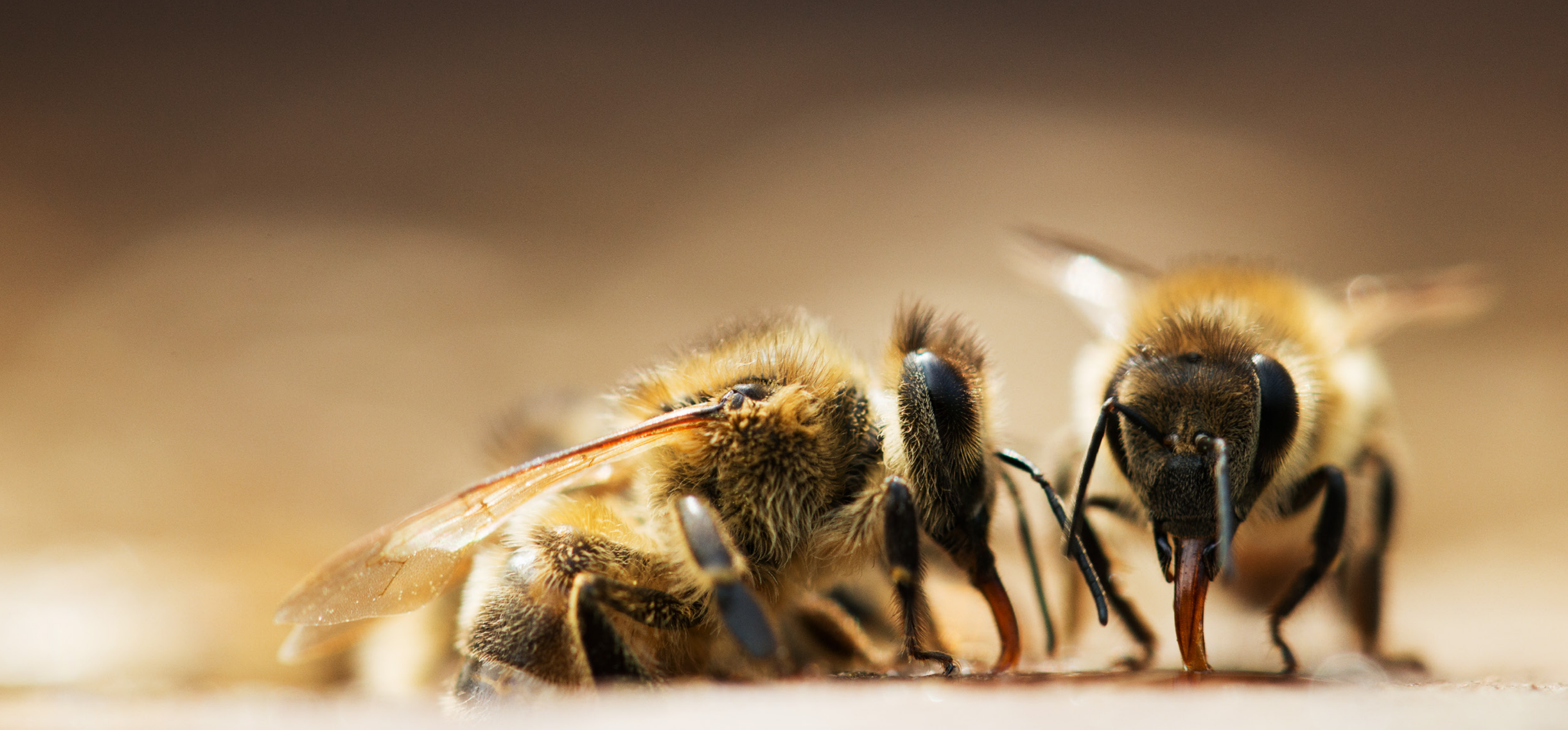
FINANCIAL STATEMENTS

• 2018 •

FOR THE YEAR ENDED
30 JUNE 2018

COMVITA LIMITED AND GROUP



CONTENTS

DIRECTORS' DECLARATION

In the opinion of the directors of Comvita Limited, the financial statements and the notes, on pages 3 to 41:

- comply with New Zealand generally accepted accounting practice and fairly reflect the financial position of the Group as at 30 June 2018 and the results of their operations and cash flows for the year ended on that date
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial report, incorporating the financial statements of Comvita Limited for the year ended 30 June 2018.

For and on behalf of the Board of Directors:

Neil Craig

20 August 2018

Luke Bunt

20 August 2018

INCOME STATEMENT

For the year ended *In thousands of New Zealand dollars*	Note	**30 June 2018**	**30 June 2017**
Revenue	5	178,493	155,879
Cost of sales		(105,298)	(93,738)
Gross profit		73,195	62,141
Other income	6	4,931	14,251
Selling and marketing expenses		(37,865)	(35,481)
Administrative expenses	9	(15,953)	(16,955)
Distribution expenses		(8,095)	(5,838)
Research and development expenses		(3,118)	(3,498)
Operating profit before financing costs		13,095	14,620
Finance income	7	1,777	6,461
Finance expenses	7	(4,973)	(8,257)
Net finance costs		(3,196)	(1,796)
Share of profit/(loss) of equity accounted investees	15	1,921	(2,237)
Impairment of equity accounted investees	15	(681)	(1,235)
Profit before income tax		11,139	9,352
Income tax (expense)/ benefit	10	(2,928)	470
Profit for the year		**8,211**	**9,822**
Earnings per share:			
Basic earnings per share (NZ cents)	23	18.25	23.74
Diluted earnings per share (NZ cents)	23	17.77	23.08

The notes on pages 8 to 41 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended *In thousands of New Zealand dollars*	Note	**30 June 2018**	**30 June 2017**
Profit for the year		**8,211**	**9,822**
Items that are or may be reclassified subsequently to the income statement			
Foreign currency translation differences for foreign operations		2,729	(361)
Effective portion of changes in fair value of cash flow hedges		(1,751)	483
Foreign investor tax credits received		18	33
Income tax on these items	10	(4)	(102)
Income and expense recognised directly in other comprehensive income		**992**	**53**
Total comprehensive income for the year		**9,203**	**9,875**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018 *In thousands of New Zealand dollars*	**Share capital**	**Foreign currency translation reserve**	**Hedging reserve**	**Retained earnings**	**Total**
Balance at 30 June 2016	**97,181**	**(3,566)**	**(1,435)**	**39,659**	**131,839**
Total comprehensive income for the year					
Profit for the year	-	-	-	9,822	9,822
Other comprehensive income (net of tax):					
Foreign investor tax credits received	-	-	-	33	33
Foreign currency translation differences for foreign operations	-	(328)	-	-	(328)
Effective portion of changes in fair value of cash flow hedges	-	-	348	-	348
Total other comprehensive income	-	(328)	348	33	53
Total comprehensive income for the year	-	(328)	348	9,855	9,875
	-				
Transactions with owners, recorded directly in equity					
Share based payment (Note 8)	-	-	-	450	450
Issue of ordinary shares					
- executive share scheme	1,735	-	-	-	1,735
- employee share purchase scheme	42	-	-	-	42
Issue of treasury stock	28	-	-	444	472
Private Placement – China Resources	21,200	-	-	-	21,200
Issue expenses related to the issues of shares	(31)	-	-	-	(31)
Dividend paid (Note 22)	-	-	-	(1,707)	(1,707)
Total transactions with owners	22,974	-	-	(813)	22,161
Balance at 30 June 2017	**120,155**	**(3,894)**	**(1,087)**	**48,701**	**163,875**
Total comprehensive income for the year					
Profit for the year	-	-	-	8,211	8,211
Other comprehensive income (net of tax):					
Foreign investor tax credits received	-	-	-	18	18
Foreign currency translation differences for foreign operations	-	2,235	-	-	2,235
Effective portion of changes in fair value of cash flow hedges	-	-	(1,261)	-	(1,261)
Total other comprehensive income	-	2,235	(1,261)	18	992
Total comprehensive income for the year	-	2,235	(1,261)	8,229	9,203
Transactions with owners, recorded directly in equity					
Share based payment (Note 8)	-	-	-	730	730
Issue of share capital - investment in China Joint Venture (Note 15d)	16,414	-	-	-	16,414
Issue expenses	(28)	-	-	-	(28)
Issue of ordinary shares					
- executive share scheme	1,064	-	-	-	1,064
- employee share purchase scheme	(12)	-	-	-	(12)
Issue of treasury stock	151	-	-	140	291
Dividend paid (Note 22)	-	-	-	(1,845)	(1,845)
Total transactions with owners	17,589	-	-	(975)	16,614
Balance at 30 June 2018	**137,744**	**(1,659)**	**(2,348)**	**55,955**	**189,692**

STATEMENT OF FINANCIAL POSITION

As at 30 June

In thousands of New Zealand dollars

	Note	2018	2017
Assets			
Property, plant and equipment	12	47,508	46,206
Biological assets	14	4,331	4,245
Intangible assets and goodwill	13	33,397	34,051
Investment in equity accounted investees	15	30,621	14,155
Other investments		8	8
Deferred tax asset	11	2,992	2,149
Total non-current assets		**118,857**	**100,814**
Inventory	17	116,492	87,856
Trade receivables	18	55,813	44,013
Sundry receivables	19	21,851	15,708
Cash and cash equivalents	24	4,947	4,572
Derivatives	16	186	2,331
Tax receivable		421	1,398
Total current assets		**199,710**	**155,878**
Total assets		**318,567**	**256,692**
Equity			
Issued capital		137,744	120,155
Retained earnings		55,955	48,701
Reserves		(4,007)	(4,981)
Total equity		**189,692**	**163,875**
Liabilities			
Loans and borrowings	24	96,700	66,500
Employee benefits	20	407	356
Total non-current liabilities		**97,107**	**66,856**
Trade and other payables	21	22,938	19,088
Employee benefits	20	4,048	4,002
Tax payable		1,414	246
Derivatives	16	3,368	2,625
Total current liabilities		**31,768**	**25,961**
Total liabilities		**128,875**	**92,817**
Total equity and liabilities		**318,567**	**256,692**

The notes on pages 8 to 41 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June

In thousands of New Zealand dollars

	Note	2018	2017
Receipts from customers		180,599	129,946
Payments to suppliers and employees		(197,287)	(133,219)
Interest received		36	216
Interest paid		(3,850)	(4,087)
Taxation paid		(1,616)	(3,578)
Net cash flows from operating activities	25	**(22,118)**	**(10,722)**
Investment in equity accounted investees		(27)	(9,539)
Net loans to/interest from equity accounted investees		(2,135)	(4,158)
Receipt of dividend from equity accounted investee		262	-
Net loans to/interest from related parties		(54)	(788)
Payment for the purchase of property, plant and equipment		(4,744)	(2,957)
Receipt for the disposal of property, plant and equipment		497	56
Payment for the purchase of biological assets		-	30
Receipt from sale of investments		-	10,760
Receipt from sale of intangibles		-	19,188
Payment for the purchase of intangibles		(790)	(917)
Net cash flows from investing activities		**(6,991)**	**11,675**
Net proceeds from issue of share capital and issue expenses		1,024	22,946
Proceeds from/repayment of loans and borrowings		30,200	(20,300)
Payment of dividends	22	(1,845)	(1,707)
Net cash flows from financing activities		**29,379**	**939**
Net increase in cash and cash equivalents		**270**	**1,892**
Cash and cash equivalents at the beginning of the period		4,572	2,780
Effect of exchange rate fluctuations on cash held		105	(100)
Cash and cash equivalents at the end of the period		**4,947**	**4,572**
Represented as:			
Cash and cash equivalents	24	4,947	4,572
Total		**4,947**	**4,572**

The notes on pages 8 to 41 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Comvita Limited (the "Company") is a Company domiciled in New Zealand, and registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Company is an issuer in terms of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013. The financial statements of the Group for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investees.

