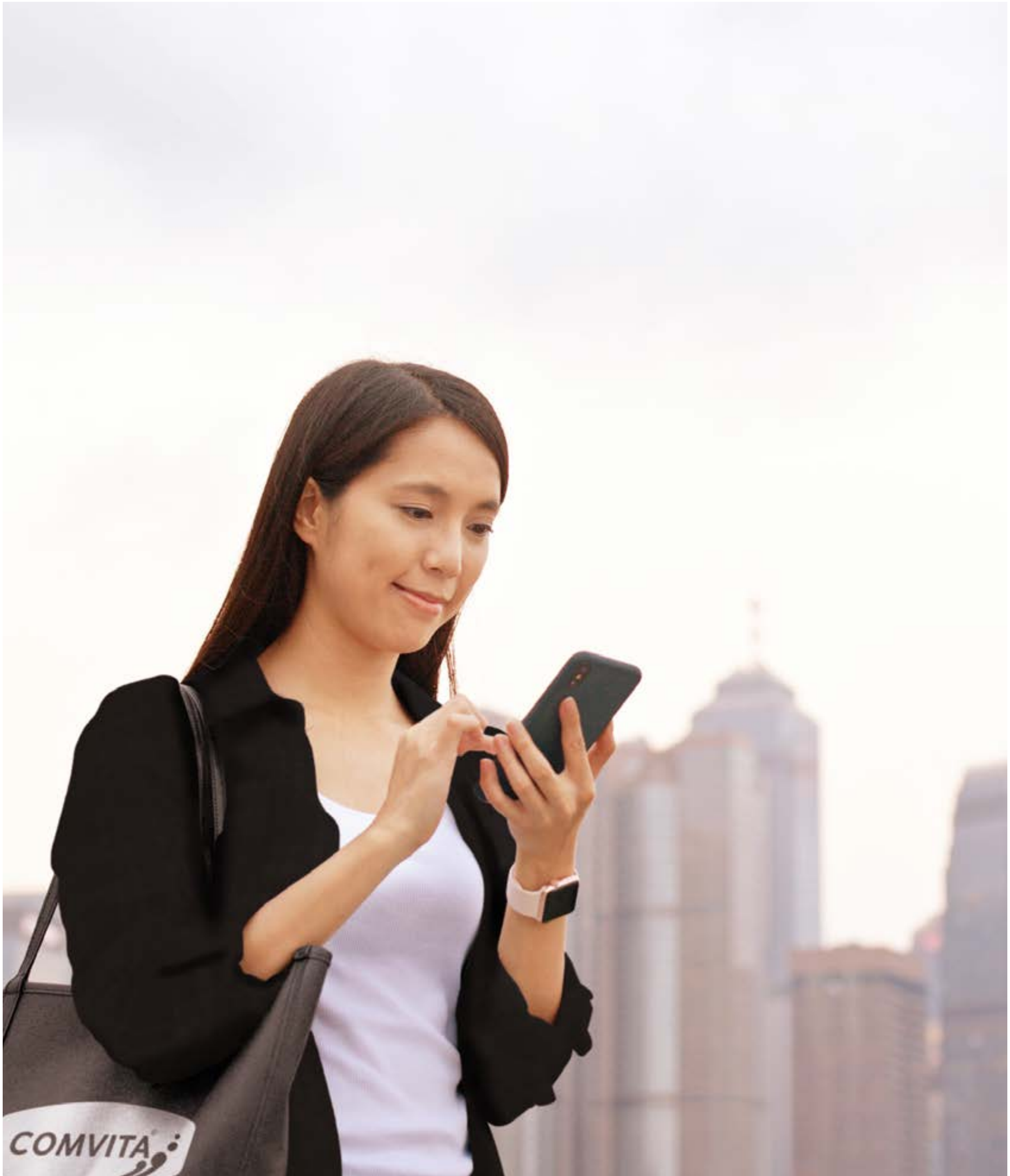
FINANCIAL STATEMENTS 2019



FOR THE YEAR ENDED 30 JUNE 2019
COMVITA LIMITED

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DIRECTORS' DECLARATION

In the opinion of the Directors of Comvita Limited, the financial statements and the notes, on pages 3 to 43:

- comply with New Zealand generally accepted accounting practice and fairly reflect the financial position of the Group as at 30 June 2019 and the results of their operations and cash flows for the year ended on that date
- have been prepared using appropriate accounting policies, which unless otherwise stated 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 2019.

For and on behalf of the Board of Directors:

Neil Craig
22 August 2019

Luke Bunt
22 August 2019

CONSOLIDATED INCOME STATEMENT

For the year ended *In thousands of New Zealand dollars*	Note	**30 June 2019**	**30 June 2018**
Revenue	6	171,104	178,493
Cost of sales		(107,343)	(105,298)
Gross profit		63,761	73,195
Other income	7	6,583	4,931
Selling and marketing expenses		(43,726)	(37,865)
Administrative expenses	10	(19,739)	(15,953)
Distribution expenses		(8,394)	(8,095)
Research and development expenses		(1,689)	(3,118)
Operating (loss)/profit before financing costs		(3,204)	13,095
Finance income	8	524	1,777
Finance expenses	8	(6,667)	(4,973)
Net finance costs		(6,143)	(3,196)
Share of profit of equity accounted investees	16b	448	1,921
Impairment of equity accounted investees	16b	(2,401)	(681)
Impairment of goodwill	14	(19,825)	-
(Loss)/profit before income tax		(31,125)	11,139
Income tax benefit/(expense)	11	3,408	(2,928)
(Loss)/profit for the year		**(27,717)**	**8,211**
Earnings per share			
Basic earnings per share (NZ cents)	24	(61.05)	18.25
Diluted earnings per share (NZ cents)	24	(61.05)	17.77

The notes on pages 8 to 43 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended *In thousands of New Zealand dollars*	Note	**30 June 2019**	**30 June 2018**
(Loss)/Profit for the year		(27,717)	8,211
Items that are or may be reclassified subsequently to the income statement			
Foreign currency translation differences for foreign operations		(2,504)	2,729
Foreign currency translation differences for equity accounted investees		(853)	-
Effective portion of changes in fair value of cash flow hedges		868	(1,751)
Foreign investor tax credits received		10	18
Income tax on these items	11	306	(4)
Income and expense recognised directly in other comprehensive income		(2,173)	992
Total comprehensive income for the year		**(29,890)**	**9,203**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019 *In thousands of New Zealand dollars*	**Share capital**	**Foreign currency translation reserve**	**Hedging reserve**	**Retained earnings**	**Total**
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 9)	-	-	-	730	730
Issue of share capital – investment in China Joint Venture	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 23)	-	-	-	(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**
Total comprehensive income for the year					
(Loss) for the year	-	-	-	(27,717)	(27,717)
Other comprehensive income (net of tax):					
Foreign investor tax credits received	-	-	-	10	10
Foreign currency translation differences for equity accounted investees	-	(853)	-	-	(853)
Foreign currency translation differences for foreign operations	-	(1,955)	-	-	(1,955)
Effective portion of changes in fair value of cash flow hedges	-	-	625	-	625
Total other comprehensive income	-	(2,808)	625	10	(2,173)
Total comprehensive income for the year	**-**	**(2,808)**	**625**	**(27,707)**	**(29,890)**
Transactions with owners, recorded directly in equity					
Share based payment (Note 9)	-	-	-	678	678
Issue of ordinary shares					
- investment in Comvita China (Note 5)	12,312	-	-	-	12,312
- executive share scheme	530	-	-	-	530
- employee share purchase scheme	77	-	-	-	77
Issue of treasury stock – investment in Apiter (Note 16c)	580	-	-	305	885
Issue of treasury stock - Supplier share scheme	2	-	-	(13)	(11)
Dividend paid (Note 23)	-	-	-	(918)	(918)
Total transactions with owners	13,501	-	-	52	13,553
Balance at 30 June 2019	**151,245**	**(4,467)**	**(1,723)**	**28,300**	**173,355**

