee must consist of no fewer than two members.

b) Committees are appointed by the Board and serve as determined by the Board. One member of any Committee is appointed to act as its chairman.

Role

Each Committee has the role of improving the efficiency of the Board through accepting the delegation of tasks and performing them in a forum where they can receive greater attention to detail than would be practical solely at Board level.

Proceedings

a) Any meeting may be held by means of conference call or any other means of communication that may, under the Act or the Constitution, be used for Board meetings.

b) The quorum for any meeting is two members.

c) Any Director may attend (but not vote at) a meeting of a Committee of which that Director is not a member.

d) Any Committee may delegate any specific task to one of its members or to a sub-committee.

Reporting

Each Committee reports to the Board following each Committee meeting with a copy of the minutes or by way of written report.

Secretary

The Secretary is accountable to the Board, through the Chairman, on all corporate governance matters and is responsible for monitoring that the Charter is duly followed and for coordinating the completion and despatch of Committee agenda and briefing materials.

→ AUDIT & COMPLIANCE COMMITTEE CHARTER

Purpose

The Audit & Compliance Committee has been established by the Board to assist with the following:

a) Independently verify and safeguard the integrity of the company's financial reporting; and

b) Oversee the independence of the external auditors.

Scope of Responsibility

The Committee has responsibility for the following:

a) Monitoring the establishment of an appropriate internal control framework to ensure that they are effective to safeguard the Company's assets ;

b) Monitoring corporate risk assessment and compliance with internal controls;

c) Overseeing business continuity planning and risk mitigation arrangements;

d) Reviewing reports on any material defalcations, frauds and thefts from the Group;

e) Monitoring compliance with the Constitution, and all relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary in relation to those requirements;

f) To ensure that the accounting records are properly maintained

g) Reviewing the nomination, performance and independence of the external auditors including provision of an assessment of the External Auditor's performance;

h) To provide an avenue of communication between the external auditors and the Board;

i) the external audit plan is approved and the proposed external auditor's fees approved in conjunction with management;

j) 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;

k) Reviewing management processes supporting external reporting;

l) the financial statements and financial information provided to the Board, shareholders and others is reliable; and

m) Reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management.

Powers

a) The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility, and does not have any power to commit the Board to any recommendation or decision made by it.

b) The Committee has unrestricted access to management and the external auditors as it may consider appropriate for the proper performance of its function.

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

(i) 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.

(ii) obtain outside legal or other independent professional advice.

(iii) consult independent experts where they consider it necessary to carry out their duties.

Composition and Structure

The Audit Committee 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. Whilst the ASX Corporate Governance Council recommends that the Audit Committee should consist of at least three members, all of whom are non-executive directors and with the majority being independent directors, the Board is of the view that to meet this recommendation a change to the board structure would be required which due to the size of the company would be an unnecessary expense for the company and its shareholders.

Proceedings

a) The Committee shall meet at least five times a year. Additional meetings may be held as the work of the Committee demands.
b) A quorum shall consist of two members.
c) The Committee 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.
d) In the event that the Chairman of the Board is not on the Committee then he may attend each meeting by invitation of the Committee Chairman.
e) The Financial Controller shall attend each meeting by invitation of the Committee Chairman.
f) As necessary or desirable the Committee 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.
g) 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.
h) 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.
i) 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.
j) The Audit Committee should report to the Board after each Committee meeting summarising its activities and recommendations since the previous meeting.
k) Business is considered as the Committee may determine, with additional items of business considered as appropriate.
l) 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.

→ HUMAN RESOURCES AND REMUNERATION (HRR) COMMITTEE CHARTER

Purpose

The role of the HRR Committee is to advise on a) remuneration and issues relevant to remuneration policies and practices for senior management, and b) human resource and occupational health & safety issues.

Scope of Responsibility

a) The Committee has responsibility for the following:
   - Reviewing and evaluating market practices and trends in relation to remuneration relevant to the Group;
   - Reviewing and making recommendations to the Board in relation to the Group's remuneration policies and practices for senior management;
   - Preparing for the Board any report that may be required under applicable legal or regulatory requirements in relation to remuneration matters;
   - It is the policy of the Company that the workplace environment complies with legislation and current best practice in workplace health and safety at all times;
   - Ensuring Management see that everything reasonably practicable is done to prevent personal injury or ill health in the process of the organisation's operations, including the preparation of appropriate procedures, training, documentation and monitoring;
   - Participating in the setting of the diversity policies and the implementing of those policies.

b) Remuneration is in each case taken as including not only monetary payments (salary and wages) but all other monetary and non-monetary emoluments and benefits including:
   - Fringe benefits;
   - Directors' and officers' and other insurance arrangements;
   - Retirement benefits;
   - Superannuation; and
   - Equity participation, and other incentive programs.

Powers

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility.

Proceedings

a) Meetings are held at least five times per annum and more often as required.

b) Representatives of management and other employed personnel may be invited to attend meetings, or specific parts of meetings, at the discretion of the Committee.

Composition and Structure

The Committee consists of three non executive Directors and may include the Managing Director with an independent non-executive director being the Chairman of the Committee

Corporate Governance

→ HONEY SUPPLY & INDUSTRY (HSI) COMMITTEE CHARTER

Purpose

The role of the HSI Committee is to advise the Board on matters related to honey supply and the industry generally.

Scope of Responsibility

The Committee has responsibility for the following:

- Making recommendations for the honey price;
- Establishing the honey quota pool limit and establishing who may supply;
- Making recommendations about changes to the honey quota pool; and
- Providing a forum for a review of industry related affairs.

Powers

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility.

Proceedings

a) Meetings are held at least five times per annum and more often as required.

b) Representatives of management and other employed personnel may be invited to attend meetings, or specific parts of meetings, at the discretion of the Committee.

Composition and Structure

The Committee consists of the CBL appointed directors and may include the Managing Director with a CBL appointed director being the Chairman of the Committee.

→ NOMINATION COMMITTEE CHARTER

Purpose

The role of the Nomination Committee is to examine and advise the Board on the selection and appointment practices of the company.

Scope of Responsibility

The Committee has responsibility for the following:

- reviewing and reporting on the necessary and desirable competencies of directors;
- review of board succession plans;
- the development of a process for the evaluation of the performance of the board, its committees and directors; and
- the appointment and re-election of directors.