The principal activity of the Group is that of manufacturing and marketing quality natural health products, apiary ownership and management.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Company is a FMC reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Market Conduct Act 2013. These Financial Statements comply with these Acts and have been prepared in accordance with the New Zealand Equivalents to International Financial Reporting Standards as appropriate for profit-oriented entities.

The financial statements were approved by the Board of Directors on 20 August 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, financial instruments classified as available-for-sale and biological assets which are measured at fair value.

The methods used to measure fair values are discussed further in the respective notes.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. Amounts have been rounded to the nearest thousand.

(d) Critical estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following Notes:

- Note 11 – recoverability of deferred tax assets
- Note 13 – measurement of recoverability of cash generating units
- Note 14 – valuation of biological assets
- Note 26 – measurement of share based payments

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Investments in equity accounted investees

Associates and Joint Ventures are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates and Joint Ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

(ii) Foreign operations

The assets and liabilities of foreign operations with currencies different to the Company including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of such foreign operations are translated to New Zealand dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in the foreign currency translation reserve (FCTR).

NOTES TO THE FINANCIAL STATEMENTS

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the income statement, any directly attributable transaction costs.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(l).

Instruments at fair value through the income statement
An instrument is classified as at fair value through the income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through the income statement if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, financial instruments at fair value through the income statement are measured at fair value, and changes therein are recognised in the income statement.

(ii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as financial instruments designated at fair value through the income statement.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see over page).

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and presented in equity in the hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. The amount recognised in equity is transferred to the income statement in the same period that the hedged item affects the income statement.

Separable embedded derivatives
Changes in the fair value of separable embedded derivatives are recognised in profit or loss.

(d) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share entitlements are recognised as a deduction from equity.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

(e) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	up to 50 years
• Plant and machinery	2 - 20 years
• Vehicles	4 -10 years
• Office equipment, furniture and fittings	2 -10 years
• Bearer plants	100 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(f) Biological assets

Biological assets are measured at fair value less point-of-sale costs, with any change therein recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets. Agricultural produce from biological assets is transferred to inventory at fair value, by reference to market prices for honey, less estimated point-of-sale costs at the date of harvest.

(g) Intangible assets and goodwill

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries and other business combinations is presented within intangible assets.

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the income statement when incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement when incurred.

(iv) Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

• Brands, patents and trademarks	3 – 20 years (2017: 3-10 years)
• Capitalised development costs	2 – 5 years
• Software	3 – 10 years

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of items transferred from biological assets is their fair value less point-of-sale costs at the date of transfer.

(i) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

(i) Impairment of receivables

The recoverable amount of the Group's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows. Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on number of days overdue and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

(ii) Non-financial assets

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first

NOTES TO THE FINANCIAL STATEMENTS

(i) Impairment (continued)

(ii) Non-financial assets (continued)

to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. When an event occurring after the impairment was recognised causes the amount of the impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Employee benefits

Share-based payment transactions

The grant date fair value of entitlements granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the entitlements. The amount recognised as an expense is adjusted to reflect the actual number of share entitlements that vest.

(k) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For domestic sales, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier.

(l) Finance income and expenses

Finance income comprises interest income on funds invested, foreign exchange gains, dividend income and gains on the disposal of available-for-sale financial assets that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, foreign exchange losses, unwinding of the discount on provisions, impairment losses recognised on financial assets (except for trade receivables) and losses on the disposal of available-for-sale financial assets that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

(m) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share entitlements granted to employees.

(o) Segments

Segment results that are reported to the CEO include costs directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses.

(p) New standards and interpretations not yet adopted

A number of new standards and interpretations are not yet effective as at 30 June 2018, and have not been applied in preparing these consolidated financial statements. The relevant standards are:

NZ IFRS 15 Revenue from Contracts with Customers

Effective for Group reporting period beginning on: 1 July 2018

NOTES TO THE FINANCIAL STATEMENTS

(p) New standards and interpretations not yet adopted (continued)

NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and related interpretations. An impact assessment of this standard has been performed by the Group and no material impact is expected from the adoption of this standard other than reclassifications and additional disclosures.

NZ IFRS 9 Financial Instruments

Effective for Group reporting period beginning on: 1 July 2018

NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from NZ IAS 39. NZ IFRS 9 Financial Instruments replaces the existing guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement.
The new standard includes three areas of change:

1. Classification and measurement of financial instruments - the adoption of NZ IFRS 9 will not require any changes to the measurement of the Group's financial assets. Financial assets classified as 'loans and receivables' will now be classified as 'amortised cost'. There are no other classification changes, therefore no material impact is expected from this area of change.
2. A single, forward-looking, 'expected loss' impairment model – the Group has elected to apply the 'simplified approach' for the calculation and recognition of impairment of financial assets. An assessment has been performed by the Group and the adoption of this new standard is not expected to have a material impact on the Group.
3. Reformed approach to hedge accounting. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks, management consider this will have no impact on the Group. Hedging documentation has been updated to be compliant with NZ IFRS 9.

The requirements of NZ IFRS 9 will be adopted from 1 July 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives.

The current estimated impact of transitioning to NZ IFRS 9 at 1 July 2018 on the financial statements of the Group is not expected to be material. The Group will continue to revise, refine and validate the impairment model and related process controls.

NZ IFRS 16 Leases

Effective for Group reporting period beginning on: 1 July 2019

NZ IFRS 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating. NZ IFRS 16 Leases replaces the existing guidance in NZ IAS 17 Leases. The Group has collated information and is in the process of assessing the full impact of adopting this standard.

4. SEGMENT REPORTING

Segment information is presented in the financial statements in respect of the Group's contribution segments which are the primary basis of decision making. The contribution segment reporting format reflects the Group's management and internal reporting structure.

Performance is measured based on contribution which is a measure of profitability that the segment contributes to the Group. Contribution is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments. Inter-segment pricing is determined on an arms-length basis.

Each segment sells Comvita's range of products. Comvita's range of products primarily include products with apiary and other natural ingredients.

The Company is organised primarily by geographic location of its subsidiaries, such as New Zealand, Australia, Asia, Europe and North Amercia, except for the China segment, which reports on sales to our Joint Venture and our share of the Joint Venture's profits.

The Group has six reportable segments as described below:

New Zealand	This segment captures both revenue and related costs for the New Zealand market, excluding exports.
Australia	This segment captures both revenue and related costs for the Australian domestic market and includes external revenue and costs from Comvita Australia Pty Limited.
China	This segment reports on sales to our China Joint Venture and our share of the China Joint Venture's profits.
Asia	This segment captures both revenue and related costs of our Asian operations and customers. The Asian segment includes Hong Kong, Taiwan, Japan, Korea and Singapore. It excludes China which is a separate segment.
North America	This segment captures both revenue and related costs for sales to customers of the North American subsidiary.
Europe	This segment captures both revenue and related costs for the United Kingdom and European markets.

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENT REPORTING (CONTINUED)

For the year ended 30 June

In thousands of New Zealand dollars

Contribution segments*	New Zealand		Australia		China**		Asia		North America		Europe		Total reportable segments		Other segments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	37,075	33,118	45,483	31,811	12,095	28,640	36,813	32,363	26,835	3,846	8,664	7,395	166,965	137,173	11,528	18,706	178,493	155,879
Contribution	16,195	14,380	11,548	6,467	1,796	3,521	4,158	4,766	9,060	(672)	412	49	43,169	28,511	554	1,033	43,723	29,544
Non attributable																	(35,559)	(29,175)
Other income (Note 6)																	4,931	14,251
Financial income and expenses (Note 7)																	(3,196)	(1,796)
Share of profit of equity accounted investees (Note 15)					3,346	-									(1,425)	(2,237)	1,921	(2,237)
Impairment of equity accounted investees (Note 15)															(681)	(1,235)	(681)	(1,235)
Net profit before tax					**5,142**	**3,521**											**11,139**	**9,352**

* *These are not purely geographical segments and hence vary from the geographical segments presented below*

****Reconciliation of China Segment**	**Gross**	**51% elimination**	Note	**Total segment (per above)**
Revenue	21,423	(9,328)	5	12,095
Contribution	3,419	(1,623)	15b	1,796
Share of profit of equity accounted investees	3,346	-		3,346
Net profit before tax	**6,765**	**(1,623)**		**5,142**

China sales and contribution for 2018 includes 51% of sales and contribution eliminated, for 51% of inventory purchased from the Group, on-hand at reporting date.

Geographical segments

	30 June 2018		30 June 2017	
In thousands of New Zealand dollars	**Revenue**	**Non-current assets**	**Revenue**	**Non-current assets**
Australia	45,703	27,270	31,751	31,704
New Zealand	40,016	48,170	35,655	47,312
Rest of Asia	37,136	8,722	33,863	4,472
North America	34,966	2	15,478	2
China	12,095	-	28,640	-
Europe	8,216	1,080	10,136	1,012
Other Countries	361	-	356	-
Total	**178,493**	**85,244**	**155,879**	**84,502**

Total reportable segment assets
As at 30 June

In thousands of New Zealand dollars	**2018**	**2017**
Total assets for reportable segments	120,181	97,331
Other investments	8	8
Investment in equity accounted investees	30,621	7,927
Other unallocated assets	167,757	151,426
Consolidated total assets	**318,567**	**256,692**

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE

In thousands of New Zealand dollars	Note	2018 30 June	2017 30 June
Sales		186,026	148,681
Elimination of sales (from stock held by equity accounted investee)	4	(9,328)	-
Royalties		-	1,251
Deferred revenue released		-	529
Deferred revenue released – Sale of IP to Derma		-	3,338
Other		1,795	2,080
Total revenue		**178,493**	**155,879**

6. OTHER INCOME

In thousands of New Zealand dollars	Note	2018 30 June	2017 30 June
Gain on sale of Medihoney IP to Derma	(i)	-	13,201
Earnout - Integra	(i)	2,862	-
Change in fair value of contingent consideration	(ii)	750	-
Government grants		764	237
Gain on disposal of PP&E		125	-
Change in fair value of biological assets		65	428
Other		365	385
Total other income		**4,931**	**14,251**

(i) Sale of Medihoney Intellectual Property (IP) to Derma Sciences, Inc.

