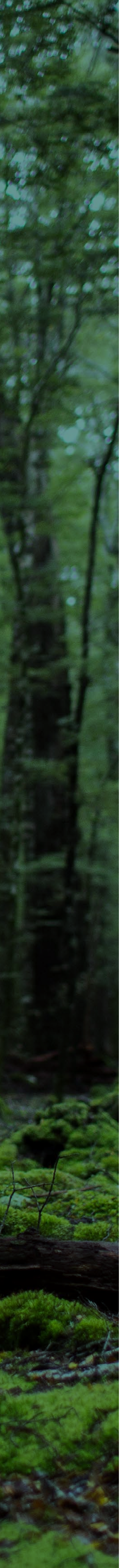
COMVITA LIMITED AND GROUP

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2017



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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 42:

- comply with New Zealand generally accepted accounting practice and fairly reflect the financial position of the Group as at 30 June 2017 and the results of their operations and cash flows for the year ended on that date
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates

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

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

The directors are pleased to present the financial report, incorporating the financial statements of Comvita Limited for the year ended 30 June 2017.

For and on behalf of the Board of Directors:

Neil Craig

21 August 2017

Luke Bunt

21 August 2017

INCOME STATEMENT

For the period ended *In thousands of New Zealand dollars*	Note	**30 June 2017** **12 months**	**30 June 2016** **15 months**
Revenue	5	155,879	230,743
Cost of sales		(93,738)	(113,432)
Gross profit		62,141	117,311
Other income	6	14,251	766
Selling and marketing expenses		(35,481)	(51,282)
Administrative expenses	9	(16,955)	(26,189)
Distribution expenses		(5,838)	(9,127)
Research and development expenses		(3,498)	(4,027)
Operating profit before financing costs		14,620	27,452
Finance income	7	6,461	5,408
Finance expenses	7	(9,492)	(7,294)
Net finance costs		(3,031)	(1,886)
Share of (loss)/profit of equity accounted investees	15	(2,237)	733
Profit before income tax		9,352	26,299
Income tax benefit/(expense)	10	470	(7,822)
Profit for the period		**9,822**	**18,477**
Attributable to:			
Equity holders of the Company		9,822	18,620
Non-controlling interest		-	(143)
Earnings per share:			
Basic earnings per share (NZ cents)	24	23.74	46.91
Diluted earnings per share (NZ cents)	24	23.08	45.01

The notes on pages 8 to 42 are an integral part of these financial statements

Statement of COMPREHENSIVE INCOME

For the period ended *In thousands of New Zealand dollars*	Note	**30 June 2017 12 months**	**30 June 2016 15 months**
Profit for the period		**9,822**	**18,477**
Items that are or may be reclassified subsequently to the income statement			
Foreign currency translation differences for foreign operations		(361)	1,384
Effective portion of changes in fair value of cash flow hedges		483	(57)
Net change in fair value of available-for-sale financial assets - Derma	16	-	(3,670)
Net change in fair value of available-for-sale financial assets - SeaDragon		-	2,055
Foreign investor tax credits received		33	143
Income tax on these items		(102)	(162)
Income and expense recognised directly in other comprehensive income		**53**	**(307)**
Total comprehensive income for the period		**9,875**	**18,170**
Attributable to:			
Equity holders of the Company		9,875	18,313
Non-controlling interest		-	(143)

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Statement of CHANGES IN EQUITY