Powers

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility.

Proceedings

a) Meetings are held at least two times per annum and more often as required.

b) Representatives of management and other employed personnel may be invited to attend meetings, or specific parts of meetings, at the discretion of the Committee.

Composition and Structure

The Committee consists of three non-executive Directors with a non-executive director being the Chairman of the Committee.

→ CORPORATE GOVERNANCE STATEMENT

Capilano Honey Limited fully complied with the ASX Corporate Governance Council recommendations

At year end, 39% of total workforce and 25% of the Executive Team were represented by women. We currently do not have any female Board members.

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 it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement 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 gives a true and fair view and 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 of the financial report that gives a true and fair view 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 2013 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 7 to 11 of the directors' report for the year ended 30 June 2013. 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.

Auditor's Opinion

In our opinion the remuneration report of Capilano Honey Limited for the year ended 30 June 2013 complies with s300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Capilano Honey Limited for the year ended 30 June 2013 included on Capilano Honey Limited's website. The company's directors are responsible for the integrity of Capilano Honey Limited's website. We have not been engaged to report on the integrity of the Capilano Honey Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

William Buck

William Buck (QLD)
ABN 11 603 627 400

Sydney
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J A Latif
A Member of the Firm

Brisbane

28 August 2013

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Directors' Declaration

1. the financial statements and notes, as set out on pages 26 to 53, 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 2013 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 consolidated entity 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 consolidated entity 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 TWENTY- EIGHTH day of AUGUST 2013 in accordance with a resolution of the directors.

T R Morgan, Director

B A McKee, Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2	72,160,396	67,778,704
Insurance proceeds	3(c)	4,694,337	-
Finance costs	3(b)	(1,092,014)	(1,207,142)
Damage to assets and consequential expenses	3(c)	(3,922,035)	-
Expenses	3(a)	(66,845,874)	(62,897,018)
Profit before income tax		4,994,810	3,674,544
Income tax expense	4	(1,548,206)	(1,121,722)
Net profit for the year attributable to members of CHL		**3,446,604**	**2,552,822**
Other comprehensive income		-	-
Total Comprehensive income for the year attributable to members of CHL		**3,446,604**	**2,552,822**
Earnings per share (cents)	28	40.4	30.0
Diluted earnings per share (cents)	28	40.4	30.0

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	25	239,902	675,655
Trade and other receivables	6	15,250,167	10,571,276
Inventories	7	18,328,709	12,973,235
Other current assets	8	266,677	235,005
TOTAL CURRENT ASSETS		**34,085,455**	**24,455,171**
NON-CURRENT ASSETS			
Property, plant and equipment	10	19,744,122	19,566,144
Intangible assets	11	64,823	103,253
Deferred tax assets	12	804,939	2,353,145
TOTAL NON-CURRENT ASSETS		**20,613,884**	**22,022,542**
TOTAL ASSETS		**54,699,339**	**46,477,713**
CURRENT LIABILITIES			
Trade and other payables	13	11,119,964	8,200,448
Short term borrowings	14	1,355,887	2,070,188
Provision for dividend		-	426,010
TOTAL CURRENT LIABILITIES		**12,475,851**	**10,696,646**
NON-CURRENT LIABILITIES			
Long term borrowings	15	14,937,644	12,030,045
Long term provisions	16	338,870	250,652
TOTAL NON-CURRENT LIABILITIES		**15,276,514**	**12,280,697**
TOTAL LIABILITIES		**27,752,365**	**22,977,343**
NET ASSETS		**26,946,974**	**23,500,370**
EQUITY			
Issued capital	17	7,728,221	7,728,221
Reserves	18	4,042,851	4,042,851
Retained earnings		15,175,902	11,729,298
TOTAL EQUITY		**26,946,974**	**23,500,370**

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 2013

	Share Capital		Reserves		
	Ordinary	Foundation	Revaluation Surplus	Retained Earnings	Total Equity
	$	$	$	$	$
Balance at 30 June 2011	7,728,220	1	4,042,851	10,454,506	22,225,578
Total comprehensive income for the year	-	-	-	2,552,822	2,552,822
Dividend recognised for the year	-	-	-	(1,278,030)	(1,278,030)
Balance at 30 June 2012	7,728,220	1	4,042,851	11,729,298	23,500,370
Total comprehensive income for the year	-	-	-	3,446,604	3,446,604
Dividend recognised for the year	-	-	-	-	-
Balance at 30 June 2013	7,728,220	1	4,042,851	15,175,902	26,946,974

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 2013

	Inflows (Outflows)	
	2013 $	2012 $
Cash flows from operating activities		
Receipts from customers	73,237,003	69,098,270
Payments to suppliers and employees	(70,690,257)	(67,941,058)
Interest received	416	2,243
Goods and services tax received	1,605,041	1,306,429
Interest paid	(908,353)	(1,009,097)
Net cash generated from operating activities (Note 26)	**3,243,850**	**1,456,787**
Cash flows from investing activities		
Acquisition of Wescobee	(4,068,565)	-
Wescobee acquisition cost	(165,701)	-
Payment for property, plant and equipment	(1,219,898)	(2,315,435)
Proceeds from sale of property, plant and equipment	7,273	16,224
Net cash used in investing activities	**(5,446,891)**	**(2,299,211)**
Cash flows from financing activities		
Dividend paid	(426,010)	(2,130,050)
Increase of borrowings	2,937,938	2,266,292
Net cash generated from financing activities	**2,511,928**	**136,242**
Net increase (decrease) in cash and cash equivalents held	308,887	(706,182)
Cash and cash equivalents at the beginning of the financial year	(68,985)	637,197
Cash and cash equivalents at the end of the financial year (Note 25)	**239,902**	**(68,985)**

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 financial statements of Capilano Honey Limited and its controlled entities were authorised for issue in accordance with a resolution of the directors dated 23 August 2013.

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 2013 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 9(a) 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 statement of profit or loss and other comprehensive income, 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 consolidated statement of profit or loss and other comprehensive income.

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 consolidated statement of profit or loss and other comprehensive income.