In January 2017, the Company sold its Medihoney related IP to Derma Sciences, Inc., who has been subsequently acquired by Integra Lifesciences Inc. (NASDAQ: IART). In addition to the initial consideration received, a further two earnout payments totalling USD$5,000,000 were receivable if Derma's Medihoney sales exceed certain thresholds. The first earnout was received in June 2018 with a cash receipt of USD$2,000,000 for additional consideration. The second earnout has not been recognised as a receivable as it is not virtually certain that it will be received.

(ii) Change in fair value of contingent consideration

Reversal of the contingent consideration related to the Putake Group Holdings Limited equity accounted investee, as the earnout conditions were not met. The amount has been released from payables, refer note 21.

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INCOME AND EXPENSES

In thousands of New Zealand dollars	Note	2018 30 June	2017 30 June
Gain on sale of available-for-sale financial asset (Shares – Derma)		-	4,670
Net foreign exchange gain		936	1,331
Interest income		654	456
Net gain in fair value of derivatives designated at fair value through the income statement		184	-
Dividend income		3	4
Finance income		**1,777**	**6,461**
Interest expense on financial liabilities measured at amortised cost		(3,851)	(4,058)
Interest - other		-	(29)
Dilution of shareholding – SeaDragon		-	(623)
Net loss in fair value of derivatives designated at fair value through the income statement:			
- SeaDragon options and convertible loan notes	16	(1,122)	(3,501)
- Other		-	(46)
Finance expense		**(4,973)**	**(8,257)**
Net finance costs		**(3,196)**	**(1,796)**

8. PERSONNEL EXPENSES

In thousands of New Zealand dollars	2018 30 June	2017 30 June
Wages and salaries	37,822	35,799
KiwiSaver – employer contribution	584	545
Movement in long-service leave provision	51	1
Equity settled share based payment transactions	730	450
Total personnel expenses	**39,187**	**36,795**

NOTES TO THE FINANCIAL STATEMENTS

9. EXPENSES

Administrative expenses

The following items of expenditure are included in administrative expenses:

In thousands of New Zealand dollars	2018 30 June	2017 30 June
Auditors' remuneration:		
To KPMG for audit services (ii)	256	270
To KPMG for tax services (iii)	76	107
To KPMG for other assurance services	-	10
To Day Smith Hunter (UK auditors)	28	36
Personnel expenses (i)	7,288	6,911
Depreciation (i)	769	839
Amortisation (i)	1,307	1,654
Insurance (i)	229	217
Doubtful debts (recovered)/expense	(494)	252
Bad debts written off	73	159
Rental expense (i)	771	656
Directors' fees (iv)	514	491
Directors – other costs	17	4
Other legal & professional expenses	278	424
Loss on disposal of property, plant & equipment	-	132
Loss on disposal of intangible assets	31	212
Donations	24	32

(i) Only the portion of this expense which is included in administrative expenses
(ii) Audit services include fee for annual audit of the financial statements of the group and its foreign subsidiaries based in Hong Kong and Australia and the review of the interim financial statements
(iii) Tax services is for tax compliance and advisory work
(iv) Refer to Statutory Information

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAX EXPENSE IN THE INCOME STATEMENT

In thousands of New Zealand dollars	Note	2018 30 June	2017 30 June
Current tax expense			
Current period		4,142	500
Adjustment for prior periods		(367)	(80)
Total current income tax expense		3,775	420
Deferred tax expense			
Origination and reversal of temporary differences	11	(847)	(890)
Total deferred income tax (benefit)		(847)	(890)
Total income tax expense/(benefit)		**2,928**	**(470)**

Reconciliation of effective tax expense

In thousands of New Zealand dollars	2018 30 June	2017 30 June
Profit for the period	8,211	9,822
Total income tax expense/(benefit)	2,928	(470)
Profit excluding income tax	11,139	9,352
Income tax using the Company's domestic tax rate of 28% (2017: 28%)	3,119	2,619
Effect of different tax rates in foreign jurisdictions	(181)	(204)
Non-deductible expenses	892	3,932
Additional income	80	170
Non-assessable income	(431)	(7,523)
Income tax relating to equity accounted investees	(590)	356
Research and development tax credits	(84)	(73)
Under provided in prior periods	30	346
De-recognition/(recognition) of tax losses	93	(93)
Total income tax expense/(benefit)	**2,928**	**(470)**

Income tax recognised directly in other comprehensive income

In thousands of New Zealand dollars	Note	2018 30 June	2017 30 June
Derivatives	11	490	(135)
Other items	11	(494)	33
Total income tax recognised directly in other comprehensive income		**(4)**	**(102)**

Imputation credit account

In thousands of New Zealand dollars	2018 30 June	2017 30 June
Imputation credits available for use in subsequent reporting periods	8,059	7,478

NOTES TO THE FINANCIAL STATEMENTS

11. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of New Zealand dollars	Assets		Liabilities		Net	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Property, plant & equipment	-	-	(1,099)	(1,292)	(1,099)	(1,292)
Biological assets	-	-	(584)	(565)	(584)	(565)
Inventories	2,155	1,821	-	-	2,155	1,821
Derivatives	855	417	-	-	855	417
Investments	871	910	-	-	871	910
Other items	787	851	-	-	787	851
Tax loss carry-forwards	7	7	-	-	7	7
Tax assets/(liabilities)	4,675	4,006	(1,683)	(1,857)	2,992	2,149
Set-off of tax	(1,683)	(1,857)	1,683	1,857	-	-
Net tax assets/(liabilities)	**2,992**	**2,149**	**-**	**-**	**2,992**	**2,149**

The utilisation of tax loss carry-forwards is dependent on expected future taxable profits in excess of the profits from the reversal of existing taxable temporary differences. This recognition is based on current budgets and financial forecasts completed by management.

Movement in temporary differences during the period

2018

In thousands of New Zealand dollars	**Balance 1 July 2017**	**Recognised in the income statement**	**Recognised in other comprehensive income**	**Balance 30 June 2018**
Property, plant & equipment	(1,292)	193	-	**(1,099)**
Biological assets	(565)	(19)	-	**(584)**
Derivatives	417	(52)	490	**855**
Investments	910	455	(494)	**871**
Inventories	1,821	334	-	**2,155**
Other items	851	(64)	-	**787**
Tax loss carry-forwards	7	-	-	**7**
Total	**2,149**	**847**	**(4)**	**2,992**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

In thousands of New Zealand dollars	**2018**	**2017**
Tax loss carry-forwards	1,485	2,367
Intangible assets	930	900
Total	**2,415**	**3,267**

The tax loss carry-forwards do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT & EQUIPMENT

In thousands of New Zealand dollars	**Land**	**Buildings**	**Owned plant & machinery**	**Vehicles**	**Bearer Plants**	**Office equipment, furniture & fittings**	**Capital WIP**	**Total**
Cost								
Balance at 30 June 2016	**9,345**	**15,955**	**24,500**	**2,213**	**5,414**	**5,816**	**2,511**	**65,754**
Additions/Transfers	621	1,468	1,043	-	-	652	(827)	2,957
Disposals	-	(208)	(474)	(142)	-	(1,233)	-	(2,057)
Effect of movements in exchange rates	12	6	5	1	31	(78)	10	(13)
Balance at 30 June 2017	**9,978**	**17,221**	**25,074**	**2,072**	**5,445**	**5,157**	**1,694**	**66,641**
Additions/Transfers	430	34	1,990	295	-	1,266	1,457	5,472
Disposals	(160)	(161)	(628)	(141)	-	(734)	-	(1,824)
Effect of movements in exchange rates	72	39	76	6	181	180	21	575
Balance at 30 June 2018	**10,320**	**17,133**	**26,512**	**2,232**	**5,626**	**5,869**	**3,172**	**70,864**
Depreciation								
Balance at 30 June 2016	**-**	**(4,078)**	**(8,302)**	**(1,351)**	**(182)**	**(3,946)**	**-**	**(17,859)**
Depreciation	-	(971)	(2,292)	(274)	(62)	(888)	-	(4,487)
Disposals	-	130	309	174	-	1,256	-	1,869
Effect of movements in exchange rates	-	(2)	(4)	(1)	(1)	50	-	42
Balance at 30 June 2017	**-**	**(4,921)**	**(10,289)**	**(1,452)**	**(245)**	**(3,528)**	**-**	**(20,435)**
Depreciation	-	(809)	(2,170)	(223)	(65)	(913)	-	(4,180)
Disposals	-	56	552	133	-	711	-	1,452
Effect of movements in exchange rates	-	(13)	(39)	(6)	(8)	(127)	-	(193)
Balance at 30 June 2018	**-**	**(5,687)**	**(11,946)**	**(1,548)**	**(318)**	**(3,857)**	**-**	**(23,356)**
Carrying amount								
At 30 June 2016	9,345	11,877	16,198	862	5,232	1,870	2,511	47,895
At 30 June 2017	9,978	12,300	14,785	620	5,200	1,629	1,694	46,206
At 30 June 2018	**10,320**	**11,446**	**14,566**	**684**	**5,308**	**2,012**	**3,172**	**47,508**

Depreciation charge in the income statement

Depreciation is allocated to cost of sales, selling and marketing expenses, distribution expenses, research and development expenses and administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS AND GOODWILL

In thousands of New Zealand dollars	Goodwill	Brands, patents, trademarks	Software	Total
Cost				
Balance at 30 June 2016	**34,023**	**10,393**	**12,018**	**56,434**
Additions	-	726	286	1,012
Disposals	(5,536)	(5,118)	(2,559)	(13,213)
Effect of movements in exchange rates	(49)	-	(9)	(58)
Balance at 30 June 2017	**28,438**	**6,001**	**9,736**	**44,175**
Additions	-	317	476	793
Disposals	-	(179)	(311)	(490)
Effect of movements in exchange rates	664	19	27	710
Balance at 30 June 2018	**29,102**	**6,158**	**9,928**	**45,188**
Amortisation				
Balance at 30 June 2016	**(626)**	**(7,978)**	**(6,201)**	**(14,805)**
Amortisation	-	(443)	(1,898)	(2,341)
Disposals	-	4,611	2,404	7,015
Effect of movements in exchange rates	-	-	7	7
Balance at 30 June 2017	**(626)**	**(3,810)**	**(5,688)**	**(10,124)**
Amortisation	-	(279)	(1,723)	(2,002)
Disposals	-	64	311	375
Effect of movements in exchange rates	-	(19)	(21)	(40)
Balance at 30 June 2018	**(626)**	**(4,044)**	**(7,121)**	**(11,791)**
Carrying Amount				
At 30 June 2016	33,397	2,415	5,817	41,629
At 30 June 2017	27,812	2,191	4,048	34,051
At 30 June 2018	**28,476**	**2,114**	**2,807**	**33,397**

Amortisation charge in the income statement

Amortisation is allocated to cost of sales, selling and marketing expenses, distribution expenses, research and development expenses and administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Impairment testing for cash-generating units containing goodwill (CGU)

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

In thousands of New Zealand dollars	2018 30 June	2017 30 June
Australia	16,241	15,717
Hong Kong	7,924	7,868
United Kingdom	2,052	1,968
Apiaries	1,901	1,901
Other	358	358
Total goodwill	**28,476**	**27,812**

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and were based on the following key assumptions:

Anticipated annual revenue growth included in the cash flow projections for the combined CGU's (normalised) for the years 2019 to 2023	(22%) to 71%	5% to 10%
Post tax discount rate	10.3%	10.8%
Discount rate based on the average weighted cost of capital which was based on debt leveraging of:	20%	20%
- At a cost of debt rate of:	4.5%	4.7%
Terminal growth rate applied beyond June 2023	3.0%	3.0%

Cash flows were projected on actual operating results and the 5-year business plan.