The notes on pages 8 to 43 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

In thousands of New Zealand dollars

	Note	2019	2018
Assets			
Property, plant and equipment	13	56,921	47,508
Biological assets	15	4,048	4,331
Intangible assets and goodwill	14	38,677	33,397
Investment in equity accounted investees	16	9,755	30,621
Other investments	16	2,648	8
Deferred tax asset	12	6,757	2,992
Total non-current assets		**118,806**	**118,857**
Inventory	18	132,192	116,492
Trade receivables	19	30,878	55,813
Sundry receivables	20	16,289	21,851
Cash and cash equivalents		10,314	4,947
Derivatives	17	192	186
Tax receivable		553	421
Assets held for sale	13	1,414	-
Total current assets		**191,832**	**199,710**
Total assets		**310,638**	**318,567**
Equity			
Issued capital		151,245	137,744
Retained earnings		28,300	55,955
Reserves		(6,190)	(4,007)
Total equity		**173,355**	**189,692**
Liabilities			
Loans and borrowings	25	99,250	96,700
Employee benefits	21	446	407
Deferred tax liability	12	916	-
Total non-current liabilities		**100,612**	**97,107**
Trade and other payables	22	29,471	22,938
Employee benefits	21	4,041	4,048
Tax payable		739	1,414
Derivatives	17	2,420	3,368
Total current liabilities		**36,671**	**31,768**
Total liabilities		**137,283**	**128,875**
Total equity and liabilities		**310,638**	**318,567**

The notes on pages 8 to 43 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June *In thousands of New Zealand dollars*	Note	2019	2018
Receipts from customers		191,331	180,599
Payments to suppliers and employees		(163,963)	(197,287)
Interest received		4	36
Interest paid		(4,782)	(3,850)
Taxation paid		(1,504)	(1,616)
Net cash flows from operating activities	26	**21,086**	**(22,118)**
Investment in equity accounted investees		(6,512)	(27)
Cash acquired from business combination, net of consideration paid		5,456	-
Loans to equity accounted investees		(1,307)	(2,619)
Interest from equity accounted investees		268	484
Receipt of dividend from equity accounted investee		519	262
Loans to related parties		-	(87)
Interest from related parties		36	33
Payment for the purchase of property, plant and equipment		(16,125)	(4,744)
Receipt for the disposal of property, plant and equipment		336	497
Receipt for the disposal of biological assets		148	-
Receipt for the disposal of intangibles		22	-
Payment for the purchase of intangibles		(545)	(790)
Net cash flows from investing activities		**(17,704)**	**(6,991)**
Proceeds from the issue of share capital		607	1,052
Payment for share capital issue expenses		-	(28)
Proceeds from loans and borrowings		2,550	30,200
Payment of dividends	23	(918)	(1,845)
Net cash flows from financing activities		**2,239**	**29,379**
Net increase in cash and cash equivalents		**5,621**	**270**
Cash and cash equivalents at the beginning of the year		4,947	4,572
Effect of exchange rate fluctuations on cash held		(254)	105
Cash and cash equivalents at the end of the year		**10,314**	**4,947**
Represented as:			
Cash and cash equivalents	25	10,314	4,947
Total		**10,314**	**4,947**

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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 2019 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 Markets 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 22 August 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, financial instruments designated as fair value through other comprehensive income 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 12 – recoverability of deferred tax assets
- Note 14 – measurement of recoverability of cash generating units
- Note 15 – valuation of biological assets
- Note 16 – measurement of equity accounted investees and investments
- Note 27 – 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 translated to the functional currency at the exchange rate at that date.

(ii) Foreign operations including investments in equity accounted investees

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial assets and financial liabilities

(i) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.
- Fair Value through Profit or Loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

d) 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 FVPL, 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(m).

Instruments at fair value through the income statement
An instrument is classified as at FVPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVPL 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 are measured at fair value, and changes therein are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. 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 FVPL.

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.

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. In these hedge relationships, the main sources of ineffectiveness are changes in the timing of the hedged transactions.

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.

(e) 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.

(f) 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.

(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.

(g) 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.

(h) 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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
• Capitalised development costs	2 – 5 years
• Software	3 – 10 years

(i) 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.

(j) 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 amounts of assets and are recognised in the income statement.

(i) Impairment of receivables

From 1 July 2018, the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the 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.

(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 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.

(k) 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.

(l) 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 at the point in time performance obligations are satisfied by transferring control of goods to the customer. For wholesale sales, control passes to the customer in accordance with the individual terms of the contract of sale - for domestic sales this is ordinarily on delivery to the customer's premises and acceptance by the customer and for export sales, this is ordinarily on delivery to the port of origin. For in-store sales, control passes to the customer at point of sale. For online sales, the order along with delivery to the customer are considered to comprise a single performance obligation, therefore control is considered to pass to the customer on delivery of the goods.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, foreign exchange gains, dividend income and gains on the disposal of FVOCI 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 FVOCI financial assets that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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.

(p) 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.

(q) New and amended standards adopted by the group

Except as described below, the accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2018.

NZ IFRS 15 Revenue from Contracts with Customers

Effective for Group reporting period beginning on: 1 July 2018

NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and related interpretations.

The adoption of this accounting standard has not had a material impact on the financial statements.

NZ IFRS 9 Financial Instruments

Effective for Group reporting period beginning on: 1 July 2018

The Group has adopted NZ IFRS 9 Financial Instruments effective 1 July 2018 under the full retrospective method of adoption.

The adoption of this accounting standard has not had a material impact on the financial statements.

(r) New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations are issued but not yet effective and have not been applied in preparation of these consolidated financial statements:

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.

Adoption of this standard will change the accounting for the Group's operating leases and the recognition, measurement and presentation of certain amounts recognised in the statement of financial position, income statement and statement of cash flows. As disclosed in Note 30, as at 30 June 2019 the Group has commitments of $10.6 million classified as operating leases relating to the lease or premises and vehicles. The actual impact of adopting this standard will differ to this commitment. At reporting date, the Group expects to recognise $7m to $8m of leased assets with an offsetting liability in the statement of financial position. Further, approximately $4m of rental operating expenses is expected to be reclassified to lease interest expense and lease depreciation expense for the year ended 30 June 2020. The Group's key ratio's presented in the income statement will be impacted by this reclassification.

The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

NOTES TO THE FINANCIAL STATEMENTS

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 America.

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 up to 31 May 2019. From 31 May 2019 this segment captures both revenue and related costs for the China market.
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.
North America	This segment captures both revenue and related costs for sales to customers in North America.
Europe	This segment captures both revenue and related costs for the United Kingdom and European markets.

For the year ended 30 June

In thousands of New Zealand dollars

Contribution segments*	New Zealand*		Asia*		Australia*		China*^		North America*		Europe*		Total reportable segments		Other segments*		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	33,991	37,075	41,261	36,813	35,571	45,483	26,904	12,095	13,361	26,835	6,211	8,664	157,299	166,965	13,805	11,528	171,104	178,493
Contribution	14,959	16,195	4,161	4,158	8,192	11,548	3,156	1,796	1,484	9,060	(463)	412	31,489	43,169	1,508	554	32,997	43,723
Non attributable (other corporate expenses)																	(42,784)	(35,559)
Other income (Note 7)							587	-									6,583	4,931
Financial income and expenses (Note 8)																	(6,143)	(3,196)
Share of profit of equity accounted investees (Note 16)							2,087	3,346							(1,639)	(1,425)	448	1,921
Impairment of goodwill (Note 14)					(15,607) **						(2,027)				(2,191)		(19,825)	-
Impairment of equity accounted investees (Note 16)															(2,401)	(681)	(2,401)	(681)
Net (loss)/profit before tax							**5,830**	**5,142**									**(31,125)**	**11,139**

** These are not purely geographical segments and hence vary from the geographical segments presented on page 14*

*** The Australian segment goodwill which has been impaired relates to the Olive Leaf Australia business.*

^ Reconciliation of China Segment	2019			2018		
	Gross	51% elimination movement	Total segment (per above)	Gross	51% elimination movement	Total segment (per above)
Revenue	17,576	9,328	26,904	21,423	(9,328)	12,095
Contribution	1,533	1,623	3,156	3,419	(1,623)	1,796
Share of profit of equity accounted investees	2,087	-	2,087	3,346	-	3,346
Other income	587	-	587	-	-	-
Net profit before tax	**4,207**	**1,623**	**5,830**	**6,765**	**(1,623)**	**5,142**

On consolidation of China, the 51% elimination of China sales and contribution relating to inventory purchased from the Group, has been released. From 31 May 2019 China is 100% owned and consolidated.