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. Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(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 taxable 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 fair value 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 AASB 139: 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 consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income. 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 consolidated statement of profit or loss and other comprehensive income, 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 consolidated statement of profit or loss and other comprehensive income.

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; and
- Equity and retained profits are translated at the exchange rates prevailing at the date of the transaction.

(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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income.

(s) **Leases**

Leases where substantially all of the risks and rewards of ownership transfer to the consolidated entity are classified as finance 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.

Leases where substantially all of the risks and rewards are not transferred to the consolidated entity are classified as operating leases. Payment made under operating leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the period of the lease.

Notes to and Forming Part of the Financial Statements

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

(t) **Comparatives**

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

(u) **Dividend**

Provision is made for the amount of any dividend declared, being appropriately authorised at the discretion of the entity, on or before the end of the reporting period but not distributed in the reporting period.

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	
		2013 $	2012 $
2.	**REVENUE**		
	Sales revenue	71,963,218	67,705,182
	Interest received	416	2,243
	Profit on disposal of property, plant and equipment	-	15,072
	Sundry	196,762	56,207
		72,160,396	**67,778,704**
3.	**OPERATING PROFIT**		
(a)	**Expenses**		
	Raw materials and consumables	38,753,436	37,052,760
	Net foreign exchange loss	162,748	13,485
	Loss on disposal of property, plant and equipment	25,974	-
	Employee benefits	7,210,178	6,509,563
	Depreciation of property, plant and equipment	1,820,051	1,732,767
	Amortisation of intangibles	38,430	38,535
	Transportation costs	2,478,679	2,594,049
	Factory costs	2,101,379	1,749,891
	Marketing and promotion	11,528,305	10,519,485
	Other	2,726,694	2,686,483
		66,845,874	**62,897,018**
(b)	Profit before income tax expense includes the following specific expenses:		
	Finance costs		
	Borrowing expenses	177,411	171,263
	Interest and finance charges paid	908,353	1,029,886
	Prospectus expenses	6,250	5,993
		1,092,014	**1,207,142**
(c)	**Impact of fire at Richlands premises**		
	Insurance proceeds	4,694,337	-
	Loss of plant and equipment and consequential expenses	(2,338,132)	-
	Loss of inventory	(1,583,903)	-
	Damage to assets and consequential expenses	(3,922,035)	-
		772,302	**-**

Notes to and Forming Part of the Financial Statements

		Consolidated	
		2013 $	2012 $
4.	**INCOME TAX**		
(a)	Income tax expense		
	Deferred tax	1,548,206	1,121,722
	Deferred income tax expense (benefit) included in the income tax expense comprises:		
	Decrease (increase) in deferred tax assets	1,548,206	1,121,722
	(Decrease) increase in deferred tax liabilities	-	-
		1,548,206	1,121,722
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit before income tax expense	4,994,810	3,674,544
	Tax at the Australian tax rate of 30% (2012: 30%)	1,498,443	1,102,363
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Amortisation of intangibles	(43,058)	(43,176)
	Impairment of receivables	147,623	-
	Consultancy fee	-	6,065
	Entertainment	6,997	9,038
	Legal expenses	3,131	14,194
	(Over) under provision in prior years	(58,930)	30,592
	Sundry items	(6,000)	2,646
	Income tax expense	1,548,206	1,121,722
(c)	**Tax losses**		
	Deferred tax assets include a benefit representing income tax losses as follows:		
	Unused tax losses	3,622,589	9,538,829
	Potential tax benefit	1,086,777	2,861,649
	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	
		2013 $	2012 $
5.	**DIVIDENDS**		
	A fully franked interim dividend of 10 cents per ordinary share was paid based on shares held at 16 February 2012.	-	852,020
	A fully franked final dividend of 5 cents per ordinary share was declared for the year ended 30 June 2012 based on shares held at 6 July 2012.	-	426,010
	On 19 July 2013, the directors declared a fully franked, ordinary dividend of 15 cents per share. The aggregate amount of the proposed dividend expected to be paid, but not recognised at year end is $1,278,030.		
	Franked dividends		
	Franking credits available for subsequent financial years	1,289,955	1,289,955
	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	
		2013 $	2012 $
6.	**TRADE AND OTHER RECEIVABLES**		
	Trade debtors	14,935,733	10,463,697
	Other debtors	314,434	599,657
	Provision for impairment of receivables	-	(492,078)
		15,250,167	**10,571,276**

Notes to and Forming Part of the Financial Statements

6. 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
	$	$	$	$	$
2013					
Trade and term receivables	14,935,733	-	928,223	582,004	13,425,506
Other receivables	314,434	-	-	-	314,434
Provision for impairment	-	-	-	-	-
Total	15,250,167	-	928,223	582,004	13,739,940
2012					
Trade and term receivables	10,463,697	-	166,748	87,938	10,209,011
Other receivables	599,657	492,078	-	-	107,579
Provision for impairment	(492,078)	(492,078)	-	-	-
Total	10,571,276	-	166,748	87,938	10,316,590

	Consolidated 2013 $	2012 $
Provision for impairment of receivables		
Opening balance	(492,078)	(492,078)
Written off	492,078	-
Closing balance	**-**	**(492,078)**
7. INVENTORIES		
Raw materials and stores	12,176,908	8,410,799
Work in progress	855,164	411,258
Finished goods	5,296,637	4,151,178
	18,328,709	**12,973,235**
Cost of goods sold		
Honey levies	244,099	239,613
Other	48,532,290	46,576,798
Total cost of goods sold	48,776,389	46,816,411
8. OTHER CURRENT ASSETS		
Prepayments	**266,677**	**235,005**

9. INVESTMENTS

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.

These investments are carried at cost.