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Sensitivity to changes in assumptions

The recoverable amount in each CGU exceeds its carrying amount by the balances shown in the following table

In thousands of New Zealand dollars	**2018 30 June**	**2017 30 June**
Australia	9,429	26,261
Hong Kong	34,433	12,211
United Kingdom	3,934	3,197
Apiaries	3,618	34,297

If projected Earnings before Interest and Tax (EBIT) is reduced by 10% year on year, it changes the amount the recoverable amount exceeds its carrying amount to:

In thousands of New Zealand dollars		
Australia	3,601	18,832
Hong Kong	29,989	10,566
United Kingdom	2,858	2,537
Apiaries	(631)	23,632

The post tax discount rate for the recoverable amount to equal carrying amount is calculated at:

in percent		
Australia	12.1%	15.7%
Hong Kong	31.2%	18.8%
United Kingdom	14.7%	16.2%
Apiaries	11.0%	26.6%

NOTES TO THE FINANCIAL STATEMENTS

14. BIOLOGICAL ASSETS

Total

In thousands of New Zealand dollars	**2018 30 June**	**2017 30 June**
Bees	3,641	3,578
Olive Leaf	690	667
Total biological assets	**4,331**	**4,245**

Bees

In thousands of New Zealand dollars		
Balance at beginning of the period	3,578	3,322
Decrease due to sales	(6)	(31)
Net movement in operational hives	69	71
Movement in fair value	-	216
Balance at the end of the period	**3,641**	**3,578**

Number of operational hives

Balance at beginning of the period	26,896	26,577
Decrease due to sales	(41)	(250)
Net movement in operational hives	524	569
Balance at the end of the period	**27,379**	**26,896**

The Group is exposed to a number of risks related to owning bees, primarily the risk of damage from climatic changes and diseases. The Group has processes in place aimed at monitoring and mitigating those risks, through hiring of experienced bee keepers, the intensive maintenance of bee hives and disease prevention programmes.

Fair value hierarchy

The Group's bees are level 3 on the fair value hierarchy, being calculations for which inputs are not based on observable market data (unobservable inputs).

As the bee hives are continually regenerating the fair value assigned to a hive is on a $ per kg basis, plus queen and brood. The value attributed to these quantities has been sourced from the Ministry of Primary Industries.

The $ value per hive assigned is highlighted in the table below

The value assigned is:

In New Zealand dollars		
Average per hive	93	93
Per queen	35	35
Per brood	5	5
Total value	**133**	**133**

NOTES TO THE FINANCIAL STATEMENTS

15. EQUITY ACCOUNTED INVESTEES

(a) Investments in Equity Accounted Investees comprises:

	Country of Incorporation	Ownership Interest Held	Balance Date	Principal Activity
Extracts NZ Limited	New Zealand	33.3%	31 March	Not trading
Kaimanawa Honey Limited Partnership	New Zealand	50%	30 June	Apiary and land use
Makino Station Limited	New Zealand	50%	30 June	Apiary and land ownership
SeaDragon Limited	New Zealand	9.1%	31 March	Fish oil production
Nga Pi Honey Limited	New Zealand	33%	30 June	Apiary
Putake Group Holdings Limited	New Zealand	50%	30 June	Apiary
Manuka Research Partnership Limited	New Zealand	31.77%	30 June	Research and development
Medibee Pty Limited	Australia	50%	30 June	Apiary
Comvita China, consisting of the two entities:				
Comvita Food (China) Limited	China	51%	31 December	Selling and distribution
Comvita China Limited	Hong Kong	51%	31 December	Selling and distribution

(b) Movement in Carrying Value of Investments in Equity Accounted Investees

In thousands of New Zealand dollars	Note	2018	2017
Balance at 1 July		**14,155**	**6,531**
Acquisitions – Comvita China	15(d)	16,424	6,264
Acquisitions – Other		269	5,363
Profit distribution		(262)	(142)
Impairment – SeaDragon		(681)	(1,235)
Dilution of shareholding – SeaDragon	7	-	(623)
Share of profit/(loss)		1,921	(2,237)
Profit elimination – Comvita China*		(1,623)	-
Transfer share of loss to receivable		418	234
Balance at 30 June		**30,621**	**14,155**

* The profit elimination (sales less cost of sales) results from inventories sold from the Group to the equity accounted investee, still on hand at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

15. EQUITY ACCOUNTED INVESTEES (CONTINUED)

(c) Summarised financial information of material investees

As at:	**SeaDragon 31-Mar-18**	**Comvita China 30-Jun-18**
Percentage ownership interest	9.1%	51%
Revenues	3,028	46,038
Depreciation and amortisation	(888)	(77)
Interest income	40	8
Interest expense	(687)	-
Net profit/(loss) before tax	(6,057)	8,600
Tax expense	-	2,040
Net profit/(loss) after tax	(6,057)	6,560
Total comprehensive income (Profit/(loss) & OCI)	(6,057)	6,560
Group's share of profit and total comprehensive income	(551)	3,346
Cash and cash equivalents	1,009	3,343
Total current assets	3,105	39,567
Total non-current assets	11,700	90
Total assets	14,805	39,857
Current financial liabilities excluding trade and other payables and provisions	(2,758)	-
Total current liabilities	(3,818)	(19,813)
Non current financial liabilities excluding trade and other payables and provisions	-	-
Total non-current liabilities	(255)	-
Total liabilities	4,073	(19,813)
Net assets	10,732	19,844
Group's share of net assets	(977)	10,121
Elimination of unrealised profit on downstream sales		(1,623)
Carrying amount of interest in Joint Venture		8,398

(d) Comvita China

In thousands of New Zealand dollars	2018	2017
Consideration in cash	-	6,152
Consideration in shares	16,414	-
Professional fees capitalised to investment	10	112
Consideration from the prior year	6,264	-
Carrying amount of equity accounted investee	22,688	6,264
Less: Share of net tangible assets acquired	7,480	-
Goodwill and intangibles	**15,208**	**6,264**

Prior to 30 June 2017, the legal entity was set up and the Company contributed NZD$6,152,000 cash as share capital. Some set up costs were incurred prior to balance date and these have been equity accounted, with the exception of legal & professional fees totalling $112,000 which have been capitalised to the carrying value of the investment.

On 3 July 2017, the formation of the joint venture was completed. The Company issued 2,830,000 shares for consideration of $16,414,000. These shares remain in Escrow at 30 June 2018, waiting for conditions to be met.

NOTES TO THE FINANCIAL STATEMENTS

15. EQUITY ACCOUNTED INVESTEES (CONTINUED)

e) SeaDragon Limited

The Company holds 410,987,830 shares (2017: 410,987,830 shares) in SeaDragon Limited.

The Convertible Notes issued to SeaDragon at 30 June 2018 total $3,000,000 (30 June 2017 $2,000,000).

There is a conversion element to the convertible note for 375,000,000 shares, which is recognised as an embedded derivative (refer to Note 16). The options and convertible note which Comvita hold at 30 June 2018 have the ability to take the Company's shareholding over 20%. Refer to Note 16 for the valuation of the options and the convertible note.

f) Apiter S.A.

Subsequent to reporting date, on 3 July 2018, the Company acquired a 20% shareholding in Apiter S.A. The consideration for this investment was USD$5,650,000 in cash and USD$600,000 in shares, which were issued from Treasury Stock (refer Note 22).

g) Loans to equity accounted investees

In thousands of New Zealand dollars	Note	**2018 30 June** Loan receivable	**2017 30 June** Loan receivable	**2018 12 months** Interest income	**2018 30 June** Interest Receivable
Kaimanawa		1,128	103	-	-
Putake		550	665	-	-
Makino		3,548	3,282	185	290
SeaDragon - convertible note		3,000	2,000	362	83
Medibee		2,302	2,438	-	-
Nga Pi Honey		252	209	-	-
Comvita China		10	-	-	-
Total	**19**	**10,790**	**8,697**	**547**	**373**

All loans to equity accounted investees are repayable on demand except convertible notes.

Medibee Apiaries Limited

Medibee Apiaries has a funding arrangement with HSBC and Comvita Limited has signed a several guarantee for its share of the facility, which is AUD $10 million.

h) Loans to related parties

In thousands of New Zealand dollars					
Gan Enterprises Ltd (Nga Pi)		567	480	33	2
Casa Base Trustees (Putake)		603	565	38	38
Total	**19**	**1,170**	**1,045**	**71**	**40**

NOTES TO THE FINANCIAL STATEMENTS

15. EQUITY ACCOUNTED INVESTEES (CONTINUED)

i) Transactions with equity accounted investees

In thousands of New Zealand dollars	**Sale of goods and services**		**Purchases of goods and service**	
	Transaction value	Balance due from	Transaction value	Balance due from
2018				
Comvita China	21,422	14,155	-	-
Kaimanawa	2,372	519	2,271	-
Makino	-	-	651	41
Nga Pi Honey	18	17	81	-
Putake	25	23	1,149	331
Medibee	-	-	613	-
SeaDragon	14	-	-	-
2017				
Kaimanawa	1,860	2,139	383	-
Makino	-	-	41	-
Nga Pi Honey	-	-	64	-
Putake	-	-	579	-
Extracts	-	-	18	-

16. DERIVATIVES

The table below analyses financial instruments carried at fair value, by valuation method. They are all level 2 on the fair value hierarchy, as they include inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). There have been no transfers between levels in either direction during the period.