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENT REPORTING (CONTINUED)

Geographical segments

In thousands of New Zealand dollars	30 June 2019 Revenue	30 June 2019 Non-current assets	30 June 2018 Revenue	30 June 2018 Non-current assets
Rest of Asia	46,230	8,552	37,136	8,722
Australia	35,581	10,207	45,703	27,270
China	26,904	25,425	12,095	-
New Zealand	32,350	56,511	40,016	48,170
Europe	6,177	16	8,216	1,080
North America	23,345	8	34,966	2
Other Countries	517	-	361	-
Total	**171,104**	**100,719**	**178,493**	**85,244**

Total reportable segment assets
As at 30 June

In thousands of New Zealand dollars	Note	2019	2018
Total assets for reportable segments		125,803	120,181
Other investments	16	2,648	8
Investment in equity accounted investees	16	9,755	30,621
Other unallocated assets		172,432	167,757
Consolidated total assets		**310,638**	**318,567**

NOTES TO THE FINANCIAL STATEMENTS

5. BUSINESS COMBINATIONS – COMVITA CHINA

Effective 31 May the Company owns 100% of Comvita Food (China) Limited and Comvita China Limited, collectively referred to as Comvita China. Prior to 31 May, the Company owned 51% of Comvita China, therefore acquisition of the remaining 49% is accounted for as a business combination achieved in stages.

The fair value of Comvita China at acquisition date has been determined by Comvita's Board following an independent valuation.

The following table sets out the profit on deemed sale of the previously held 51% interest, the consideration paid and the fair value of tangible assets acquired and liabilities assumed at acquisition date. The fair values of the identified assets and liabilities acquired is incomplete at reporting date and therefore the goodwill and asset split will be concluded within 12 months of the transaction date.

In thousands of New Zealand dollars	Note		2019
Fair value of 51% of Comvita China as at 31 May 2019			31,620
Less: Investment carrying value at 31 May 2019			(26,711)
Less: FCTR related to investment released			(854)
Gain on deemed sale of 51% of Comvita China	7		4,055
Consideration			
Cash consideration paid 3 July 2019			3,190
Consideration – issued Comvita Limited shares	23		12,312
Deferred consideration			338
Deemed consideration – fair value of 51% of Comvita China			31,620
Total consideration			**47,460**
Net tangible assets acquired:			
Inventory		22,760	
Cash and cash equivalents		7,071	
Trade and other receivables		7,771	
Trade and other payables		(14,369)	
Deferred tax liabilty		(1,076)	
Non-current assets		107	
Net tangible assets acquired			**22,264**
Intangible assets and goodwill			**25,196**

The Group is contractually entitled to 100% of the earnings of the China JV from 1 April 2019. For the China JV profit for the period 1 April to 31 May, 51% has been recognised in profit of equity accounted investees and 49% has been recognised in other income, refer note 7.

6. REVENUE

In thousands of New Zealand dollars	Note	2019 30 June	2018 30 June
Sales		159,975	186,026
Release of elimination of sales	4	9,328	(9,328)
Other		1,801	1,795
Total revenue		**171,104**	**178,493**

NOTES TO THE FINANCIAL STATEMENTS

7. OTHER INCOME

In thousands of New Zealand dollars	Note	2019 30 June	2018 30 June
Gain on deemed sale of 51% of Comvita China	5	4,055	-
Comvita China JV – 49% of earnings before consolidation	5	587	-
Government grants		1,023	764
Change in fair value of contingent consideration	16c	497	750
Earnout - Integra		-	2,862
Gain on discontinuing equity accounting - SeaDragon	16g	113	-
Gain on disposal of property, plant and equipment		-	125
Change in fair value of biological assets		-	65
Other		308	365
Total other income		**6,583**	**4,931**

8. FINANCIAL INCOME AND EXPENSES

In thousands of New Zealand dollars	Note	2019 30 June	2018 30 June
Net foreign exchange gain		-	936
Interest income		522	654
Net gain in fair value of derivatives designated at fair value through the income statement		-	184
Dividend income		2	3
Finance income		**524**	**1,777**
Interest expense on financial liabilities measured at amortised cost		(4,782)	(3,851)
Net foreign exchange loss		(894)	-
Net loss in fair value of derivatives designated at fair value through the income statement:			
- SeaDragon options and convertible loan notes	16g	(991)	(1,122)
Finance expense		**(6,667)**	**(4,973)**
Net finance costs		**(6,143)**	**(3,196)**

NOTES TO THE FINANCIAL STATEMENTS

9. PERSONNEL EXPENSES

In thousands of New Zealand dollars	2019 30 June	2018 30 June
Wages and salaries	39,004	37,822
KiwiSaver – employer contribution	561	584
Movement in long-service leave provision	58	51
Equity settled share based payment transactions	678	730
Total personnel expenses	**40,301**	**39,187**

10. EXPENSES

Administrative expenses

The following items of expenditure are included in administrative expenses:

In thousands of New Zealand dollars	2019 30 June	2018 30 June
Auditors' remuneration:		
To KPMG for audit services (ii)	341	256
To KPMG for tax services (iii)	59	76
To Mercer & Hole (UK auditors)	12	28
Personnel expenses (i)	8,131	7,288
Depreciation (i)	775	769
Amortisation (i)	1,185	1,307
Insurance (i)	280	229
Doubtful debts expense/(recovered)	219	(494)
Bad debts written off	23	73
Change in fair value of biological assets	652	-
Rental expense (i)	802	771
Directors fees (iv)	514	514
Directors other costs	36	17
Other legal & professional expenses	557	278
Loss on disposal of property, plant & equipment	93	-
Loss on disposal of intangible assets	9	31
Donations	35	24

(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.
(iii) Tax services is for tax compliance and advisory work
(iv) Refer to Statutory Information

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX EXPENSE IN THE INCOME STATEMENT

In thousands of New Zealand dollars	Note	2019 30 June	2018 30 June
Current tax expense			
Current period		435	4,142
Adjustment for prior periods		325	(367)
Total current income tax expense		760	3,775
Deferred tax expense			
Origination and reversal of temporary differences	12	(4,168)	(847)
Total deferred income tax (benefit)		(4,168)	(847)
Total income tax (benefit)/expense		**(3,408)**	**2,928**

Reconciliation of effective tax expense

In thousands of New Zealand dollars	2019 30 June	2018 30 June
(Loss)/Profit for the year	(27,717)	8,211
Total income tax (benefit)/expense	(3,408)	2,928
(Loss)/Profit excluding income tax	(31,125)	11,139
Income tax using the Company's domestic tax rate of 28% (2018: 28%)	(8,715)	3,119
Effect of different tax rates in foreign jurisdictions	(115)	(181)
Non-deductible expenses	7,795	892
Additional income	(34)	80
Non-assessable income	(1,664)	(431)
Income tax relating to equity accounted associates	(682)	(590)
Research and development tax credits	(59)	(84)
Under provided in prior periods	66	30
De-recognition/(recognition) of tax losses	-	93
Total income tax (benefit)/expense	**(3,408)**	**2,928**

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX EXPENSE IN THE INCOME STATEMENT (CONTINUED)

Income tax recognised directly in other comprehensive income

In thousands of New Zealand dollars	Note	2019 30 June	2018 30 June
Derivatives	12	243	(490)
Other items		(549)	494
Total income tax recognised directly in other comprehensive income		**(306)**	**4**

Imputation credit account

In thousands of New Zealand dollars	2019 30 June	2018 30 June
Imputation credits available for use in subsequent reporting periods	8,900	8,059

12. 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	
	2019	2018	2019	2018	2019	2018
Property, plant & equipment	-	-	(1,042)	(1,099)	(1,042)	(1,099)
Biological assets	-	-	(397)	(584)	(397)	(584)
Inventories	3,519	2,155	(916)	-	2,603	2,155
Derivatives	664	855	-	-	664	855
Investments	94	871	-	-	94	871
Other items	802	787	-	-	802	787
Tax loss carry-forwards	2,868	7	-	-	2,868	7
Non-refundable tax credits carried forward	249	-	-	-	249	-
Tax assets/(liabilities)	8,196	4,675	(2,355)	(1,683)	5,841	2,992
Set-off of tax	(1,439)	(1,683)	1,439	1,683	-	-
Net tax assets/(liabilities)	**6,757**	**2,992**	**(916)**	**-**	**5,841**	**2,992**

The utilisation of tax loss carry-forwards and tax credits 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.