	Country of Incorporation	Class of Share	Parent Entity 2013 % holding	2013 Cost $	2012 % holding	2012 Cost $
(a) Investment are unlisted and comprise:-						
Honey Corporation of Australia Pty Ltd	Australia	Ord	100	1	100	1
The Manuka Honey Company Pty Ltd	Australia	Ord	50	1	-	-
				2		1

	Parent Entity 2013 $	2012 $
(b) Movements in carrying amounts of investments		
Carrying amount at beginning of financial year	1	1
Addition: The Manuka Honey Company Pty Ltd	1	-
Carrying amount at end of financial year	2	1

Notes to and Forming Part of the Financial Statements

		Consolidated	
		2013 $	2012 $
10.	**PROPERTY, PLANT AND EQUIPMENT**		
	Land and buildings		
	Freehold land – at valuation	5,990,000	5,990,000
	Buildings – at cost	303,169	71,090
	Buildings – at valuation	5,010,000	5,010,000
	Less: accumulated depreciation	(764,959)	(619,833)
		4,548,210	4,461,257
	Total land and buildings	**10,538,210**	**10,451,257**
	Plant and equipment		
	Cost	32,905,952	31,382,584
	Less: accumulated depreciation	(24,020,956)	(22,372,602)
	Total plant and equipment	**8,884,996**	**9,009,982**
	Motor vehicles		
	Cost	137,894	126,211
	Less: accumulated depreciation	(63,986)	(54,498)
	Total motor vehicles	**73,908**	**71,713**
	Capital work in progress	**247,008**	**33,192**
		19,744,122	**19,566,144**
(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	4,461,257	4,558,902
	Additions	328,310	57,649
	Disposals	(79,149)	-
	Depreciation	(162,209)	(155,294)
	Carrying amount at end of year	4,548,210	4,461,257
	Plant and equipment		
	Carrying amount at beginning of year	9,009,982	7,905,286
	Additions	1,960,719	2,672,917
	Disposals	(437,351)	(4,724)
	Depreciation	(1,648,354)	(1,563,497)
	Carrying amount at end of year	8,884,996	9,009,982
	Motor Vehicles		
	Carrying amount at beginning of year	71,713	85,688
	Additions	44,199	-
	Disposals	(32,516)	-
	Depreciation	(9,488)	(13,975)
	Carrying amount at end of year	73,908	71,713
	Capital works in progress		
	Carrying amount at beginning of year	33,192	444,751
	Net movement	213,816	(411,559)
	Carrying amount at end of year	247,008	33,192

Notes to and Forming Part of the Financial Statements

		Consolidated 2013 $	Consolidated 2012 $
10.	**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	7,853,368	7,525,058
	Less: accumulated depreciation	(3,384,192)	(3,191,978)
	Carrying amount at end of year	**4,469,176**	**4,333,080**
	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.		
11.	**INTANGIBLE ASSETS**		
	Trademarks and brand names	4,065,845	4,065,845
	Less: accumulated amortisation	(4,001,022)	(3,962,592)
		64,823	**103,253**
	Reconciliation		
	Intangibles		
	Carrying amount at beginning of year	103,253	141,789
	Amortisation	(38,430)	(38,536)
	Carrying amount at end of year	**64,823**	**103,253**
12.	**TAX**		
(a)	**Liabilities**		
	Current income tax	-	-
	Non-current deferred tax liability	-	-
(b)	**Assets**		
	Deferred tax assets comprise:		
	Provisions	269,197	317,844
	Deferred tax assets attributable to tax losses	1,086,777	2,861,649
	Tax allowances relating to property plant and equipment	(143,709)	(243.688)
	Revaluation adjustments taken directly to equity	(1,732,650)	(1,732,650)
	Intangible assets	1,104,242	1,081,551
	Other	221,082	68,439
		804,939	**2,353,145**
(c)	**Reconciliation**		
	The overall movement in deferred tax assets is as follows:		
	Opening balance	2,353,145	3,474,867
	Charge to income statement	(1,548,206)	(1,121,722)
	Closing balance	**804,939**	**2,353,145**
13.	**TRADE AND OTHER PAYABLES**		
	Unsecured		
	Beekeeper creditors	5,996,575	4,394,348
	Trade creditors	2,174,826	1,692,979
	Other creditors	2,490,111	1,796,010
	Employee entitlements	458,452	317,111
		11,119,964	**8,200,448**

	Consolidated	
	2013	2012
	$	$
14. SHORT TERM BORROWINGS		
Secured (note 19)		
Bank overdraft	-	744,640
Commercial bills	1,000,000	1,000,000
Hire purchase	355,887	325,548
	1,355,887	**2,070,188**
15. LONG TERM BORROWINGS		
Secured (note 19)		
Commercial bills	7,864,000	5,750,000
Bank loans	6,040,783	4,901,390
Hire purchase	1,032,861	1,378,655
	14,937,644	**12,030,045**
16. LONG TERM PROVISIONS		
Employee entitlements	**338,870**	**250,652**

	Consolidated Entity			
	No. of Shares	2013 $	No. of Shares	2012 $
17. 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	2013 $	No. of Shares	2012 $
(b) **Ordinary Shares**				
Opening Balance	8,520,198	7,728,220	8,520,198	7,728,220
Share issues	-	-	-	-
Closing Balance	**8,520,198**	**7,728,220**	**8,520,198**	**7,728,220**

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.

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 2013 $	2012 $
17.	**ISSUED CAPITAL** *(continued)*			
(c)	**Capital Management (continued)**			
	Total Borrowings	13,14,15	27,413,495	22,300,681
	Less: cash and cash equivalents	25	(239,902)	(675,655)
	Net debt		27,173,593	21,625,026
	Total equity		26,946,974	23,500,370
	Total capital		54,120,567	45,125,396
	Gearing ratio		50%	48%
18.	**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.			
19.	**SECURED BORROWINGS**			
	The loans and commercial bills amounting to $14,904,783 (2012: $12,396,030) 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.			
20.	**CONTINGENT LIABILITIES**			
	The Directors are not aware of any significant contingent liabilities at the date of this report.			
21.	**COMMITMENTS**			
	Capital expenditure commitments			
	Contracted for but not provided for or payable at 30 June: Not longer than one year		163,410	39,233
	Operating lease commitments			
	Future operating lease rentals not provided for in the financial statements or payable:			
	Not longer than one year		394,157	32,925
	Longer than one year but not longer than five years		1,426,385	36,321
			1,820,542	**69,246**
22.	**AUDITOR'S REMUNERATION**			
	Remuneration of the auditor of the parent entity for:			
	- auditing or reviewing the financial statements		96,600	94,100
	- audit of the share register		-	2,500
	- taxation services		8,930	8,230
	- other		1,875	-
			107,465	**104,830**
23	**RELATED PARTIES**			
(a)	**Directors and key management personnel remuneration:**			
	Short term employee benefits		889,257	1,085,224
	Post employment benefits		85,855	126,495
	Termination payments		44,143	30,704
	Total director and key management personnel remuneration		**1,019,255**	**1,242,423**
	Directors who are apiarists trade with the company on the same trading conditions as other apiarists.			