In thousands of New Zealand dollars	**2018 30 June**	**2017 30 June**
Derivatives – SeaDragon (Note 15 and table below)	2	1,124
Derivatives – assets (designated at fair value through the income statement)	184	-
Derivatives – assets (hedging instrument)	-	1,207
Total assets	**186**	**2,331**
Derivatives – liabilities (hedging instrument)	(3,368)	(2,625)
Total liabilities	**(3,368)**	**(2,625)**

Derivatives – assets and liabilities (hedged) and designated at fair value through the income statement

The Group's Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

NOTES TO THE FINANCIAL STATEMENTS

16. DERIVATIVES (CONTINUED)

Derivatives – designated at fair value through the income statement – SeaDragon options and convertible note

The Group determines Level 2 fair value through the application of the Binomial Model (2017: Binomial Model). Inputs include, the share price (a Level 1 input), risk free rate of the remaining life of the derivative, and the volatility of the share price.

In thousands of New Zealand dollars

	Number of shares	Strike Price	Expiry date	Expected volatility	Risk free rate	Value at 30 June 2018	Value at 30 June 2017	Subsequent event (i) Value at 8 August 2018
Options A	410,987,830	$0.015	29-Sep-18	75%	2.49%	-	220	-
Options B	375,000,000	$0.008	28-Sep-18	75%	2.49%	1	542	1,623
Total						**-**	**762**	**1,623**
Convertible Note – embedded derivative	375,000,000	$0.008	28-Sep-18	75%	2.49%	1	**362**	**1,623**
Total						**2**	**1,124**	**3,246**

(i) The Deed of Amendment and Restatement signed on 3 July 2018 and approved by SeaDragon Shareholders on 8 August 2018 extends the expiry date of the $0.008 options and Convertible Note to 31 March 2020 and adjusts the strike price to $0.0033. The value of these derivatives under the new agreement is $3,246,000, which has resulted in a net gain in fair value of derivatives recognised in the income statement of $3,244,000 in August 2018.

17. INVENTORY

In thousands of New Zealand dollars

	2018 30 June	2017 30 June
Raw materials	89,273	59,895
Work in progress	2,866	3,876
Finished goods	25,980	24,965
Provision	(1,627)	(880)
Total inventory	**116,492**	**87,856**

18. TRADE RECEIVABLES

In thousands of New Zealand dollars

	2018 30 June	2017 30 June
Trade receivables	55,813	44,013
Total trade receivables	**55,813**	**44,013**

The status of trade receivables at the reporting date is as follows:

In thousands of New Zealand dollars

	Gross receivable 2018	Impairment 2018	Gross receivable 2017	Impairment 2017
Not past due	39,608	-	30,790	-
Past due 0-30 days	5,987	-	4,097	-
Past due 31-60 days	1,597	(40)	3,710	(330)
Past due 61-365 days	4,834	(42)	5,975	(229)
Past due > 365 days	3,869	-	-	-
Total	**55,895**	**(82)**	**44,572**	**(559)**

The Company has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

*All of the > 365 days is related to the China investment and the shares held in escrow at 30 June 2018 (Note 15d).

NOTES TO THE FINANCIAL STATEMENTS

18. TRADE RECEIVABLES (CONTINUED)

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

In thousands of New Zealand dollars

	2018 30 June	2017 30 June
China	20,943	22,004
Australia	17,578	8,490
New Zealand	9,985	8,944
United States	2,558	285
United Kingdom	1,460	1,733
Hong Kong	1,072	789
Other regions	2,217	1,768
Total	**55,813**	**44,013**

19. SUNDRY RECEIVABLES

In thousands of New Zealand dollars

	Note	2018 30 June	2017 30 June
Loans to equity accounted investees	15(g)	10,790	8,697
Loan receivable – related parties	15(g)	1,170	1,045
Prepayments		4,924	4,171
Other receivables		4,967	1,795
Total sundry receivables		**21,851**	**15,708**

20. EMPLOYEE BENEFITS

In thousands of New Zealand dollars

	2018 30 June	2017 30 June
Annual leave	1,632	1,410
Performance accrual	1,961	2,168
Accrued wages and salaries	455	424
Total current employee benefits	4,048	4,002
Long service leave (non-current)	407	356
Total employee benefits	**4,455**	**4,358**

21. TRADE AND OTHER PAYABLES

In thousands of New Zealand dollars

	Note	2018 30 June	2017 30 June
Trade creditors		14,438	9,740
Accruals		8,424	8,480
Contingent consideration – equity accounted investees	6	-	750
Due to directors		76	118
Total trade and other payables		**22,938**	**19,088**

NOTES TO THE FINANCIAL STATEMENTS

22. CAPITAL AND RESERVES

Ordinary and partly paid redeemable shares

In thousands of shares	Note	2018 30 June	2017 30 June
On issue at beginning of the year		42,005	39,580
Net treasury stock movement		46	(41)
Share issue – Comvita China	15(d)	2,830	-
Private placement		-	2,000
Issued to members of executive share scheme	26a	282	462
Issued to employee share purchase scheme		-	4
Ordinary shares on issue at end of the year		**45,163**	**42,005**
Closing partly paid shares	26a	2,057	2,339
Total shares including part paid at end of the year		**47,220**	**44,344**

Treasury Stock

In thousands of shares		
Treasury stock at beginning of the year	454	413
Issued – Putake acquisition	-	(163)
Supplier Partnership Group Share Scheme	(46)	204
Total treasury stock at end of the year	**408**	**454**

Subsequent event

Subsequent to reporting date, 154,686 Treasury Stock was issued to Apiter S.A (refer to Note 15(f)).

Ordinary shares

All ordinary shares issued are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

The hedging reserve comprises the cumulative change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

NOTES TO THE FINANCIAL STATEMENTS

22. CAPITAL AND RESERVES (CONTINUED)

Dividends

The following dividends were declared and paid by the Group:

In thousands of New Zealand dollars	2018	2017
$0.04 per ordinary share in March 2018	1,845	-
$0.02 per ordinary share in March 2017	-	882
$0.02 per ordinary share in September 2016	-	825
Total	**1,845**	**1,707**

Capital management

The Group's capital includes share capital, reserves and retained earnings. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the geographic spread of shareholders, as well as the return on capital.

Public share offerings and private offerings are made, where applicable. This and acquisitions are key to ensuring the future development of the business.

The Board has an employee share purchase scheme and an executive employee share scheme to ensure the employees hold an investment in the Group. The Board has also implemented a Supplier Group Share Scheme to assist in security of raw material honey supply.

Other than the banking requirements, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23. EARNINGS PER SHARE

Basic earnings per share - weighted average number of ordinary shares *In thousands of shares*	2018 30 June	2017 30 June
Issued ordinary shares at beginning of year	42,005	39,581
Effect of shares issued during the year	2,976	1,792
Weighted average number of ordinary shares at the end of the year	**44,981**	**41,373**
Basic earnings per share (NZ cents)	**18.25**	**23.74**

Diluted earnings per share - weighted average number of ordinary shares (diluted) *In thousands of shares*		
Weighted average number of ordinary shares (basic)	44,981	41,373
Effect of share entitlements issued	1,215	1182
Weighted average number of diluted shares at end of the year	**46,196**	**42,555**
Diluted earnings per share (NZ cents)	**17.77**	**23.08**

NOTES TO THE FINANCIAL STATEMENTS

24. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

Terms and debt repayment schedule

In thousands of New Zealand dollars	Facility Local Currency	Currency	Nominal Interest rate	Maturity	Carrying Amount 2018	Carrying Amount 2017
Secured bank loan – Westpac NZ	44,000	NZD	3.65%	Sept 2020	44,000	44,000
Multi option credit line – Westpac NZ	66,300	NZD	3.34%	Feb 2020	52,700	22,500
Total borrowings	**110,300**				**96,700**	**66,500**
Less current portion of borrowings					-	-
Borrowings – Non current					**96,700**	**66,500**

Subsequent event

Borrowings facility increased from $110.3 million to $130.3 million in August 2018.

Covenants and security

The Group was in compliance with all banking covenants during the year and as at 30 June 2018. All debt with Westpac New Zealand Limited is secured by way of registered first and exclusive Composite Debentures and a General Security Agreement, cross collateralised, over all the assets, undertakings and uncalled capital of all Charging Group companies and an interlocking supported guarantee between all Charging Group companies.

"Charging Group" - Comvita Limited, Comvita New Zealand Limited, Comvita Holdings Pty Limited, Comvita Australia Pty Limited, Comvita Holdings UK Limited and Comvita UK Limited.

Net debt

In thousands of New Zealand dollars	2018 30 June	2017 30 June
Cash	4,947	4,572
Less Debt – Non-Current	(96,700)	(66,500)
Net Debt	**(91,753)**	**(61,928)**

Interest rate risk

At reporting date the interest rate profile of the Group's interest-bearing financial instruments is the balances of the loans above. The Group has a policy of ensuring that its exposure to interest rates for borrowings is managed. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure with the Group's policy.

Sensitivity analysis

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit. At 30 June 2018 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $405,000 (2017: $225,000).

Other Facilities

Overdraft schedule

In thousands of New Zealand dollars	Facility Local Currency	Currency	Interest rate 2018	Interest rate 2017
Overdraft facility NZD – Westpac NZ	750	NZD	9.64%	9.39%
Overdraft facility GBP – Westpac NZ	1,650	GBP	9.64%	9.39%
Overdraft facility YEN – Westpac NZ	500	JPY	9.64%	9.39%

The balance drawn on each of these at 30 June 2018 is nil (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS

25. RECONCILIATION OF THE PROFIT FOR THE PERIOD WITH THE NET CASH FROM OPERATING ACTIVITIES

In thousands of New Zealand dollars	Note	2018	2017
Profit for the year		8,211	9,822
Adjustments for:			
Depreciation	12	4,180	4,487
Amortisation	13	2,002	2,341
(Gain)/loss on disposal of property, plant & equipment		(125)	132
Loss on disposal and impairment of intangible assets		31	212
Share based payments	8	730	450
Release of deferred revenue	5	-	(3,867)
Fair value (gain)/loss in biological assets	6	(65)	(428)
Net loss/(gain) on fair value of derivatives – SeaDragon options	7	1,122	3,501
Dilution of shareholding – SeaDragon investment	7	-	623
Interest income from investing activities		(618)	-
Net (loss)/gain on fair value of derivatives	7	(184)	48
Gain from sale of Medihoney IP	6	-	(13,201)
Gain from sale of Derma shares	7	-	(4,670)
Elimination of equity accounted investees – stock profit	15(b)	1,623	-
Share of (profit)/loss equity accounted investees	15(b)	(1,921)	2,237
Impairment – equity accounted associates	15(b)	681	1,235
Change in fair value of contingent consideration	6	(750)	-
Other		84	-
Profit adjusted for non-cash items		**15,001**	**2,922**
Change in trade payables relating to investing activities		25	26
Changes in sundry receivables related to shares		291	(1,474)
Change in sundry receivables related to investing activities		2,218	4,729
Change in working capital items from foreign currency translation reserve		970	(243)
Foreign investor tax credits		18	33
Change in inventories		(28,636)	7,443
Change in trade receivables		(11,800)	(25,221)
Change in sundry debtors and prepayments		(6,143)	(3,693)
Change in trade and other payables		3,850	7,563
Change in employee benefits		96	1,255
Change in tax payable		2,145	(3,172)
Change in deferred tax liability		(843)	(788)
Movement of deferred tax in equity		490	(102)
Foreign currency reserve		200	-
Net cash from operating activities		**(22,118)**	**(10,722)**