NOTES TO THE FINANCIAL STATEMENTS

12. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Movement in temporary differences during the year

2019

In thousands of New Zealand dollars	Balance 1 July 2018	Recognised in the income statement	Recognised in other comprehensive income	Recognised on Acquisition (Note 5)	Balance 30 June 2019
Property, plant & equipment	(1,099)	57	-	-	**(1,042)**
Biological assets	(584)	187	-	-	**(397)**
Inventories	2,155	1,524	-	(1,076)	**2,603**
Derivatives	855	52	(243)	-	**664**
Investments	871	(777)	-	-	**94**
Other items	787	15	-	-	**802**
Tax loss carry-forwards	7	2,861	-	-	**2,868**
Tax credit carry-forwards	-	249	-	-	**249**
Total	**2,992**	**4,168**	**(243)**	**(1,076)**	**5,841**

Unrecognised deferred tax assets

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

In thousands of New Zealand dollars	2019	2018
Tax loss carry-forwards	1,445	1,485
Intangible assets	893	930
Total	**2,338**	**2,415**

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

NOTES TO THE FINANCIAL STATEMENTS

13. 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 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**
Additions/Transfers	2,225	10,401	2,299	259	414	677	(550)	15,725
Disposals	-	(121)	(371)	(121)	-	(636)	-	(1,249)
Business combinations	-	27	251	-	-	42	-	320
Reclassification to assets held for sale*	(731)	(791)	(32)	-	-	(3)	-	(1,557)
Effect of movements in exchange rates	(87)	(48)	(106)	(6)	(221)	13	(16)	(471)
Balance at 30 June 2019	**11,727**	**26,601**	**28,553**	**2,364**	**5,819**	**5,962**	**2,606**	**83,632**
Depreciation								
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)**
Depreciation	-	(1,044)	(2,214)	(204)	(66)	(1,028)	-	(4,556)
Disposals	-	17	220	104	-	634	-	975
Reclassification to assets held for sale*	-	110	31	-	-	2	-	143
Effect of movements in exchange rates	-	18	51	6	13	(5)	-	83
Balance at 30 June 2019	**-**	**(6,586)**	**(13,858)**	**(1,642)**	**(371)**	**(4,254)**	**-**	**(26,711)**
Carrying amount								
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
At 30 June 2019	**11,727**	**20,015**	**14,695**	**722**	**5,448**	**1,708**	**2,606**	**56,921**

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.

* Assets held for sale

As at 30 June 2019, management committed to a plan to sell a site in Timaru, New Zealand. The site had a net book value of $1,414,000 immediately before the initial classification to being held for sale. There were no impairment losses incurred as part of this initial classification. The site is being actively marketed for sale.

NOTES TO THE FINANCIAL STATEMENTS

14. INTANGIBLE ASSETS AND GOODWILL

In thousands of New Zealand dollars	Goodwill	Brands, patents, trademarks	Software	Total
Cost				
Balance at 30 June 2017	**27,812**	**6,001**	**9,736**	**43,549**
Additions	-	317	476	793
Disposals	-	(179)	(311)	(490)
Effect of movements in exchange rates	664	19	27	710
Balance at 30 June 2018	**28,476**	**6,158**	**9,928**	**44,562**
Additions	-	201	341	542
Additions - Business combinations	26,962	-	37	26,999
Impairment	(19,825)	-	-	(19,825)
Disposals	-	(50)	(272)	(322)
Effect of movements in exchange rates	(559)	(22)	(7)	(588)
Balance at 30 June 2019	**35,054**	**6,287**	**10,027**	**51,368**
Amortisation				
Balance at 30 June 2017	**-**	**(3,810)**	**(5,688)**	**(9,498)**
Amortisation	-	(279)	(1,723)	(2,002)
Disposals	-	64	311	375
Effect of movements in exchange rates	-	(19)	(21)	(40)
Balance at 30 June 2018	**-**	**(4,044)**	**(7,121)**	**(11,165)**
Amortisation	-	(189)	(1,676)	(1,865)
Disposals	-	40	269	309
Effect of movements in exchange rates	-	23	7	30
Balance at 30 June 2019	**-**	**(4,170)**	**(8,521)**	**(12,691)**
Carrying Amount				
At 30 June 2017	27,812	2,191	4,048	34,051
At 30 June 2018	28,476	2,114	2,807	33,397
At 30 June 2019	**35,054**	**2,117**	**1,506**	**38,677**

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

14. 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	Segment (Note 4)	2019 30 June	2018 30 June
China	China	25,286	-
Australia	Australia	-	16,241
Hong Kong	Asia	7,934	7,924
United Kingdom	Europe	-	2,052
Apiaries		1,766	1,901
Other		68	358
Total goodwill		**35,054**	**28,476**

Following recent unfavourable honey seasons and the interim conclusions drawn from the current strategic review, impairment of goodwill has been recognised in the Apiary, Australia and United Kingdom CGU's. The remaining goodwill in the Apiaries CGU relates to an acquisition on 1 April 2019.

Comvita China was acquired on 31 May 2019 and an independent valuation was performed to determine the fair value of the acquired entity at the acquisition date. The valuation methodology utilised by the independent valuation expert included the discounted cashflow method (an income approach) and a market approach. Refer Note 5 for details of acquisition accounting.

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:

	2019 30 June	2018 30 June
Anticipated annual revenue growth included in the cash flow projections for the combined CGU's (normalised) for the years 2020 to 2024	(21%) to 42%	(22%) to 71%
Post tax discount rate	8.9% to 12.2%	10.3%
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:	3.8%	3.8%
Terminal growth rate applied beyond June 2024	2.0%	3.0%

Cash flows were projected on actual operating results, the 30 June 2020 budget and business plan.

Sensitivity to changes in assumptions - Hong Kong CGU

In thousands of New Zealand dollars	2019 30 June	2018 30 June
The recoverable amount of the CGU exceeds its carrying amount by	20,837	34,433
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	17,454	29,989
The post tax discount rate for the recoverable amount to equal carrying amount is calculated at	28.1%	31.2%

NOTES TO THE FINANCIAL STATEMENTS

15. BIOLOGICAL ASSETS

Total

In thousands of New Zealand dollars	**2019 30 June**	**2018 30 June**
Bees	3,010	3,641
Breeder Queens	532	-
Olive Leaf	506	690
Total biological assets	**4,048**	**4,331**

Bees *In thousands of New Zealand dollars*	**2019 30 June**	**2018 30 June**
Balance at beginning of the year	3,641	3,578
Decrease due to sales	(142)	(6)
Net movement in operational hives	(489)	69
Balance at the end of the year	**3,010**	**3,641**

Number of operational hives

Balance at beginning of the year	27,379	26,896
Decrease due to sales	(1,070)	(41)
Net movement in operational hives	(3,681)	524
Balance at the end of the year	**22,628**	**27,379**

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 is $133 (2018: $133).

16. INVESTMENTS

In thousands of New Zealand dollars	Note	**2019 30 June**	**2018 30 June**
Equity accounted investees	16b	9,755	30,621
Investment in listed shares	16g	822	-
Investment in convertible loan note	16g	1,818	-
Investment in unlisted shares		8	8
Total investments		12,403	30,629

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS (CONTINUED)

Equity Accounted Investees (EAI)
(a) Investments in Equity Accounted Investees comprises:

	Country of Incorporation	**Ownership Interest Held**	**Balance Date**	**Principal Activity**
Kaimanawa Honey Limited Partnership	New Zealand	50%	30 June	Apiary
Makino Station Limited	New Zealand	50%	30 June	Apiary and land ownership
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
Apiter S.A	Uruguay	20%	31 July	Manufacturing, selling and distribution
Derecognition of Equity Accounted Investees				
Reclassified to investment effective 17 May 2019				
SeaDragon Limited	New Zealand	8.5%	31 March	Fish oil production
Acquisition achieved in stages				
Comvita China, consisting of the two entities:				
Comvita Food (China) Limited	China	51% (100% from 31 May 19)	31 December	Selling and distribution
Comvita China Limited	Hong Kong	51% (100% from 31 May 19)	31 December	Selling and distribution

(b) Carrying value of Investments in Equity Accounted Investees

In thousands of New Zealand dollars	Note	**2019**	**2018**
Balance at 1 July		**30,621**	**14,155**
Acquisitions – Apiter S.A.	16c	9,048	-
Acquisitions – Comvita China		-	16,424
Acquisitions – Other		-	269
Dividend		(519)	(262)
Impairment*		(2,401)	(681)
Share of profit		448	1,921
Other movements		(22)	(1,205)
Derecognition of EAI - China	5	(26,711)	-
Derecognition of EAI - SeaDragon	16g	(709)	-
Balance at 30 June		**9,755**	**30,621**

*The main component of the impairment expense relates to a $2,300,000 impairment of the Putake Group Holdings Limited investment. This investment has been impacted by recent unfavourable honey seasons and changes in the MPI definition of Manuka Honey.