23 RELATED PARTIES *(continue)*

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

	1 July 2012 – 30 June 2013			
	Opening Balance	Granted as Remuneration during the year	Other Changes during the year	Closing Balance
Directors				
R Masters	333,802	-	(333,802)	-
P McHugh	44,276	-	-	44,276
T Morgan	39,128	-	-	39,128
B McKee	73,826	-	16,474	90,300
S Tregoning	-	-	-	-
R Newey	-	-	-	-
Key Management Personnel				
D Kemp Note 2	-	-	-	-
P McDonald Note 3	42,425	-	-	42,425
	533,457	**-**	**(317,328)**	**216,129**

	1 July 2011 – 30 June 2012			
	Opening Balance	Granted as Remuneration during the year	Other Changes during the year	Closing Balance
Directors				
R Masters	333,801	-	1	333,802
P McHugh	44,276	-	-	44,276
T Morgan	39,128	-	-	39,128
S Tregoning	-	-	-	-
Key Management Personnel				
D Graham Note 2	-	-	-	-
D Kemp Note 2	-	-	-	-
P McDonald Note 1	42,425	-	-	42,425
B McKee	73,826	-	-	73,826
	533,456	**-**	**1**	**533,457**

Note 1 *Resignation of Sales Director effective 28 October 2011*
Note 2 *Change in Company Secretary / Financial Controller on 31 May 2012.*
Note 3 *Appointed as Sales Director 25 October 2012.*

No director or other member of key management personnel holds any options over ordinary shares.

(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 9(a).

24. 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.

24. 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 2013		
	Domestic $	Export $	Consolidated $
(a) **Segment Performance**			
Sales revenue	56,800,328	15,162,890	71,963,218
Other revenue	196,762	-	196,762
Total segment revenue	**56,997,090**	**15,162,890**	**72,159,980**
Unallocated revenue less unallocated expenses			(67,165,170)
Profit before income tax			**4,994,810**

	30 June 2012		
	Domestic $	Export $	Consolidated $
Sales revenue	53,352,993	14,352,189	67,705,182
Other revenue	73,522	-	73,522
Total segment revenue	**53,426,515**	**14,352,189**	**67,778,704**
Unallocated revenue less unallocated expenses			(64,104,160)
Profit before income tax			**3,674,544**

(b) **Segment Assets**	Domestic $	Export $	Unallocated $	Consolidated $
30 June 2012	8,848,371	2,423,047	35,206,295	46,477,713
30 June 2013	11,600,012	3,750,047	39,349,280	54,699,339
Change in total assets	**2,751,641**	**1,327,000**	**4,142,985**	**8,221,626**

The increase in Group assets is predominantly due to an increase in inventories of $5,355,474. This is largely due to the acquisition of the Wescobee business, and its stock and increase in finished goods.

(c) **Segment Liabilities**	Domestic $	Export $	Unallocated $	Consolidated $
30 June 2012	4,672,400	228,990	18,075,953	22,977,343
30 June 2013	5,907,037	133,746	21,711,582	27,752,365
Change in total liabilities	**1,234,637**	**(95,244)**	**3,635,629**	**4,775,022**

The increase in Group liabilities of $4,778,022 is predominantly due to the increase in borrowings on purchasing of Wescobee and an increase in trade and other payables.

(d) **Change in identification of segments**

There have been no changes in operating segments since the previous year.

Notes to and Forming Part of the Financial Statements

		Consolidated 2013 $	Consolidated 2012 $
24.	**SEGMENT REPORTING** *(continued)*		
(e)	**Revenue by geographical region**		
	Australia	56,915,034	53,662,598
	Foreign countries	15,244,946	14,116,106
	Total revenue	**72,159,980**	**67,778,704**
	Revenue attributable to external customers is based on the location of the customer.		
(f)	**Assets by geographical region**		
	Australia	54,507,729	46,331,424
	Foreign countries	191,610	146,289
	Total assets	**54,699,339**	**46,477,713**
	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 six major customers accounting for 69% of revenue (2012: 76%). The next most significant customer accounts for 2.1% of revenue (2012: 2.3%).		
25.	**RECONCILIATION OF CASH**		
	For the purpose of the statement of cash flows, cash includes cash on hand and at banks and short term 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	239,902	675,655
	Bank overdraft	-	(744,640)
	Total cash and cash equivalents	**239,902**	**(68,985)**
26.	**RECONCILIATION OF NET CASH GENERATED FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX**		
	Profit after income tax	3,446,604	2,552,822
	Decrease in provision for doubtful debts	(492,078)	-
	Depreciation	1,820,051	1,732,767
	Amortisation	38,430	38,535
	Plant and equipment written off	539,824	-
	Loss / (Profit) on sale of equipment	25,974	(15,072)
	Decrease in deferred tax assets	1,548,206	1,121,722
	Change in assets and liabilities		
	Decrease (increase) in assets		
	Trade debtors	(4,472,036)	1,100,932
	Other debtors	353,843	131,993
	Inventory	(2,257,912)	(3,778,974)
	Prepayments	(31,672)	(70,923)
	Goods and Services Tax received	(68,620)	3,145
	Increase (decrease) in liabilities		
	Trade creditors	481,847	174,250
	Other creditors	694,101	(286,853)
	Beekeeper creditors	1,602,227	(932,636)
	Employee entitlements	15,061	(314,921)
	Net cash generated from operating activities	**3,243,850**	**1,456,787**

	Consolidated	
	2013	2012
	$	$
27. FINANCING ARRANGEMENTS		
Total facilities		
Unrestricted access was available at the end of the reporting period to the following lines of credit:		
Multi-Option	10,000,000	7,500,000
Fixed bill facility	2,614,000	2,250,000
Debtor finance	8,000,000	8,000,000
	20,614,000	**17,750,000**
Used at the end of the reporting period		
Multi-Option	6,500,000	5,244,640
Fixed bill facility	2,364,000	2,250,000
Debtor finance	6,040,783	4,901,390
	14,904,783	**12,396,030**
Unused at the end of the reporting period		
Multi-Option	3,500,000	2,255,360
Fixed bill facility	250,000	-
Debtor finance	1,959,217	3,098,610
	5,709,217	**5,353,970**
28. EARNINGS PER SHARE (EPS)		
Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted EPS	8,520,198	8,520,198
Earnings used in the calculation of basic and diluted EPS	**3,446,604**	**2,552,822**

29. 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 the consolidated entity's 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, other price 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. Refer note 29(b) for further explanation.