NOTES TO THE FINANCIAL STATEMENTS

26. EMPLOYEE SHARE SCHEMES

(a) Executive share scheme

Comvita Limited has an Executive Employee Share Scheme called the Comvita Limited Partly Paid Share Scheme ("The Scheme"). The Scheme is designed to provide key employees with an opportunity to benefit from share price growth. A summary of the key points of the Scheme are as follows:

- Comvita will periodically offer the rights to acquire a certain number of ordinary shares to key employees. The issue price of the shares will be at fair value.
- When the offer is accepted Comvita will issue the shares to the Scheme Trustee (Comvita Share Scheme Trustee Limited, which is a subsidiary Company) who will hold the shares on the employees behalf.
- The employee will pay 1 cent for each share at issue date. The partly paid shares will carry entitlements to voting rights, dividend rights and rights to share in surplus assets of Comvita to the extent that they are paid up.
- The release of shares are subject to a share price hurdle threshold being met as described in the Scheme and certain vesting conditions, primarily ongoing service to the Group, and insider trading legislation and other applicable laws.
- On transfer the employee has to pay up the balance of the released shares. If the share price hurdle applicable to any shares is not met on or before each of their respective anniversary dates, the employee will not be able to pay up the balance of the released shares and they will receive back the initial payment for those shares not released and the associated shares are forfeited.

Entitlements on issue at

In thousands	30 June 2018		30 June 2017	
	Number of entitlements	**Weighted average exercise price**	**Number of entitlements**	**Weighted average exercise price**
Entitlements outstanding at beginning of year	2,339	7.20	1,531	4.71
Entitlements granted during the year	-	-	1,384	8.77
Entitlements forfeited during the year	-	-	(114)	6.71
Entitlements converted to ordinary shares (Note 22)	(282)	3.78	(462)	3.74
Entitlements outstanding at end of year	**2,057**	**7.67**	**2,339**	**7.20**

There are 63 (2017: 64) employees in the scheme. The number of entitlements at 30 June 2018 is 4.3% (30 June 2017: 5.2%) of total shares

Fair Value of Share rights granted

The Group's share based payments are level 2 on the fair value hierarchy, involving a combination of quoted (the Company's share price) and unquoted prices. The fair value of services received in return for share entitlements granted to employees is measured by reference to the fair value of shares. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation model.

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

NOTES TO THE FINANCIAL STATEMENTS

26. EXECUTIVE SHARE SCHEME (CONTINUED)

(a) Executive share scheme (continued)

Fair value of share entitlements and assumptions

Issue Date	5-Sep-14	17-Aug-15	18-Nov-15	30-Sep-2016	30-Jun-2017
Entitlements issued (number)	772,500	544,000	208,750	801,250	582,500
Entitlements on hand (at 30 June 2018)	148,125	371,500	188,750	766,250	582,500
Fair value at measurement date	$0.59	$0.95	$1.21	$1.26	$1.59
Share price at grant date	$3.65	$5.75	$8.18	$11.30	$5.80
Grant date	5-Sep-14	17-Aug-15	18-Nov-15	30-Sep-2016	30-Jun-2017
Exercise price	$3.67	$5.45	$7.77	$11.08	$5.60
Expected price volatility	35.3%	27.0%	25.8%	23.7%	52.6%
Share life (weighted average life of each tranche)	2-4 years	2-4 years	2-4 years	2-4 years	2-4 years
Expected dividend yield	4.20%	2.78%	2.26%	2.73%	3.26%
Risk-free interest rate	4.09%	2.69%	2.57%	1.87%	1.81%

The expected volatility is based on analysing the historic volatility (calculated based on the weighted average remaining life of the share entitlements), adjusted for any expected changes to future volatility due to publicly available information. Share entitlements are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. The grants in relation to key management personnel also contain a market condition relating to a share price hurdle. This condition has been taken into account in the grant date fair value measurement of the services received.

Movement of entitlements on issue

Movements in the number of shares outstanding under the scheme are as below:

Year ended 30 June 2018

In thousands

Grant date	Expiry date	Exercise price	Forecast share price hurdle at 30 June 2018*	Balance at start of year	Granted	Exercised during year	Rolled to next anniversary	Balance at end of the year (number)
25-Jul-13	25-Jul-17	3.90		134	-	(134)	-	-
05-Sep-14	05-Sep-17	3.67		148	-	(148)	-	-
05-Sep-14	05-Sep-18	3.67	4.95	148	-	-	-	148
17-Aug-15	17-Aug-17	5.45		186	-	-	(186)	-
17-Aug-15	17-Aug-18	5.45	7.11	93	-	-	186	279
17-Aug-15	17-Aug-19	5.45	7.81	93	-	-	-	93
18-Nov-15	18-Nov-17	7.77		94	-	-	(94)	-
18-Nov-15	18-Nov-18	7.77	10.26	47	-	-	94	142
18-Nov-15	18-Nov-19	7.77	11.18	47	-	-	-	47
30-Sep-16	30-Sep-18	11.08	13.53	383	-	-	-	383
30-Sep-16	30-Sep-19	11.08	14.81	191	-	-	-	191
30-Sep-16	30-Sep-20	11.08	16.22	192	-	-	-	192
30-Jun-17	30-Jun-19	5.60	6.76	291	-	-	-	291
30-Jun-17	30-Jun-20	5.60	7.31	146	-	-	-	146
30-Jun-17	30-Jun-21	5.60	7.91	146	-	-	-	146
Total				**2,339**	**-**	**(282)**	**-**	**2,057**

There are no entitlements exercisable at the end of the year.

* The forecast share price hurdle calculation can change based on the WACC percentage used and future dividends paid.

NOTES TO THE FINANCIAL STATEMENTS

26. EXECUTIVE SHARE SCHEME (CONTINUED)

(b) Staff share scheme

Employees who have served continuously with the Company for a period of at least 12 months, are given the opportunity to subscribe for ordinary shares in the Company from time to time. An interest free loan is advanced by the Company not exceeding $2,340, repayable over three years.

	2018	2017
Employees in the scheme	65	81
Number of shares held	23,646	34,063
% of share capital	0.05%	0.08%

27. FINANCIAL INSTRUMENTS

Overview

Exposure to credit, liquidity and market risks arises in the normal course of the Company's business.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit and Risk Committee is designated to develop and monitor the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and management standards and processes aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. As the counterparty of financial instruments is Westpac New Zealand Limited, it is considered there is minimal credit risk.

The majority of revenue is generated from retailers and consumers and there is no geographical concentration of credit risk. In order to determine which customers are classified as having payment difficulties, the Group applies a mix of duration and frequency of default. Trade receivables aging are monitored on a monthly basis and the Company does not require collateral in respect of trade and other receivables, however Personal Guarantees are obtained where the Company considers it is appropriate.

The Board has approved a credit policy under which new customers are analysed individually for credit worthiness before the Group's standard payment terms and conditions are offered. The Group's review includes reviewing references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Where possible, our interest in goods sold are subject to retention of title clauses and a security interest is registered on the Personal Property Securities Register (PPSR), so that in the event of non-payment the Group may have a secured claim.

The Group's policy is to provide financial guarantees only to subsidiaries and equity accounted investees.

Liquidity risk

Liquidity risk represents the Group's ability to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Due to the seasonal nature of raw materials supply the Group has credit lines in place to cover timing differences to offset the mismatch of receipts and payments. The borrowings are by way of overdraft and committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising return on risk. The Group buys and sells derivatives, and also incurs financial liabilities in order to manage market risks. All transactions are carried out within the Treasury Policy guidelines set by the Board of Directors. Generally the Group seeks to apply hedge accounting in order to manage volatility in the income statement.

Currency risk

The Group is exposed to currency risk on sales that are denominated in a currency other than its functional currency, the New Zealand Dollar.
The currencies in which transactions are primarily denominated are United States Dollars, Japanese Yen, Australian Dollars, Hong Kong Dollars and British Pounds.

The Group hedges are based on net foreign currency receipts. At any point in time the Group hedges between 50% to 100% of its estimated foreign currency exposure in respect of net cash receipts expected to be received over the following 12 months. The Group uses a mixture of forward exchange contracts, collars and options to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Liquidity risk

The following table sets out the contractual maturities of financial liabilities including interest payments and derivatives:

In thousands of New Zealand dollars	Stmt of financial position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5-10 years
Non-derivative financial liabilities							
2018							
Secured bank loans	(96,700)	(103,174)	(1,662)	(1,662)	(55,449)	(44,402)	-
Trade and other payables	(22,938)	(22,938)	(22,938)	-	-	-	-
Total non-derivative liabilities	(119,638)	(126,112)	(24,600)	(1,662)	(55,449)	(44,402)	-
Derivatives							
Inflow	184	42,243	31,001	9,961	568	618	94
Outflow	(3,368)	(46,306)	(32,338)	(10,800)	(1,384)	(1,546)	(237)
Total	(3,184)	(4,063)	(1,337)	(839)	(816)	(928)	(143)
2017							
Secured bank loans	(66,500)	(69,364)	(1,146)	(1,146)	(67,073)	-	-
Trade and other payables	(19,088)	(19,088)	(19,088)	-	-	-	-
Total non-derivative liabilities	(85,588)	(88,442)	(20,234)	(1,146)	(67,073)	-	-
Derivatives							
Inflow	1,024	23,358	12,110	8,512	786	1,562	389
Outflow	(2,625)	(26,824)	(12,066)	(8,701)	(1,919)	(3,607)	(532)
Total	(1,601)	(3,467)	44	(189)	(1,133)	(2,045)	(143)

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

In thousands of New Zealand dollars

Group					
2018	**AUD**	**GBP**	**HKD**	**USD**	**Other**
Trade receivables	17,578	1,460	1,072	2,558	2,216
Trade and other payables	(2,298)	(851)	(667)	(1,210)	(412)
Gross balance sheet exposure	15,280	609	405	1,348	1,804
Forward exchange contracts (local currency)	7,495	1,775	30,500	14,100	
2017					
Trade receivables	8,514	1,739	764	2,198	293
Trade and other payables	(1,728)	(36)	(63)	(192)	(109)
Gross balance sheet exposure	6,786	1,703	701	2,006	184
Forward exchange contracts (local currency)	9,780	1,260	18,950	1,722	

Sensitivity analysis

A 20 percent strengthening and 20% weakening of the NZD against the following currencies at 30 June would have changed the asset or liability values in the statement of financial position at 30 June through a change in equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2018 assumes a 20 percent (30 June 2017: 20 percent) strengthening and weakening of the NZD.