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS (CONTINUED)

(c) Apiter S.A.

In thousands of New Zealand dollars	**2019**
Consideration in cash	6,394
Consideration in shares	885
Professional fees capitalised to investment	118
Deferred consideration	1,651
Carrying value of investment on acquisition	9,048
Less: Share of net assets acquired	(2,938)
Goodwill	**6,110**

On 3 July 2018, the Company acquired a 20% shareholding in Apiter S.A. The consideration for this investment was USD $4,447,000 in cash (NZD $6,394,000) and 154,686 shares valued at USD$600,000 (NZD $885,000), which was issued from Treasury Stock.

The Company could be required to pay an additional USD$1,115,000 (NZD $1,651,000) if certain earn out conditions are met. This has been included in the carrying value of the investment and USD$781,000 (NZD $1,167,000) has been recognised as a liability at 30 June 2019, with one earnout reversed through the Income Statement as it is no longer considered probable at 30 June 2019.

(d) Loans to equity accounted investees

In thousands of New Zealand dollars	Note	**2019 30 June** Loan receivable	**2018 30 June** Loan receivable	**2019 12 months** Interest income	**2019 30 June** Interest Receivable
Kaimanawa		1,133	1,128	-	-
Putake		875	550	-	-
Makino		3,815	3,548	191	481
SeaDragon - convertible note		-	3,000	241	-
Medibee		2,469	2,302	-	-
Nga Pi Honey		252	252	-	-
Comvita China		-	10	-	-
Apiter S.A		575	-	14	4
Total	**20**	**9,119**	**10,790**	**446**	**485**

All loans to equity accounted investees are repayable on demand.

SeaDragon Limited

With the application of the new accounting standard NZIFRS 9 Financial Instruments on 1 July 2018, the SeaDragon convertible loan notes have been reclassified from a loan recognised at amortised cost with an embedded derivative, to FVPL financial asset, see note 16g.

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.

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS (CONTINUED)

(e) Loans to related parties

In thousands of New Zealand dollars	Note	**2019 30 June** Loan receivable	**2018 30 June** Loan receivable	**2019 12 months** Interest income	**2019 30 June** Interest Receivable
Gan Enterprises Ltd (Nga Pi)		567	567	36	4
Casa Base Trustees (Putake)		639	603	36	74
Total	20	**1,206**	**1,170**	**72**	**78**

(f) 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 owing to
2019				
Comvita China *	12,560	-	-	-
Kaimanawa	2,013	443	2,551	-
Makino	210	-	674	338
Nga Pi Honey	28	16	572	-
Putake	27	-	351	34
Medibee	-	-	553	-
SeaDragon *	39	-	-	-
Apiter S.A	13	-	3,464	-
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	-	-	-

* Transactions included for the period while the investment was still recognised as an EAI.

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS (CONTINUED)

(g) SeaDragon - Investment in listed shares and convertible loan note

	Asset classification	Note	2019 30 June	2018 30 June
Investment in listed shares	Equity accounted investee	16	-	1,644
	FVOCI investment	16	822	-
Convertible loan note	Sundry receivable	16d	-	3,000
	Embedded derivative	17	-	1
	FVOCI investment	16	1,818	-
Options	Derivative	17	192	1

Listed shares

The Company holds 410,987,830 shares (2018: 410,987,830 shares) in SeaDragon Limited. Comvita no longer had significant influence over SeaDragon Limited from 17 May 2019, therefore equity accounting was discontinued from that date. From 17 May 2019, the investment in listed shares is classified as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes.

Convertible loan note

The convertible loan notes issued to SeaDragon at 30 June 2019 total $3,000,000 (30 June 2018: $3,000,000).

Adoption of NZ IFRS 9 Financial Instruments

On adoption of NZ IFRS 9, embedded derivatives can no longer be separated from the host contract and therefore the convertible loan notes have been classified as Fair value through the Profit or Loss. The Group determines Level 3 fair value for the loan note. The fair value using this method is not materially different to the carrying value of the convertible loan notes at 30 June 2018 and therefore no adjustment has been made on adoption of the new standard. The convertible loan notes have been reclassified from Sundry Receivables to Derivative Assets.

New Agreements signed

A Deed of Amendment and Restatement signed on 3 July 2018 and approved by SeaDragon shareholders on 8 August 2018 extended the expiry date of the convertible loan notes to 31 March 2020 and adjusted the conversion price to $0.0033. The convertible loan notes now mature by mandatory conversion to ordinary shares, unless an event of default subsists at maturity time. SeaDragon has the opportunity to repay the convertible loan notes prior to maturity however given SeaDragon's current position, and the short term nature of the convertible loan notes, it is unlikely that the company could, or would wish to repay the convertible loan notes.

As the terms of the convertible loan notes have changed substantially from the date the Shareholders approved the Agreements, the convertible loan notes have been derecognised and the new instrument recognised. The net movement has been shown in the profit or loss.

A Deed of Acknowledgement and Agreement signed on 1 April 2019 and approved by SeaDragon shareholders on 17 May 2019 removed the interest component of all convertible loan notes from 1 April 2019 onwards. From this date, the asset is considered to be an equity instrument and has been reclassified from FVPL to FVOCI.

The Group determines Level 2 fair value for the convertible loan notes. Inputs include the share price (a Level 1 input).

NOTES TO THE FINANCIAL STATEMENTS

17. 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	2019 30 June	2018 30 June
Derivatives – SeaDragon (Note 16g and table below)	192	2
Derivatives – assets (designated at fair value through the income statement)	-	184
Total assets	**192**	**186**
Derivatives – liabilities (hedging instrument)	(2,420)	(3,368)
Total liabilities	**(2,420)**	**(3,368)**

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.

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

The Group determines Level 2 fair value through the application of the Binomial Model (2018: Binomial Model). Inputs include, the share price (a Level 1 input), risk free rate of the remaining life of the warrant, 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 2019	Value at 30 June 2018
Options	909,090,909	$0.0033	31-03-2020	75%	2.49%	192	1

The Deed of Amendment and Restatement signed on 3 July 2018 and approved by SeaDragon Shareholders on 8 August 2018 extended the expiry date of the options to 31 March 2020 and adjusted the strike price to $0.0033.

18. INVENTORY

In thousands of New Zealand dollars	2019 30 June	2018 30 June
Raw materials	83,996	89,273
Work in progress	1,854	2,866
Finished goods	48,202	25,980
Provision	(1,860)	(1,627)
Total inventory	**132,192**	**116,492**

Additional finished goods in the current year primarily relates to consolidation of Comvita China.

NOTES TO THE FINANCIAL STATEMENTS

19. TRADE RECEIVABLES

In thousands of New Zealand dollars	2019 30 June	2018 30 June
Trade receivables	30,878	55,813
Total trade receivables	**30,878**	**55,813**

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

In thousands of New Zealand dollars	Gross receivable 2019	Impairment 2019	Gross receivable 2018	Impairment 2018
Not past due	23,521	-	39,608	-
Past due 0-30 days	5,279	-	5,987	-
Past due 31-60 days	807	(4)	1,597	(40)
Past due 61-365 days	1,460	(237)	4,834	(42)
Past due > 365 days	105	(53)	3,869	-
Total	**31,172**	**(294)**	**55,895**	**(82)**

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.