Interest rate risk

The consolidated entity's main exposure to interest rate risk arises from its borrowings. Interest rate risk is managed with a mixture of fixed and floating debt. At 30 June 2013 approximately 95% of consolidated entity debt is floating (2012: 92%). Management continuously monitors the debt profile of the consolidated entity in the context of the most recent economic conditions.

Other price risk

The consolidated entity's exposure to other price risk arises from honey price fluctuations. Honey price risk is managed by using fixed published price lists, maintaining a geographically diverse group of suppliers, and 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

Exposure to credit risk arises through bank deposits, trade and other receivables. Potential non-performance by counterparties of contract obligations could lead to a financial loss to the consolidated entity.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of such credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 to 60 days from the invoice date.

29. FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management

Credit risk (continued)

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that management has otherwise assessed as being financially sound. Where the consolidated entity is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

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	
		2013 $	2012 $
(a)	*Interest Rate Sensitivity Analysis*		
	At 30 June, 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%	(273,000)	(232,000)
	decrease in interest rate by 2%	273,000	232,000
	Change in equity		
	increase in interest rate by 2%	(273,000)	(232,000)
	decrease in interest rate by 2%	273,000	232,000
	Foreign Currency Risk Sensitivity Analysis		
	At 30 June, 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%	(179,000)	(62,000)
	increase in AUD:CAD rate by 10%	(52,000)	(36,000)
	increase in AUD:EUR rate by 10%	-	(3,000)
	increase in AUD:CNY rate by 10%	-	(4,000)
	increase in AUD:NZD rate by 10%	(11,000)	-
	decrease in AUD:USD rate by 10%	219,000	76,000
	decrease in AUD:CAD rate by 10%	63,000	44,000
	decrease in AUD:EUR rate by 10%	-	3,000
	decrease in AUD:CNY rate by 10%	-	5,000
	decrease in AUD:NZD rate by 10%	13,000	-
	Change in equity		
	increase in AUD:USD rate by 10%	(179,000)	(62,000)
	increase in AUD:CAD rate by 10%	(52,000)	(36,000)
	increase in AUD:EUR rate by 10%	-	(3,000)
	increase in AUD:CNY rate by 10%	-	(4,000)
	increase in AUD:NZD rate by 10%	(11,000)	
	decrease in AUD:USD rate by 10%	219,000	76,000
	decrease in AUD:CAD rate by 10%	63,000	44,000
	decrease in AUD:EUR rate by 10%	-	3,000
	decrease in AUD:CNY rate by 10%	-	5,000
	decrease in AUD:NZD rate by 10%	13,000	-
	Honey Price Sensitivity Analysis		
	At 30 June, 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%	(513,000)	(367,000)
	decrease in honey purchase price of 10%	513,000	367,000
	Change in equity		
	increase in honey purchase price of 10%	(513,000)	(367,000)
	decrease in honey purchase price of 10%	513,000	367,000

29. FINANCIAL INSTRUMENTS *(continued)*

(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 no outstanding forward exchange contracts in respect of the consolidated entity (2012: US$320,000).

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 US$800,000 in currency options (2012: US$1,200,000). The net unrealised loss on the foreign currency contracts and options at 30 June 2013 amounted to $64,598

ii. Net Fair Values

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified as level 1 of the fair value hierarchy (quoted price in active market).

The net fair values of:

a) unlisted investments have not been established, as detailed in note 9.
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:

2013	Weighted Average Interest Rate	Floating Interest Rate *$*	Fixed Interest maturing in less than 1 year *$*	Fixed Interest maturing in 1 - 5 years *$*	Non-interest Bearing maturing in less than1 year *$*	Total *$*
Financial assets						
Cash	0.24%	236,578	-	-	3,324	239,902
Receivables	-	-	-	-	15,250,167	15,250,167
Total financial assets		**236,578**	**-**	**-**	**15,253,491**	**15,490,069**
Financial liabilities						
Commercial bills	6.32%	8,864,000	-	-	-	8,864,000
Hire purchase	6.98%	-	355,887	1,032,861	-	1,388,748
Beekeeper creditors	-	-	-	-	5,996,575	5,996,575
Bank loans	5.8%	6,040,783	-	-	-	6,040,783
Trade & sundry creditors	-	-	-	-	5,123,389	5,123,389
Total financial liabilities		**14,904,783**	**355,887**	**1,032,861**	**11,119,964**	**27,413,495**

Other than that disclosed in Note 14, commercial bills and bank loans are expected to mature between 1-5 years.

29. FINANCIAL INSTRUMENTS *(continued)*

2012	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 $
Financial assets						
Cash	-	672,850	-	-	2,805	675,655
Receivables		-	-	-	10,571,277	
Total financial assets		**672,850**	**-**	**-**	**10,574,082**	**11,246,932**
Financial liabilities						
Commercial bills	7.12%	6,750,000	-	-	-	6,750,000
Hire purchase	6.90%	-	325,548	1,378,655	-	1,704,203
Beekeeper creditors		-	-	-	4,394,348	4,394,348
Bank loans	7.49%	5,646,030	-	-	-	5,646,030
Trade and sundry creditors		-	-	-	3,488,989	3,488,989
Total financial liabilities		**12,396,030**	**325,548**	**1,378,655**	**7,883,337**	**21,983,570**

Other than that disclosed in Note 14, commercial bills and bank loans are expected to mature between 1-5 years.