For the period ended 30 June 2017 *In thousands of New Zealand dollars*	**Share capital**	**Foreign currency translation reserve**	**Hedging reserve**	**Fair value reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Balance at 1 April 2015	**94,778**	**(4,617)**	**(1,394)**	**3,515**	**26,887**	**119,169**	**(490)**	**118,679**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	18,620	18,620	(143)	18,477
Other comprehensive income (net of tax):								
Foreign investor tax credits received	-	-	-	-	143	143	-	143
Foreign currency translation differences for foreign operations	-	1,051	-	-	-	1,051	-	1,051
Effective portion of changes in fair value of cash flow hedges	-	-	(41)	-	-	(41)	-	(41)
Transfer minority interest to retained earnings	-	-	-	-	(633)	(633)	633	-
Net change in fair value of available-for-sale financial assets – SeaDragon	-	-	-	2,055	-	2,055	-	2,055
Transfer available-for-sale reserve to retained earnings - SeaDragon	-	-	-	(2,055)	2,055	-	-	-
Net change in fair value of available-for-sale financial assets – Derma	-	-	-	(3,515)	-	(3,515)	-	(3,515)
Total other comprehensive income	-	1,051	(41)	(3,515)	1,565	(940)	633	(307)
Total comprehensive income for the period	-	1,051	(41)	(3,515)	20,185	17,680	490	18,170
Transactions with owners, recorded directly in equity								
Share based payment (note 8)	-	-	-	-	475	475	-	475
Forgiveness of shareholder loan CTP	-	-	-	-	630	630	-	630
Issue of ordinary shares								
- executive share scheme	1,800	-	-	-	-	1,800	-	1,800
- employee share purchase scheme	115	-	-	-	-	115	-	115
Purchase of treasury stock	(936)	-	-	-	-	(936)	-	(936)
Issue of treasury stock	1,301	-	-	-	-	1,301	-	1,301
Issue of NZ Honey escrow shares	161	-	-	-	-	161	-	161
Gain on issue of treasury stock	-	-	-	-	1,666	1,666	-	1,666
Issue expenses related to the issues of shares	(38)	-	-	-	-	(38)	-	(38)
Dividend paid (note 23)	-	-	-	-	(10,184)	(10,184)	-	(10,184)
Total transactions with owners	2,403	-	-	-	(7,413)	(5,010)	-	(5,010)
Balance at 30 June 2016	**97,181**	**(3,566)**	**(1,435)**	**-**	**39,659**	**131,839**	**-**	**131,839**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	9,822	9,822	-	9,822
Other comprehensive income (net of tax):								
Foreign investor tax credits received	-	-	-	-	33	33	-	33
Foreign currency translation differences for foreign operations	-	(328)	-	-	-	(328)	-	(328)
Effective portion of changes in fair value of cash flow hedges	-	-	348	-	-	348	-	348
Total other comprehensive income	-	(328)	348	-	33	53	-	53
Total comprehensive income for the year	-	(328)	348	-	9,855	9,875	-	9,875
Transactions with owners, recorded directly in equity								
Share based payment (note 8)	-	-	-	-	450	450	-	450
Issue of ordinary shares								
- executive share scheme	1,735	-	-	-	-	1,735	-	1,735
- employee share purchase scheme	42	-	-	-	-	42	-	42
Issue of treasury stock	28	-	-	-	444	472	-	472
Private Placement – China Resources	21,200	-	-	-	-	21,200	-	21,200
Issue expenses related to the issues of shares	(31)	-	-	-	-	(31)	-	(31)
Dividend paid (note 23)	-	-	-	-	(1,707)	(1,707)	-	(1,707)
Total transactions with owners	22,974	-	-	-	(813)	22,161	-	22,161
Balance at 30 June 2017	**120,155**	**(3,894)**	**(1,087)**	**-**	**48,701**	**163,875**	**-**	**163,875**

The notes on pages 8 to 42 are an integral part of these financial statements

Statement of FINANCIAL POSITION

As at 30 June

In thousands of New Zealand dollars

	Note	2017 30 June	2016 30 June
Assets			
Property, plant and equipment	12	46,206	47,895
Biological assets	14	4,245	3,844
Intangible assets and goodwill	13	34,051	41,629
Investment in equity accounted investees	15	14,155	6,531
Other investments	16	8	6,098
Deferred tax asset	11	2,149	1,361
Total non-current assets		**100,814**	**107,358**
Inventory	18	87,856	95,299
Trade receivables	19	44,013	18,792
Sundry receivables	20	15,708	12,015
Cash and cash equivalents	25	4,572	2,780
Derivatives	17	2,331	6,948
Tax receivable		1,398	76
Total current assets		**155,878**	**135,910**
Total assets		**256,692**	**243,268**
Equity			
Issued capital		120,155	97,181
Retained earnings		48,701	39,659
Reserves		(4,981)	(5,001)
Total equity		**163,875**	**131,839**
Liabilities			
Loans and borrowings	25	66,500	86,800
Deferred revenue	5a	-	2,810
Employee benefits	21	356	354
Total non-current liabilities		**66,856**	**89,964**
Trade and other payables	22	19,088	11,525
Employee benefits	21	4,002	2,749
Deferred revenue	5a	-	1,057
Tax payable		246	2,096
Derivatives	17	2,625	4,038
Total current liabilities		**25,961**	**21,465**
Total liabilities		**92,817**	**111,429**
Total equity and liabilities		**256,692**	**243,268**