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	2019 30 June	2018 30 June
Australia	5,073	17,578
China	6,002	20,943
New Zealand	10,361	9,985
United States	6,269	2,558
United Kingdom	1,262	1,460
Hong Kong	991	1,072
Other regions	920	2,217
Total	**30,878**	**55,813**

20. SUNDRY RECEIVABLES

In thousands of New Zealand dollars	Note	2019 30 June	2018 30 June
Loans to equity accounted investees	16d	9,119	10,790
Loan receivable – related parties	16e	1,206	1,170
Prepayments		3,393	4,924
Other receivables		2,571	4,967
Total sundry receivables		**16,289**	**21,851**

NOTES TO THE FINANCIAL STATEMENTS

21. EMPLOYEE BENEFITS

In thousands of New Zealand dollars	2019 30 June	2018 30 June
Annual leave	1,693	1,632
Performance accrual	1,976	1,961
Accrued wages and salaries	372	455
Total current employee benefits	**4,041**	**4,048**
Long service leave (non-current)	446	407
Total employee benefits	**4,487**	**4,455**

22. TRADE AND OTHER PAYABLES

In thousands of New Zealand dollars	Note	2019 30 June	2018 30 June
Trade creditors		14,113	14,438
Accruals		9,597	8,424
Business combination consideration payable		4,506	-
Contingent consideration – equity accounted investees	16c	1,167	-
Due to directors		88	76
Total trade and other payables		**29,471**	**22,938**

23. CAPITAL AND RESERVES

Ordinary and partly paid redeemable share capital

In thousands of shares	Note	2019 30 June	2018 30 June
On issue at beginning of the year		45,163	42,005
Supplier share scheme shares issued		26	46
Share issue – Comvita China acquisition	5	4,050	2,830
Share issue – Apiter acquisition	16c	155	-
Issued to members of executive share scheme	27a	144	282
Issued to employee share purchase scheme		17	-
Ordinary shares on issue at end of the year		**49,555**	**45,163**
Closing partly paid shares	27a	2,028	2,057
Total shares including part paid at end of the year		**51,583**	**47,220**

NOTES TO THE FINANCIAL STATEMENTS

23. CAPITAL AND RESERVES (CONTINUED)

Treasury Stock

In thousands of shares	2019 30 June	2018 30 June
Treasury stock at beginning of the year	408	454
Issued – Apiter S.A. acquisition	(155)	-
Supplier Partnership Group Share Scheme	(26)	(46)
Total treasury stock at end of the year	**227**	**408**

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.

Dividends

The following dividends were declared and paid by the Group:

In thousands of New Zealand dollars	2019 30 June	2018 30 June
$0.02 per ordinary share in September 2018	918	-
$0.04 per ordinary share in March 2018	-	1,845
Total	**918**	**1,845**

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.

NOTES TO THE FINANCIAL STATEMENTS

24. EARNINGS PER SHARE

Basic earnings per share - weighted average number of ordinary shares *In thousands of shares*	2019 30 June	2018 30 June
Issued ordinary shares at beginning of year	45,164	42,005
Effect of shares issued during the year	1,138	2,976
Weighted average number of ordinary shares at the end of the year	**46,302**	**44,981**
Basic earnings per share (NZ cents)	**(61.05)**	**18.25**

Diluted earnings per share - weighted average number of ordinary shares (diluted) *In thousands of shares*		
Weighted average number of ordinary shares (basic)	46,302	44,981
Effect of share entitlements issued	30	1,215
Weighted average number of diluted shares at end of the year	**46,332**	**46,196**
Diluted earnings per share (NZ cents)	**(61.05)**	**17.77**

25. 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 2019	Carrying Amount 2018
Secured bank loan – Westpac NZ	44,000	NZD	3.80%	Dec 2020	44,000	44,000
Multi option credit line – Westpac NZ	66,300	NZD	3.11%	Dec 2020	55,250	52,700
Total borrowings	**110,300**				**99,250**	**96,700**
Less current portion of borrowings					-	-
Borrowings – Non current					**99,250**	**96,700**

Covenants and security

The Group was in compliance with all banking covenants during the year and as at 30 June 2019. 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	2019 30 June	2018 30 June
Cash	10,314	4,947
Less Debt – Non-Current	(99,250)	(96,700)
Net Debt	**(88,936)**	**(91,753)**

NOTES TO THE FINANCIAL STATEMENTS

25. LOANS AND BORROWINGS (CONTINUED)

Interest rate risk

At reporting date the interest rate profile of the Group's interest-bearing financial instruments is the balances of the loans on page 33. 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 2019 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 $718,000 (30 June 2018: $405,000).

Other Facilities

Overdraft schedule

In thousands of New Zealand dollars	Facility Local Currency	Currency	Interest rate 2019	Interest rate 2018
Overdraft facility NZD – Westpac NZ	750	NZD	8.35%	9.64%
Overdraft facility GBP – Westpac NZ	1,650	GBP	8.35%	9.64%
Overdraft facility YEN – Westpac NZ	500	JPY	8.35%	9.64%

The balance drawn on each of these at 30 June 2019 is nil (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

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

In thousands of New Zealand dollars	Note	2019 30 June	2018 30 June
(Loss)/Profit for the period		(27,717)	8,211
Adjustments for:			
Depreciation	13	4,556	4,180
Amortisation	14	1,865	2,002
(Gain)/loss on disposal of property, plant & equipment		(62)	(125)
Share based payments	9	678	730
Fair value loss/(gain) in biological assets	10	652	(65)
Net loss/(gain) on fair value of derivatives – SeaDragon options	8	991	1,122
Interest income from investing activities		(518)	(618)
Net (loss)/gain on fair value of derivatives	8	-	(184)
Gain on deemed sale of 51% of Comvita China	7	(4,055)	-
Equity accounted investees – profit elimination movement	4	(1,623)	1,623
Share of (profit)/loss equity accounted investees	16b	(448)	(1,921)
Impairment – goodwill	14	19,825	-
Impairment – equity accounted associates	16b	2,401	681
Change in fair value of contingent consideration		(484)	(750)
Other		(123)	115
Profit adjusted for non-cash items		**(4,062)**	**15,001**
Change in trade payables relating to investing activities		(5,243)	25
Changes in sundry receivables related to shares		(11)	291
Change in sundry receivables related to investing activities		-	2,218
Change in working capital items from foreign currency translation reserve		(1,156)	970
Foreign investor tax credits		10	18
Change related to business combination		15,086	-
Change in inventories		(15,700)	(28,636)
Change in trade receivables		24,935	(11,800)
Change in sundry debtors and prepayments		3,926	(6,143)
Change in trade and other payables		6,533	3,850
Change in employee benefits		33	96
Change in tax payable		(806)	2,145
Change in deferred tax liability		(2,850)	(843)
Movement of deferred tax in equity		306	490
Foreign currency reserve		85	200
Net cash from operating activities		**21,086**	**(22,118)**

NOTES TO THE FINANCIAL STATEMENTS

27. 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 2019		30 June 2018	
	Number of entitlements	**Weighted average exercise price**	**Number of entitlements**	**Weighted average exercise price**
Entitlements outstanding at beginning of year	2,057	7.67	2,339	7.20
Entitlements granted during the year	578	6.33	-	-
Entitlements forfeited during the year	(463)	7.44	-	-
Entitlements converted to ordinary shares (Note 23)	(144)	3.67	(282)	3.78
Entitlements outstanding at end of year	**2,028**	**7.59**	**2,057**	**7.67**

There are 53 (2018: 63) employees in the scheme. The number of entitlements at 30 June 2019 is 3.9% (30 June 2018: 4.3%) 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

27. 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**	**8-Oct-18**
Entitlements issued (number)	772,500	544,000	208,750	801,250	582,500	577,500
Entitlements on hand (at 30 June 2019)	-	171,875	94,375	641,250	542,500	577,500
Fair value at measurement date	$0.59	$0.95	$1.21	$1.26	$1.59	$1.08
Share price at grant date	$3.65	$5.75	$8.18	$11.30	$5.80	$6.00
Grant date	5-Sep-14	17-Aug-15	18-Nov-15	30-Sep-16	30-Jun-17	8-Oct-18
Exercise price	$3.67	$5.45	$7.77	$11.08	$5.60	$6.33
Expected price volatility	35.3%	27.0%	25.8%	23.7%	52.6%	34.2%
Share life (weighted average life of each tranche)	2-4 years	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%	1.02%
Risk-free interest rate	4.09%	2.69%	2.57%	1.87%	1.81%	1.88%