30. PARENT ENTITY INFORMATION

	Consolidated 2013 $	Consolidated 2012 $
Net profit attributable to members of CHL	3,303,078	2,411,652
Total comprehensive income for the year attributable to members of CHL	**3,303,078**	**2,411,652**
Current assets	34,085,455	24,455,171
Total assets	**55,247,028**	**47,168,929**
Current liabilities	12,475,851	10,696,646
Total liabilities	**27,752,365**	**22,977,343**
Issued capital	7,728,221	7,728,221
Revaluation surplus	4,042,851	4,042,851
Retained earnings	15,723,591	12,420,514
Total equity	**27,494,663**	**24,191,586**
Capital expenditure commitments not provided for in the financial statements	163,410	39,233
Future operating leases not provided for in the financial statements	1,820,542	69,246

31. 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 Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group 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], 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] and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8] (applicable for annual reporting periods commencing on or after 1 January 2015)*

  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 Group has not yet determined any potential impact on the financial statements.

31. CHANGE IN ACCOUNTING POLICY *(continued)*

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

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
- 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 10 Consolidation (applicable for annual reporting periods commencing on or after 1 January 2013)*

This standard supersedes AASB 127 and establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The Standard:

- requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and
- sets out the accounting requirements for the preparation of consolidated financial statements.

The impact of this Standard is not expected to be material.

▪ *AASB 127 Separate Financial Statements (applicable for annual reporting periods commencing on or after 1 January 2013).*

AASB 127 was amended as a result of the issuance of AASB 10 and now contains only the accounting requirements to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. AASB 127 requires investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with AASB 9 Financial Instruments.

The impact of this Standard is not expected to be material.

▪ *AASB 11 Joint Arrangements (applicable for annual reporting periods commencing on or after 1 January 2013)*

This standard supersedes AASB 131 and under AASB 11 there are only two types of joint ventures, joint operations and joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. Joint operations will be accounted for by the operator recognising:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The option to proportionately consolidate joint ventures has been removed and accordingly, all joint ventures must be accounted for using the equity method.

The impact of this Standard is not expected to be material.

▪ *AASB 128 Investments in Associates and Joint Ventures (applicable for annual reporting periods commencing on or after 1 January 2013)*

AASB 128 was amended as a result of the issuance of AASB 10 and AASB 11 and prescribes the accounting requirements for investments in associates and the application of the equity method when accounting for investments in associates and joint ventures.

The impact of this Standard is not expected to be material.

▪ *AASB 12 Disclosure of Interests in Other Entities (applicable for annual reporting periods commencing on or after 1 January 2013)*

AASB 12 provides the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. As such, it consolidates and replaces disclosure requirements contained in many existing Standards.

The impact of this Standard is not expected to be material.

31. CHANGE IN ACCOUNTING POLICY *(continued)*

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

- *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013)*

  This Standard gives effect to many consequential changes arising from the issuance AASB 10 *Consolidation*, AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Interests in Other Entities*, and accordingly, the impact of this Standard is not expected to be material.

- *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013)*

  These standards provide a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets, but not liabilities.

  The impact of this Standard is not expected to be material.

- *AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] and 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (applicable for annual reporting periods commencing on or after 1 January 2013)*

  These standards amend the accounting requirements for employee benefits and in particular pensions and other post retirement benefits. The amendments:

  - Require recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements;
  - Introduce enhanced disclosures about defined benefit plans;
  - Require employee benefits not settled wholly before twelve months after the end of the annual reporting period to be captured as an 'other long term benefit' rather than 'short term benefits', and whilst presented as a current item in the statement of financial position such benefits would be measured differently under the amendments;
  - Modify accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits;
  - Clarify miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features; and
  - Incorporate other matters submitted to the IFRS Interpretations Committee.

  The impact of this Standard is not expected to be material.

- *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.

  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 Group.

31. 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 Group.

- *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 impact of this Standard is not expected to be material.

- *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 Group.

- *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 2011-6 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 Group.

- *Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2013)*

  This Interpretation outlines the accounting requirements in relation to surface mining operations, where entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping' and Interpretation 20 considers when and how to account separately for the associated benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. IFRIC 20 only deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). The standard is not expected to impact the Group.

- *AASB 2011-13 Amendments to Australian Accounting Standard – Improvements to AASB 1049 (applicable for annual reporting periods commencing on or after 1 July 2012)*

  This standard clarifies some of the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting to improve the GAAP/GFS harmonisation financial reporting requirements of the Commonwealth, State and Territory Governments. The standard has not expected to impact the Group.

- *AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141] (applicable for annual reporting periods commencing on or after 1 July 2013)*

  This standard sets out reduced disclosure requirements for Tier 2 entities to apply in relation to AASB 13 Fair Value Measurement. It also amends reduced disclosure requirements of other Australian Accounting Standards that were amended as a consequence of the issuance of AASB 13 *Fair Value Measurement*. The impact of this Standard is not expected to be material.

- *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132] (applicable for annual reporting periods commencing on or after 1 January 2013)*

  This standard principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The standard is not expected to impact the Group.

31. CHANGE IN ACCOUNTING POLICY *(continued)*

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

- *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (applicable for annual reporting periods commencing on or after 1 January 2014)*

  This standard adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The standard is not expected to impact the Group.

- *AASB 2012-4 Amendments to Australian Accounting Standards – Government Loans [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2013)*

  This standard adds an exception to the retrospective application of Australian Accounting Standards under AASB 1 First-time Adoption of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 Financial Instruments: Recognition and Measurement (or AASB 9 Financial Instruments) and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans (including those at a below-market rate of interest) existing at the date of transition to Australian Accounting Standards. The standard is not expected to impact the Group.

- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2] *(applicable for annual reporting periods commencing on or after 1 January 2013)*

  This standard makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including permitting the repeat application of AASB 1 and clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). The standard is not expected to impact the Group.

- AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, AASB 12, AASB 101 & AASB 127] *(applicable for annual reporting periods commencing on or after 1 July 2013)*

  This Standard adds to or amends the Tier 2 disclosure requirements for AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements and AASB 127 Separate Financial Statements. The impact of this Standard is not expected to be material.

- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039 *(applicable for annual reporting periods commencing on or after 1 January 2013)*

  This standard makes an amendment to Australian Accounting Standard AASB 1048 Interpretation of Standards arising from the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia. The standard is not expected to impact the Group.

- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12] *(applicable for annual reporting periods commencing on or after 1 January 2013)*

  This standard makes amendments to a number of Australian Accounting Standards and Interpretation 12 Service Concession Arrangements. These amendments arise from the following sources:

  - the issuance of International Financial Reporting Standard Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) by the International Accounting Standards Board (IASB) in June 2012. The transition guidance amendments to AASB 10 and related Standards clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments;
  - the decision of the AASB in September 2012 to defer the mandatory application of AASB 10 Consolidated Financial Statements and related Standards to not-for-profit entities until annual reporting periods beginning on or after 1 January 2014 – early application by not-for-profit entities is permitted from 1 January 2013;
  - editorial corrections made by the IASB to its Standards and Interpretations (IFRSs); and
  - editorial corrections made by the AASB to its pronouncements.

  The standard is not expected to impact the Group.

- AASB 2012-11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, AASB 2, AASB 8, AASB 10, AASB 107, AASB 128, AASB 133, AASB 134 & AASB 2011-4] *(applicable for annual reporting periods commencing on or after 1 July 2013)*

  This Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2), to ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements. The standard is not expected to impact the Group.

- AASB 1055 Budgetary Reporting and AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements *(applicable for annual reporting periods commencing on or after 1 July 2014)*

  AASB 2013-1 removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in a single, topic-based, Standard AASB 1055 Budgetary Reporting. These standards are not expected to impact the Group.

31. CHANGE IN ACCOUNTING POLICY *(continued)*

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

- AASB 2013-2 Amendments to AASB 1038 – Regulatory Capital *(applicable for annual reporting periods commencing on or after 31 March 2013)*

  This Standard makes amendments to AASB 1038 as a consequence of changes to the Australian Prudential Regulation Authority's reporting requirements relating to life insurers, particularly Prudential Standard LPS 110 Capital Adequacy, applicable from 1 January 2013. Primarily the amendments align terminology by changing references to 'solvency' in AASB 1038 to 'capital' and remove a related explanatory paragraph. The standard is not expected to impact the Group.

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014)

  This Standard amends the disclosure requirements in AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The Group has not yet assessed the impact of this standard.

- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139] (applicable for annual reporting periods commencing on or after 1 January 2014)

  This Standard makes amendments to AASB 139 to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This standard is no expected to impact the Group.

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

32. ACQUISITION OF ASSETS AND BUSINESS OPERATION

On 8 April 2013, Capilano has completed the acquisition of assets and business operation of Wescobee Limited (Wescobee) in Western Australia. Total cost of acquisition amount to $4,234,266. Total assets and liabilities acquired, including other acquisition costs are detailed below:

	$
Inventories	3,097,562
Plant and equipment	1,185,501
Employee entitlement	(214,498)
Total consideration paid	4,068,565
Other acquisition costs	165,701
Total cost of acquisition	4,234,266

33. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The directors are not aware of any significant events since the end of the reporting period.

Shareholders' Information

As at 31 July 2013

CHL is listed on the Australian Securities Exchange using the ticker code 'CZZ'.

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	Percentage (shares)
100,001 and Over			3	2,186,788	25.67
50,001 to 100,000			6	423,808	4.97
10,001 to 50,000			181	3,417,779	40.11
5,001 to 10,000			192	1,476,828	17.33
1,001 to 5,000			328	963,430	11.31
1 to 1,000	1	1	114	51,565	0.61
	1	1	**824**	**8,520,198**	**100.00**

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

There are 35 shareholders holding 1,700 shares which the company considers to be less than a marketable parcel of shares (value $500), when using a value of $2.40 per share, being the high price on 31 July 2013.

e) **Twenty largest shareholders**

	The names of the twenty largest holders of quoted shares are:	Number of Ordinary Shares	Percentage of Ordinary Shares
1	Icon Brands Pty Ltd Note:1	1,767,088	20.74%
2	Mr Graham Baker < Baker Family Super Fund>	387,143	4.54%
3	Capefin Pty Ltd <Ballantyne Super Fund A/C>	100,003	1.17%
4	Dr Benjamin Alexander McKee & Mrs Sophie Michelle McKee <B A McKee Super A/c>	90,300	1.06%
5	Mr John Thomas Sloss & Mrs Nola Robyn Sloss <The J&N Sloss Super Fund>	84,887	1.00%
6	Barnes Apiaries Pty Ltd <The Barnes Family A/C>	70,000	0.82%
7	Mr Enrico Albertani & Ms Alison Woodbury <Forest Wild Honey>	60,735	0.71%
8	Mr Robert Francis Hooper & Mrs Andrea Jane Hooper	50,440	0.59%
9	Ruge Super Pty Ltd <Ruge Super Fund A/C>	47,978	0.56%
10	Mr Donald Gordon Keith & Mrs Lorice Ruth Keith	46,979	0.55%
11	Mr Cain William Treanor	45,000	0.53%
12	Muirhead Electrical Pty Ltd	43,400	0.51%
13	Mr Colin James Smith & Mr Maurice William Smith	43,252	0.51%
14	Mr Peter Mcdonald	42,425	0.50%
15	Brazil Enterprises Pty Ltd	41,449	0.49%
16	Mr Ronald Lex Betterridge & Mrs Christine Joy Betterridge	41,303	0.48%
17	Mr Vincent Court Elliott & Mrs Della Marie Elliott	40,098	0.47%
18	Mrs Marlene Rosemary Nelson	40,000	0.47%
19	Mr Peter Roy Barnes	37,520	0.44%
20	Cumnock Glen Pty Ltd <Klingner Family Super Fund>	37,355	0.44%
	TOTAL	**3,117,355**	**36.59%**

Note:1 - Substantial Shareholder

f) **Company Secretary -** Mr Dirk Kemp

g) **Registered Office** - 399 Archerfield Road, Richlands Qld 4077. Telephone (07) 3712 8282

h) **Register of Securities -** The Register of Securities is held at Link Market Services, Level 15, 324 Queen Street, Brisbane. Ph: 1300 554 474 or from outside Australia on +61 1300 554 474

Contact Details

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Bankers	HSBC Bank Australia Limited
Auditors	William Buck (Qld) Chartered Accountants
Share Register	Link Market Services

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