The notes on pages 8 to 42 are an integral part of these financial statements

Statement of CASH FLOWS

For the period ended 30 June *In thousands of New Zealand dollars*	Note	**2017** **12 months**	**2016** **15 months**
Receipts from customers		129,946	235,554
Payments to suppliers and employees		(133,219)	(255,728)
Interest received		216	109
Interest paid		(4,087)	(4,502)
Taxation paid		(3,578)	(7,050)
Net cash flows from operating activities	26	**(10,722)**	**(31,617)**
Investment in equity accounted investees		(9,539)	1,479
Payment for shares in SeaDragon		-	(3,288)
Loans to equity accounted investees		(4,158)	(4,884)
Loans to related parties		(788)	-
Payment for the purchase of property, plant and equipment		(2,957)	(9,901)
Receipt for the disposal of property, plant and equipment		56	575
Payment for the purchase of biological assets		30	-
Receipt of dividend from equity accounted investee		-	22
Receipt from sale of investments		10,760	-
Receipt from sale of intangibles		19,188	-
Payment for the purchase of intangibles		(917)	(1,922)
Net cash flows from investing activities		**11,675**	**(17,919)**
Proceeds from the issue of share capital		22,977	1,867
Payment for treasury stock		-	(936)
Payment for share capital issue expenses		(31)	(38)
Proceeds from loans and borrowings		-	43,200
Repayment of loans and borrowings		(20,300)	(1,283)
Payment of dividends	23	(1,707)	(10,184)
Net cash flows from financing activities		**939**	**32,626**
Net increase/(decrease) in cash and cash equivalents		**1,892**	**(16,910)**
Cash and cash equivalents at the beginning of the period		2,780	19,420
Effect of exchange rate fluctuations on cash held		(100)	270
Cash and cash equivalents at the end of the period		**4,572**	**2,780**
Represented as:			
Cash and cash equivalents		4,572	2,780
Total		**4,572**	**2,780**

The notes on pages 8 to 42 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Comvita Limited (the "Company") is a Company domiciled in New Zealand, and registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Company is an issuer in terms of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013. The financial statements of the Group for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investees.

The balance date was changed in the prior period from 31 March to 30 June to align reporting periods with trading activities.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors on 21 August 2017.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Critical estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following Notes:

- Note 5a – deferred revenue
- Note 11 – recoverability of deferred tax assets
- Note 13 – measurement of recoverability of cash generating units
- Note 14 – valuation of biological assets
- 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) Non-controlling interest

The share of the net assets of controlled entities attributable to non-controlling interests is disclosed separately on the statement of financial position. In the income statement, the profit or loss of the Group is allocated between profit or loss attributable to non-controlling interest and profit or loss attributable to owners of the Company.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

Available-for-sale financial assets
The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised in other comprehensive income, and presented in the fair value reserve within equity. Fair value is measured as the quoted bid price at the end of the reporting period. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

When an available-for-sale financial asset becomes an investment in equity accounted investee, the fair value movement within the fair value reserve in equity is reclassified to retained earnings.

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

(ii) Derivative financial instruments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(d) Share capital

(i) Ordinary shares

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

(ii) Repurchase of share capital

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(f) Biological assets

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

(g) Intangible assets and goodwill

(i) Goodwill

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

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

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

• Brands, patents and trademarks	3 – 10 years
• Capitalised development costs	2 – 5 years
• Software	3 – 10 years

NOTES TO THE FINANCIAL STATEMENTS

(h) Inventories

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

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

(i) Impairment

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

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

(i) Impairment of available-for-sale equity instruments

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. For this purpose prolonged is regarded as any period nine months or longer and significant as more than 20 percent of the original purchase price of the equity instrument. Any impairment below cost value of the asset is recognised through the income statement.

Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement.

(ii) Impairment of receivables

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

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

(iii) 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.

(j) Employee benefits

Share-based payment transactions

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

(k) Revenue

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

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

(l) Finance income and expenses

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

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

NOTES TO THE FINANCIAL STATEMENTS

(m) Income tax expense

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

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

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

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

(n) New standards and interpretations not yet adopted

A number of new standards and interpretations are not yet effective as at 30 June 2017, and have not been applied in preparing these consolidated financial statements. The relevant standards are:

NZ IFRS 15 Revenue from Contracts with Customers

Effective for Group reporting period beginning on: 30 June 2018

NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and related interpretations. The Group is yet to assess its full impact of adopting this standard, however it is not expected to be material.