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 2019
In thousands

Grant date	Expiry date	Exercise price	Forecast share price hurdle at 30 June 2019*	Balance at start of year	Granted	Exercised during year	Forfeited during year	Rolled to next anniversary	Balance at end of the year
05-Sep-14	05-Sep-18	3.67	-	148	-	(144)	(4)	-	-
17-Aug-15	17-Aug-18	5.45	-	279	-	-	(186)	(93)	-
17-Aug-15	17-Aug-19	5.45	7.80	93	-	-	(14)	93	172
18-Nov-15	18-Nov-18	7.77	-	142	-	-	(71)	(71)	-
18-Nov-15	18-Nov-19	7.77	11.25	47	-	-	(24)	71	94
30-Sep-16	30-Sep-18	11.08	-	383	-	-	(62)	(321)	-
30-Sep-16	30-Sep-19	11.08	14.86	191	-	-	(31)	321	481
30-Sep-16	30-Sep-20	11.08	16.24	192	-	-	(31)	-	161
30-Jun-17	30-Jun-19	5.60	6.75	291	-	-	(20)	(271)	-
30-Jun-17	30-Jun-20	5.60	7.39	146	-	-	(10)	271	407
30-Jun-17	30-Jun-21	5.60	7.97	146	-	-	(10)	-	136
08-Oct-18	08-Oct-20	6.33	7.65	-	289	-	-	-	289
08-Oct-18	08-Oct-21	6.33	8.25	-	144	-	-	-	144
08-Oct-18	08-Oct-22	6.33	8.91	-	144	-	-	-	144
Total				**2,058**	**577**	**(144)**	**(463)**	**-**	**2,028**

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

27. 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.

	2019	2018
Employees in the scheme	75	65
Number of shares held	30,911	23,646
% of share capital	0.06%	0.05%

28. 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

28. 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, British Pounds and Chinese Yuan.

The Group hedges are based on net foreign currency receipts. At any point in time the Group hedges between 40% 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
2019							
Non-derivative financial liabilities							
Secured bank loans	(99,250)	(105,227)	(1,695)	(1,695)	(101,837)	-	-
Trade and other payables	(29,471)	(29,471)	(29,471)	-	-	-	-
Total non-derivative liabilities	(128,721)	(134,698)	(31,166)	(1,695)	(101,837)	-	-
Derivatives							
Inflow	-	27,029	17,681	8,547	367	433	-
Outflow	(2,420)	(29,329)	(18,336)	(8,914)	(939)	(1,141)	-
Total	(2,420)	(2,300)	(655)	(367)	(572)	(708)	-
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)

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

In thousands of New Zealand dollars

Group

2019

	CNY	AUD	GBP	HKD	USD	Other
Trade receivables	6,002	5,073	1,262	991	6,269	920
Trade and other payables	(2,050)	(1,530)	(570)	(815)	(1,630)	(513)
Gross statement of financial position exposure	3,952	3,543	692	176	4,639	407
Forward exchange contracts (local currency)	-	2,820	1,317	29,250	7,359	-

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 statement of financial position exposure	15,280	609	405	1,348	1,804
Forward exchange contracts (local currency)	7,495	1,775	30,500	14,100	-

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 2019 assumes a 20 percent (30 June 2018: 20 percent) strengthening and weakening of the NZD.

	2019		2019		2018		2018	
	Equity		Income statement		Equity		Income statement	
	+20%	-20%	+20%	-20%	+20%	-20%	+20%	-20%
AUD	491	(737)	-	-	1,361	(2,042)	-	-
GBP	461	(692)	-	-	582	(875)	-	-
USD	1,806	(2,706)	-	-	996	(1,494)	-	-
HKD	921	(1,380)	-	-	951	(1,428)	-	-
JPY	581	(874)	-	-	526	(793)	-	-

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
Amortised cost	Trade and other receivables, cash and cash equivalents, trade and other payables, loans and borrowings
Fair value through profit and or loss	Derivatives
Fair value through OCI	Other investments

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTIES

Transactions with key management personnel

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

Key management and director compensation comprised:

In thousands of New Zealand dollars	2019 30 June	2018 30 June
Director fees	514	514
Short term employee benefits	2,663	2,625
KiwiSaver employer contribution	48	49
Share based payments	349	403
Total	**3,574**	**3,591**

Other transactions with key management personnel

At 30 June 2019 Directors and other key management personnel of the Company control 4.84% (2018: 5.70%) of the voting shares of the Company.

Other related party transactions

Brett Hewlett received $12,000 in consulting fees for his Executive Director Role (2018: $10,000 related to SeaDragon Directorship).

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 27) 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 $48,000 (2018: $41,000) and balance due at 30 June of $8,600 (2018: $1,800).

NOTES TO THE FINANCIAL STATEMENTS

29. 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	Not trading
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 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 Food (China) Limited	China	100%	31 December	Selling and distribution
Comvita China Limited	Hong Kong	100%	31 December	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

30. COMMITMENTS

Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of New Zealand dollars	2019 30 June	2018 30 June
Less than one year	5,515	4,650
Between one and five years	5,055	3,986
Greater than five years	19	15
Total	**10,589**	**8,651**
Operating lease expense in the income statement	4,384	4,180

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 $4,500,000 (2018: $6,944,000) and will be paid over the next 3 years. The capital commitment relates to plantation costs.

Independent auditor's report

To the Shareholders of Comvita Limited

Report on the audit of 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 43:

i. Present fairly in all material respects the Group's financial position as at 30 June 2019 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 2019;

— The consolidated income statement, 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.

The key audit matter	*How the matter was addressed in our audit*
Impairment of Non-Current Assets	
Refer to the statement of financial position on page 6 and Note 3(j). The Group has $118.8m of non-current assets. In light of performance in FY19 and the Group's net assets exceeding market capitalisation at 30 June 2019, impairment of non-current assets is considered to be a key audit matter. This is due to the significance of the assets and the range of judgemental assumptions about future performance. The Group utilises value in use models to determine the recoverable amount of the Group's cash generating units (CGU's), which is then compared to the CGU's net assets. In relation to these models, 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.	Our audit procedures included the following, amongst others: — We assessed the Group's determination of CGU's 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; — We assessed the value in use models for each CGU and whether they are in accordance with the requirements of the applicable financial reporting standards; — We evaluated the appropriateness of key assumptions including terminal growth rates applied and their impact on estimated future cash flows; — We involved valuation specialists to challenge key judgements, which included weighted average cost of capital applied; — We 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; — We compared the calculated recoverable values to the associated carrying amounts, and assessed whether any impairment charges were required; — We have assessed whether the identified impairment has been applied to the appropriate assets within the affected CGU; — We examined conceptually and in detail why net assets exceeded market capitalisation as at 30 June 2019; and — We considered the appropriateness, sufficiency, and clarity of related disclosures included in the Group financial statements.
Business Combination - Comvita China	
Refer to Note 5 to the Financial Statements. During the year the Group acquired Comvita Food (China) Limited and Comvita China Limited (collectively referred to as Comvita China). The Group previously owned 51% of Comvita China and recorded it as an equity accounted investment. Accounting for business combinations requires management to make judgements in order to:	Our audit procedures included the following, amongst others: — We reviewed sale and purchase agreements for the acquisitions, to gain an understanding of the consideration transferred, assets and liabilities assumed and timing of business combination; — We assessed the relevant facts and challenged the Group's assessment of the date at which the business combination occurred; — We evaluated the accounting entries to recognise the previously held interests in Comvita China as a combined business;

KPMG

The key audit matter	*How the matter was addressed in our audit*
— Measure the fair value of the purchase consideration, including shares issued by the Company; — Measure the fair value of previously held interests in Comvita China; — Identify and measure the fair value of assets acquired and liabilities assumed as part of the acquisition; and — Allocate the purchase price consideration between identifiable assets, liabilities and goodwill. The calculations and assumptions underlying the fair value assessments are both subjective and complex and the fair values are sensitive to the assumptions adopted. This makes the business combination accounting a key audit matter.	— With the assistance of our Valuation and Accounting specialists, we reviewed and challenged management's assessment of the: — Fair value of the consideration given for the acquisition, in particular the shares issued by the Company; and — Fair value of the previously held interest in Comvita China, in particular the valuation methodology, cash flow forecasts and discount rates as presented in an independent valuation commissioned by Comvita. — We assessed the fair value of assets acquired and liabilities assumed as determined by the Group and disclosed; and — We considered the appropriateness of the disclosure of the business combination in the financial statements against relevant financial reporting standards.

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.

KPMG

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.

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 Trevor Newland.