	2018 Equity		2018 Income statement		2017 Equity		2017 Income statement	
	+20%	-20%	+20%	-20%	+20%	-20%	+20%	-20%
AUD	1,361	(2,042)	-	-	1,701	(2,552)	-	-
GBP	582	(875)	-	-	376	(566)	-	-
USD	996	(1,494)	-	-	391	(587)	-	-
HKD	951	(1,428)	-	-	554	(833)	-	-
JPY	526	(793)	-	-	86	(130)	-	-

Classification and Fair Values

The carrying amount of all assets and liabilities reflects the fair value. They are classified as follows:

Classification	**Asset or liability**
Designated at fair value	Derivatives
Available for sale	Other investments
Loans & receivables	Trade and other receivables, Cash and cash equivalents
Other liabilities & amortised cost	Loans and borrowings, Trade and other payables

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES

Transactions with key management personnel

The key management personnel consist of the Leadership team of Comvita.

Key management and director compensation comprised:

In thousands of New Zealand dollars

	Note	**2018**	**2017**
Director fees	9	514	491
Short term employee benefits		2,625	2,005
KiwiSaver employer contribution		49	45
Share based payments		403	231
Total		**3,591**	**2,772**

Other transactions with key management personnel

At 30 June 2018 Directors and other key management personnel of the Company control 5.70% (2017: 9.80%) of the voting shares of the Company.

Other related party transactions

Brett Hewlett received $10,000 in consulting fees for his representation of Comvita on the board of SeaDragon during part of the 2018 financial year (2017: $153,000 SeaDragon and Derma Sciences).

Other transactions

Craigs Investment Partners Limited are considered to be a related party as Neil Craig is Chairman of both entities. Craigs Investment Partners Limited manage the Comvita share purchase program (START Scheme) and facilitated the sale of shares in the Executive Share Scheme (refer Note 26) for some employees. During the year fees paid to Craigs Investment Partners Limited, recognised in other expenses for mainly secretarial services and custodial fees for securities held in Escrow were $41,000 (2017: $35,500) and balance due at 30 June of $1,800 (2017: $7,500).

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES (CONTINUED)

Subsidiaries	Country of Incorporation	Ownership Interest Held	Balance Date	Principal Activity
Comvita New Zealand Limited	New Zealand	100%	30 June	Manufacturing and marketing
Medibee Limited	New Zealand	100%	30 June	Not trading
Comvita Taiwan Limited	New Zealand	100%	30 June	Sales activities
Bee & Herbal New Zealand Limited	New Zealand	100%	30 June	IP ownership
Apimed Medical Honey Limited	New Zealand	100%	30 June	IP ownership
Comvita Landowner Share Scheme Trustee Limited	New Zealand	100%	30 June	Apicultural land owner share scheme
Kiwi Bee Medical Limited	New Zealand	100%	30 June	Apiary and medical honey extraction
Jonno Developments Limited	New Zealand	100%	30 June	Research and development
Kyoto Forests of New Zealand Limited	New Zealand	100%	30 June	Not trading
Comvita Share Scheme Trustee Limited	New Zealand	Management control	30 June	Executive employee share scheme
Comvita Innovation Limited	New Zealand	100%	30 June	Not trading
Comvita USA, Inc	USA	100%	30 June	Selling and distribution
Comvita Japan Company Limited	Japan	100%	30 June	Selling and distribution
Comvita Korea Co Limited	Korea	100%	30 June	Selling and distribution
Comvita Holdings HK Limited	Hong Kong	100%	30 June	Holding Company
Greenlife (New Zealand) Product Limited	Hong Kong	100%	30 June	Not trading
Comvita HK Limited	Hong Kong	100%	30 June	Selling and distribution
Comvita Holdings Pty Limited	Australia	100%	30 June	Holding Company
Comvita Australia Pty Limited	Australia	100%	30 June	Manufacturing, selling & distribution
Olive Leaf Australia Pty Limited	Australia	100%	30 June	Not trading
Olive Products Australia Pty Limited	Australia	100%	30 June	Property ownership
Comvita IP Pty Limited	Australia	100%	30 June	IP ownership
Comvita Health Pty Limited	Australia	100%	30 June	Not trading
Medihoney Pty Limited	Australia	100%	30 June	Not trading
Medihoney (Europe) Limited	United Kingdom	100%	30 June	Not trading
Comvita Holdings UK Limited	United Kingdom	100%	30 June	Holding Company
Comvita UK Limited	United Kingdom	100%	30 June	Selling and distribution
New Zealand Natural Foods Limited	United Kingdom	100%	30 June	Not trading

NOTES TO THE FINANCIAL STATEMENTS

29. COMMITMENTS

Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of New Zealand dollars	2018 30 June	2017 30 June
Less than 1 year	4,650	4,640
Between one and five years	3,986	3,354
Greater than five years	15	-
Total	**8,651**	**7,994**
Operating lease expense in the income statement	4,180	3,803

The Group leases a number of warehouses, retail stores and administration premises and vehicles under operating leases. The leases are typically between 1 and 10 years. A number of the leases have options to renew the leases after that period. The Group has a number of short term land use agreements for hive placements.

Capital commitments

The total capital commitment is $6,944,000 (2017: $261,000) and will be paid over the next 12 months. The capital commitment includes construction of the new warehouse at Paengaroa.

30. SUBSEQUENT EVENTS

On 20 August 2018, the Directors approved the payment of a fully imputed final dividend of $911,200 (2 cents per share) to be paid on 28 September 2018. As the dividend was declared after balance date it has not been recognised a liability in these financial statements.

Subsequent events have been disclosed in the following notes:

- Equity accounted investees. refer to Note 15(f) and 22;

- Bank borrowings, refer to Note 24; and

- Derivatives, refer to Note 16.

KPMG

Independent auditor's report

To the shareholders of Comvita Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Comvita Limited (the Company) and its subsidiaries (the Group) on pages 3 to 41:

i. Present fairly in all material respects the Group's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and

ii. Comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— The consolidated statement of financial position as at 30 June 2018;

— The consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— Notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the Group in relation to taxation services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the Shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

KPMG

The key audit matter	*How the matter was addressed in our audit*
Carrying value of goodwill	
Refer to Note 13 to the financial statements. The Group has $28.5m of goodwill arising from previous acquisitions, contained within 5 cash generating units (CGUs). Specific focus was given to the Australia, Apiaries and United Kingdom CGU in light of performance in FY18 and the extent of goodwill for these CGUs. Valuation of goodwill is considered to be a key audit matter due to the significance of the asset and the value in use models used in the assessment of impairment including a range of judgemental assumptions about future performance. Particular attention was required of: · The strategic direction of the Group; · The future cash flows; · Terminal growth rates; and · The discount rate applied to those cash flows. A key audit matter for us was whether the Group's value in use models for impairment included appropriate consideration of these factors on their significant estimates and judgements and the selection of key external and internal inputs.	Our approach included the following procedures, amongst others: — Assessed the Group's determination of CGUs based on our understanding of the nature of the Group and their operations, and assessed whether this was consistent with the internal reporting of the business; — Assessed the value in use models and whether they are in accordance with the requirements of NZ IAS 36; — Evaluated the appropriateness of key assumptions including terminal growth rates applied and their impact on estimated future cash flows; — Involved valuation specialists to challenge key judgements, which included weighted average cost of capital applied; — Agreed inputs used by the Group in their models to assess impairment to Board approved budgets and strategic plans; and compared these with historical actual results. We also considered the accuracy of previous internal forecasts; — Performed sensitivity analysis on key cash flow forecast assumptions, including EBITDA, WACC, terminal growth and capital expenditure levels, to understand the impact of reasonably possible changes in key assumptions in various scenarios; — Compared the calculated recoverable values to the associated carrying amounts, and assessed whether any impairment charges were required; — Compared the Group's market capitalisation with the net asset value, as an indicator of possible impairment; and — Considered the appropriateness, sufficiency, and clarity of goodwill related disclosures included in the Group financial statements.
Impairment in investments in associates and recoverability of loans to equity accounted investees	
Refer to Note 15 to the financial statements. The Group has $29m of investments in equity accounted investees and $10.79m of loans to 7 equity accounted investees. Impairment in the investments and recoverability of loans is considered to be a key audit matter due to the significance of the asset and the number of judgemental assumptions required in the assessment of impairment.	Our approach included the following procedures, amongst others (where relevant): — Reviewed management's assessments of impairment and recoverability and confirmed approach is in accordance with the requirements of NZ IAS 36; — Evaluated and challenged the appropriateness of key assumptions in these assessments and their impact on estimated recoverability; — Agreed inputs used by the Group in their models to assess impairment to underlying forecasts and strategic plans; — Involved valuation specialists to challenge key judgements applied;

The key audit matter	*How the matter was addressed in our audit*
	— Considered alternative methodologies that should be considered as part of the impairment assessments; and — Compared the calculated recoverable values to the associated carrying amounts, and assessed whether any impairment charges were required.

Other Information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's financial statements and Annual Report. Other information includes the Directors' Declaration, Statutory Information, and Company Directory; and the other information included in the Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have received the statutory information and have nothing to report in regards to it. The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report and we will report the matters identified, if any, to those charged with governance.

Use of this Independent Auditor's Report

This independent auditor's report is made solely to the Shareholders as a body. Our audit work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

— The preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— Implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so alternative but to do so.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objective is:

— To obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— To issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Keaney.

For and on behalf of

KPMG

Tauranga

20 August 2018

STATUTORY INFORMATION

Principal activity

The principal activity of the Company is that of manufacturing and marketing quality natural health products.

Dividend

An interim dividend for the year ended 30 June 2018 was paid on 23 March 2018 at $0.04 per share.

Directors

In accordance with the constitution, all directors will continue in office, until the 2018 Annual Meeting, when two directors will retire by rotation.