For and on behalf of

KPMG

KPMG
Tauranga

22 August 2019

STATUTORY INFORMATION

Principal activity

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

Dividend

A final dividend for the year ended 30 June 2018 was paid on 28 September 2018 at $0.02 per share.

Directors

In accordance with the constitution, all directors will continue in office, until the 2019 Annual Meeting, when two directors will retire by rotation.

Directors' remuneration for the year ended 30 June 2019

In thousands of New Zealand dollars	Fee	Other	Total
N.J Craig	124	-	124
L.N.E Bunt	83	-	83
S.J Kennedy	64	-	64
M.J Denyer	83	-	83
B Hewlett	69	12	81
P Reid	64	-	64
X Wang (retired 02 April 2019)	27	-	27
Total	**514**	**12**	**526**

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 – Volpara Health Technologies Limited
Director – Pukeko Pictures GP Limited
Director - Comvita Limited
Director – The Equanut Company Limited
Director – Christchurch International Airport Limited
Director – Software Education Holdings Limited
(ceased 31 March 2019)

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

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

STATUTORY INFORMATION

DIRECTORS OF GROUP COMPANIES OTHER THAN SHOWN ABOVE

Companies	Directors			
Apimed Medical Honey Limited	S P Coulter*			
Bee & Herbal New Zealand Limited	S P Coulter*			
Comvita Australia Pty Limited	S P Coulter*	S J Pothecary*		
Comvita China Limited	S P Coulter*	M Sadd	G Zhu	L Wang
Comvita Food (China) Limited	S P Coulter*	M Sadd	G Zhu	L Wang
Comvita Health Pty Limited	S P Coulter*	S J Pothecary*		
Comvita HK Limited	S P Coulter*	M Sadd	M Wong*	
Comvita Holdings HK Limited	S P Coulter*	M Sadd	M Wong*	
Comvita Holdings Pty Limited	S P Coulter*	S J Pothecary*		
Comvita Holdings UK Limited	S P Coulter*	M Sadd		
Comvita IP Pty Limited	S P Coulter*	S J Pothecary*		
Comvita Japan Company Limited	S P Coulter*	R Shida*	M Wong*	
Comvita Korea Co Limited	S P Coulter*	J Park*		
Comvita Landowner Share Scheme Trustee Limited	S P Coulter*			
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*			
Comvita UK Limited	S P Coulter*	M Sadd		
Comvita USA, Inc	S P Coulter*	M Sadd		
Green Life (New Zealand) Product Limited	S P Coulter*	M Wong*		
Jonno Developments Limited	S P Coulter*			
Kiwi Bee Medical Limited	S P Coulter*	A J Bougen	C T Baskin*	
Kyoto Forests of New Zealand Limited	S P Coulter*			
Medibee Limited	S P Coulter*			
Medihoney Europe Ltd	S P Coulter*	M Sadd		
Medihoney Pty Ltd	S P Coulter*	S J Pothecary*		
New Zealand Natural Foods Limited	S P Coulter*	M 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	-	-	19,724	84,999
S.J Kennedy	(63)	(651)	4,165	25,115
M.J Denyer	-	-	2,000	11,400
B.D Hewlett	(42,596)	(234,306)	33,167	121,822
P.R.T Reid	-	-	15,000	52,650

Directors Shareholding

Directors, or entities associated with directors, held the following shareholding in Comvita Limited at 30 June 2019:

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	15,000	-	10,000	25,000
Custodial Start Scheme	1,374	-	9,724	11,098
Non-beneficial	170,000	-	-	170,000
Total	**1,181,374**	**-**	**19,724**	**1,201,098**
S.J Kennedy				
Beneficial				
S.J Kennedy	4,700	-	4,165	8,865
Custodial start scheme	7,151	(63)	-	7,088
Total	**11,852**	**(63)**	**4,165**	**15,953**
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	4,000
Non-beneficial (Employee Share Purchase Scheme)	23,646	-	7,265	30,911
Total	**29,646**	**-**	**9,265**	**38,911**
P.R.T Reid				
Beneficial				
Craigs KiwiSaver Scheme Account	33,000	-	15,000	48,000
Total	**33,000**	**-**	**15,000**	**48,000**

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	80,490	(20,000)	-	60,490
YRW Trustees 2005 Limited	300,268	(22,504)	33,125	310,889
Brett Donald Hewlett – Start Scheme	13,489	(92)	42	13,439
Total	**394,247**	**(42,596)**	**33,167**	**384,818**
Beneficial	1,506,472	(42,659)	74,056	1,537,869
Non-beneficial	193,646	-	7,265	200,911
Total	**1,700,118**	**(42,659)**	**81,321**	**1,738,780**

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 12-month period to 30 June 2019 the following numbers of employees received remuneration of at least $100,000.

	Number of employees
$100,000 to $110,000	14
$110,000 to $120,000	12
$120,000 to $130,000	11
$130,000 to $140,000	6
$140,000 to $150,000	3
$150,000 to $160,000	3
$160,000 to $170,000	9
$170,000 to $180,000	6
$180,000 to $190,000	1
$190,000 to $200,000	7
$240,000 to $250,000	2
$250,000 to $260,000	2
$260,000 to $270,000	2
$270,000 to $280,000	3
$310,000 to $320,000	1
$500,000 to $510,000	1
$530,000 to $540,000	1
$560,000 to $570,000	1

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 $22,000 (2018: $24,000). The Company also made donations of products to charitable organisations.

STATUTORY INFORMATION

SHAREHOLDER ANALYSIS

Analysis of shareholder by size as at 1 August 2019

Category	No of shareholders	Shares held	Percentage of shareholders	Percentage of shares
Up to 1,000 shares	1,299	675,816	63.52%	1.4%
1,001 – 5,000 shares	1,190	2,906,968	9.29%	5.8%
5,001 – 10,000 shares	291	2,121,082	14.23%	4.3%
10,001 – 100,000 shares	233	5,956,974	11.39%	12%
100,001 shares or more	32	38,025,849	1.56%	76.5%
Total	**3,045***	**49,686,689**	**100.0%**	**100.0%**

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

Top 20 shareholders as at 1 August 2019

Shareholder	Shares held	Percentage of shares
Li Wang	8,352,736	16.76%
China Resources Ng Fung Limited	4,582,000	9.20%
Kauri NZ Investments Limited	3,558,077	7.15%
Alan John Bougen & Lynda Ann Bougen & Graeme William Elvin	2,031,749	4.08%
Custodial Services Limited – Account 3	1,810,940	3.64%
Li Sun	1,376,000	2.76%
Custodial Services Limited – Account 4	1,288,301	2.59%
Junxian Li	1,036,389	2.08%
JBWere (NZ) Nominees Ltd	1,018,054	2.05%
Maori Investments Limited	1,000,000	2.01%
Robert Bertram Tait & Jane Gibbons Tait & Ian James Craig	935,000	1.88%
FNZ Custodians Limited	908,109	1.82%
Premier Nominees Limited	795,244	1.60%
Citibank Nominees (NZ) Limited	792,100	1.59%
Accident Compensation Corporation	622,157	1.25%
Aju Pharm Co Limited	600,000	1.21%
Bnp Paribas Nominees NZ Limited	582,203	1.17%
Forsyth Barr Custodians Limited	580,763	1.17%
Custodial Services Limited – Account 2	526,430	1.06%
HSBC Nominees (New Zealand) Limited	525,544	1.06%
Other	16,764,893	33.87%
Total Ordinary Shares**	**49,686,689**	**100%**

*** does not include 2,027,500 partly paid redeemable share entitlements as detailed in Note 26 to the annual accounts*

Substantial security holders as at 1 August 2019

Shareholder	Shares held	Percentage of shares
Li Wang	8,352,736	16.76%
China Resources NG Fung Limited	4,582,000	9.20%
Kauri NZ Investments Limited	3,558,077	7.15%

DIRECTORY

DIRECTORS
COMVITA BOARD OF DIRECTORS

Neil John Craig
Lucas (Luke) Nicholas Elias Bunt
Sarah Jane Kennedy
Murray John Denyer
Paul Robert Thomas Reid
Brett Donald Hewlett
Xin Wang (retired 02 April 2019)
Sarah Ottrey (retired 13 July 2018)

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SOLICITORS
SHARP TUDHOPE

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SHARE REGISTRY
LINK MARKET SERVICES LIMITED

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