Directors' remuneration for the year ended 30 June 2018

In thousands of New Zealand dollars	Fee	Other	Total
N.J Craig	115	-	115
L.N.E Bunt	73	-	73
S.J Kennedy	58	-	58
M.J Denyer	73	-	73
B Hewlett	58	-	58
P Reid	58	-	58
A.J Bougen (retired 18 October 2017)	21	-	21
S.C Ottrey (retired 13 July 2018)	58	-	58
Total	**514**	**-**	**514**

INTERESTS REGISTER

Directors have disclosed the following directorships held by them excluding family companies and companies with no association to their appointment as director of the Company or any companies in the Group:

N.J Craig
Director & Chairman - Craigs Investment Partners
Director & Chairman - Comvita Limited
Director & Chairman - Pohutukawa Private Equity Limited
Director – Comvita New Zealand Limited
Director - New Zealand Cricket
Director - Hendry Nominees Limited
Director – AGInvest Holdings Limited
Director – Deutsche Craigs Limited

M.J Denyer
Director - Comvita Limited
Director – Comvita New Zealand Limited
Director – Comvita Limited Share Scheme Trustee Limited
Director – Rockit Global Limited

P.R.T Reid
Director & Chairman - Figured Limited
Director & Chairman – Pukeko Pictures GP Limited
Director – Software Education Holdings Limited
Director - Comvita Limited
Director – The Canarium Nut Company Limited
Director – Volpara Health Technologies Limited
Director – Christchurch International Airport Limited

S.J Kennedy
Director - Comvita Limited
Director – SJK Consulting Limited
Director – Lifestream International Limited
Director – Lanaco Limited

L.N.E Bunt
Director - Comvita Limited

B.D Hewlett
Chairman – Priority One Inc.
Director – Comvita New Zealand Limited
Director – Quayside Holdings Limited
Director – Bluelab Corporation Limited

STATUTORY INFORMATION

DIRECTORS OF GROUP COMPANIES

Companies	Directors			
Apimed Medical Honey Limited	S P Coulter*	M F Sadd*		
Bee & Herbal New Zealand Limited	S P Coulter*	M F Sadd*		
Comvita Australia Pty Limited	S P Coulter*	S J Pothecary*		
Comvita Health Pty Limited	S P Coulter*	S J Pothecary*		
Comvita HK Limited	S P Coulter*	W Y Chu*		
Comvita Holdings HK Limited	S P Coulter*	W Y Chu*		
Comvita Holdings Pty Limited	S P Coulter*	S J Pothecary*		
Comvita Holdings UK Limited	S P Coulter*	R Ali*	M F Sadd*	
Comvita IP Pty Limited	S P Coulter*	S J Pothecary*		
Comvita Japan Company Limited	S P Coulter*	W Y Chu*	R Shida*	
Comvita Korea Co Limited	S P Coulter*	W Y Chu*		
Comvita Landowner Share Scheme Trustee Limited	S P Coulter*	M F Sadd*		
Comvita New Zealand Limited	N J Craig	M J Denyer	B D Hewlett	
Comvita Share Scheme Trustee Limited	M J Denyer	J M Keast*		
Comvita Taiwan Limited	S P Coulter*	M F Sadd*		
Comvita UK Limited	S P Coulter*	R Ali*	M F Sadd*	
Comvita USA, Inc	S P Coulter*	M F Sadd*		
Green Life (New Zealand) Product Limited	S P Coulter*	W Y Chu*		
Jonno Developments Limited	S P Coulter*	M F Sadd*		
Kiwi Bee Medical Limited	S P Coulter*	M F Sadd*	A J Bougen	C T Baskin*
Kyoto Forests of New Zealand Limited	S P Coulter*	M F Sadd*		
Medibee Limited	S P Coulter*	M F Sadd*		
Medihoney Europe Ltd	S P Coulter*	R Ali*	M F Sadd*	
Medihoney Pty Ltd	S P Coulter*	S J Pothecary*		
New Zealand Natural Foods Limited	S P Coulter*	R Ali*	M F Sadd*	
Olive Leaf Australia Pty Limited	S P Coulter*	S J Pothecary*		
Olive Products Australia Pty Limited	S P Coulter*	S J Pothecary*		

** denotes an executive of a Group Company*

STATUTORY INFORMATION

DIRECTORS OF GROUP COMPANIES (CONTINUED)

Share Dealings of Directors - beneficial

Director	Number of Shares Sold	Value of Shares Sold	Number of Shares Purchased	Value of Shares Purchased
N.J Craig	-	-	6,374	36,957
S.J Kennedy	-	-	3,000	22,292
M.J Denyer	-	-	2,000	12,140
B Hewlett	(17,000)	(110,757)	87,567	334,139
P Reid	-	-	33,000	188,475

Directors Shareholding

Directors, or entities associated with directors, held the following shareholding in Comvita Limited at 30 June 2018:

Director	Opening Balance	Shares Sold/ Transferred	Shares Purchased/ Transferred	Closing Balance
N.J Craig				
Beneficial				
Custodial Services Limited (A/C 4)	500,000	-	-	500,000
Eaglesham Trust	420,000	-	-	420,000
Sheryl Denise Tebbutt	75,000	-	-	75,000
Anna Beth Craig	10,000	-	5,000	15,000
Custodial Start Scheme	-	-	1,374	1,374
Non-beneficial	170,000	-	-	170,000
Total	**1,175,000**	**-**	**6,374**	**1,181,374**
S.C Ottrey*				
Beneficial				
Sarah Christine Ottrey	36,200	-	-	36,200
Total	**36,200**	**-**	**-**	**36,200**
S.J Kennedy				
Beneficial	-	-	-	-
S.J Kennedy	8,852		3,000	11,852
Total	**8,852**	**-**	**3,000**	**11,852**
L.N.E Bunt				
L.N.E Bunt and G.E Bunt	15,000	-	-	15,000
The Bunt Family Trust	35,000	-	-	35,000
Total	**50,000**	**-**	**-**	**50,000**
M.J. Denyer				
Beneficial				
M.J. Denyer	4,000	-	-	4,000
Eze Trust	-	-	2,000	2,000
Non-beneficial (Employee Share Purchase Scheme)	34,063	(10,417)	-	23,646
Total	**38,063**	**(10,417)**	**2,000**	**29,646**
P.R.T.Reid				
Beneficial				
Craigs KiwiSaver Scheme Account	-	-	33,000	33,000
Total	**-**	**-**	**33,000**	**33,000**

* Cease to be a Director on 13 July 2018

STATUTORY INFORMATION

DIRECTORS OF GROUP COMPANIES (CONTINUED)

Director	Opening Balance	Shares Sold/ Transferred	Shares Purchased/ Transferred	Closing Balance
B.D Hewlett				
Beneficial				
Brett Donald Hewlett	43,115	(17,000)	54,375	80,490
YRW Trustees 2005 Limited	267,143	-	33,125	300,268
Brett Donald Hewlett – Start Scheme	13,422	-	67	13,489
Total	**323,680**	**(17,000)**	**87,567**	**394,247**
Beneficial	1,427,732	(17,000)	131,941	1,542,673
Non-beneficial	204,063	(10,417)	-	193,646
Total	**1,631,795**	**(27,417)**	**131,941**	**1,736,319**

Directors Indemnity and Insurance

The Company has insured all its Directors and the Directors of its wholly owned subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions. The Company has not been required to indemnify its Directors for any liabilities during the year.

Employees' remuneration

During the year to 30 June 2018 the following numbers of employees received remuneration of at least $100,000.

	Number of employees
$100,000 to $110,000	16
$110,000 to $120,000	14
$120,000 to $130,000	12
$130,000 to $140,000	3
$140,000 to $150,000	6
$150,000 to $160,000	4
$160,000 to $170,000	8
$170,000 to $180,000	4
$180,000 to $190,000	1
$190,000 to $200,000	4
$200,000 to $210,000	3
$220,000 to $230,000	3
$230,000 to $240,000	2
$260,000 to $270,000	1
$270,000 to $280,000	1
$290,000 to $300,000	1
$350,000 to $360,000	1
$370,000 to $380,000	1
$510,000 to $520,000	2

Note: these bands are New Zealand dollar equivalents and reflect the impact of fluctuations in the foreign exchange rates for remuneration of overseas based employees. The figures include bonus provisions made during the year which may have not been paid at period end. It does not include any remuneration or benefit relating to the Executive Share Scheme.

Donations

During the period the Group made cash donations of $24,000 (2017: $32,000). The Company also made donations of products to charitable organisations.

STATUTORY INFORMATION

SHAREHOLDER ANALYSIS

Analysis of shareholder by size as at 1 August 2018

Category	No of shareholders	Shares held	Percentage of shareholders	Percentage of shares
Up to 1,000 shares	1,307	705,263	44%	2%
1,001 – 5,000 shares	1,162	2,865,159	39%	6%
5,001 – 10,000 shares	262	1,871,073	9%	4%
10,001 – 100,000 shares	206	5,060,686	7%	11%
100,001 shares or more	34	35,069,648	1%	77%
Total	**2,971**	**45,571,829**	**100%**	**100%**

**This number does not include a number of shareholders within Custodial and Nominee companies*

Top 20 shareholders as at 1 August 2018

Shareholder	Shares held	Percentage of shares
China Resources Ng Fung Limited	4,582,000	10.05%
Kauri NZ Investments Limited	3,558,077	7.81%
Custodial Services Limited – Account 16	3,327,038	7.30%
Li Wang	2,848,736	6.25%
Alan John Bougen & Lynda Ann Bougen & Graeme William Elvin	2,013,249	4.42%
Custodial Services Limited – Account 3	1,834,137	4.02%
Custodial Services Limited – Account 4	1,183,351	2.60%
Maori Investments Limited	1,000,000	2.19%
JBWere (NZ) Nominees Ltd	964,489	2.12%
FNZ Custodians Limited	944,057	2.07%
Citibank Nominees (NZ) Limited	931,592	2.04%
Robert Bertram Tait & Jane Gibbons Tait & Ian James Craig	905,000	1.99%
Premier Nominees Limited	795,244	1.75%
Forsyth Barr Custodians Ltd	746,000	1.64%
Accident Compensation Corporation	730,000	1.60%
HSBC Nominees (New Zealand) Limited	669,505	1.47%
Custodial Services Limited – Account 2	606,425	1.33%
Aju Pharm Co Limited	600,000	1.32%
Custodial Services Limited – Account 1	519,264	1.14%
Te Arawa Group Holdings Ltd	450,000	0.99%
Other	16,363,665	35.90%
Total Ordinary Shares**	**45,571,829**	**100.00%**

*** does not include 2,057,125 partly paid redeemable share entitlements as detailed in Note 26 to the annual accounts*

Substantial security holders as at 1 August 2018

Shareholder	Shares held	Percentage of shares
China Resources NG Fung Limited	4,582,000	10.05%
Kauri NZ Investments Limited	3,558,077	7.81%
Li Wang	2,848,736	6.25%

DIRECTORY

DIRECTORS

COMVITA BOARD OF DIRECTORS
Neil John Craig
Lucas (Luke) Nicholas Elias Bunt
Sarah Jane Kennedy
Murray John Denyer
Brett Donald Hewlett
Paul Robert Thomas Reid

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