NZ IFRS 9 Financial Instruments

Effective for Group reporting period beginning on: 30 June 2018

NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from NZ IAS 39. NZ IFRS 9 Financial Instruments replaces the existing guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement. The Group is yet to assess its full impact of adopting this standard, however it is not expected to be material.

NZ IFRS 16 Leases

Effective for Group reporting period beginning on: 30 June 2019

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

4. SEGMENT REPORTING

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

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.

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.

Apiary operations are an integral part of our total business and are represented over all segments.

The Company is organised primarily by geographic location of its subsidiaries, such as New Zealand, Australia, Asia & Europe, except for the China segment, which reports on sales to our customers in China.

NOTES TO THE FINANCIAL STATEMENTS

The Group has five 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.
Rest of 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.
Europe	This segment captures both revenue and related costs for the United Kingdom and European markets.
China	This segment reports both revenue and related costs for sales to customers in China.

There has been a change to segment reporting in the current year. China is a new segment and the Medical segment has been removed. Comparatives have been restated to reflect this change.

For the 12 months ended 30 June 2017 (15 months ended 30 June 2016)

In thousands of New Zealand dollars	New Zealand*		Australia*		China*		Rest of Asia*		Europe*		Total reportable segments		Other segments		Total	
Contribution segments	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue	33,118	55,782	31,811	74,455	28,640	32,771	32,363	41,578	7,395	10,325	133,327	214,911	22,552	15,832	155,879	230,743
Contribution	14,380	26,262	6,467	32,426	3,521	6,371	4,766	2,700	49	807	29,183	68,566	361	3,051	29,544	71,617
Non attributable (other corporate expenses)															(32,206)	(46,818)
Other income (Note 6)															14,251	766
Share of profit of equity accounted investees															(2,237)	733
Net profit before tax															**9,352**	**26,298**

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

Geographical segments

	2017 (12 months)		2016 (15 months)	
In thousands of New Zealand dollars	**Revenue**	**Non-current assets**	**Revenue**	**Non-current assets**
Rest of Asia	33,863	4,472	42,469	4,593
Australia	31,751	31,704	74,444	36,713
China	28,640	-	32,771	-
New Zealand	35,655	47,312	56,764	50,954
Europe	10,136	1,012	10,183	1,101
North America	15,478	2	13,953	8
Other Countries	356	-	159	-
Total	**155,879**	**84,502**	**230,743**	**93,369**

Total reportable segment assets
As at 30 June

In thousands of New Zealand dollars	**2017**	**2016**
Total assets for reportable segments	106,065	111,193
Other investments	8	6,098
Investment in equity accounted investees	7,927	6,531
Other unallocated assets	142,692	119,447
Consolidated total assets	**256,692**	**243,268**

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE

In thousands of New Zealand dollars	Note	2017 12 months	2016 15 months
Sales		148,681	226,595
Royalties		1,251	2,724
Deferred revenue released	5a	529	1,321
Deferred revenue released – Sale of IP to Derma	5a	3,338	-
Other		2,080	103
Total revenue		**155,879**	**230,743**

(a) Deferred revenue

(Statement of Financial Position)

In thousands of New Zealand dollars	2017 30 June	2016 30 June
Opening balance	3,867	5,188
Released to the income statement (above)	(3,867)	(1,321)
Closing balance	**-**	**3,867**

6. OTHER INCOME

In thousands of New Zealand dollars	Note	2017 12 months	2016 15 months
Gain on sale of Medihoney IP to Derma	(i)	13,201	-
Change in fair value of biological assets		428	-
Related Party forgiveness of debt & settlement process		-	400
Government grants		237	217
Other		385	149
Total other income		**14,251**	**766**

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

In January 2017, the Company sold its Medihoney related IP to Derma Sciences, Inc. Comvita Limited has retained the exclusive right to the Medihoney brand in the Over the Counter (OTC) markets worldwide. The Company received consideration of $19,284,000, disposed of related net assets of $6,083,000, resulting in a gain on sale pre-tax of $13,201,000. Further to this gain, the remaining deferred revenue balance of $3,338,000 was released making the post-tax gain $16,035,000.

In addition to the initial consideration received, a further two earnout payments totalling USD$5,000,000 are receivable if Derma's Medihoney sales exceed certain thresholds. This amount has not been included in the gain on sale or recognised as a receivable as it is not virtually certain they will be received.

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INCOME AND EXPENSES

In thousands of New Zealand dollars	Note	**2017**	**2016**
Net gain in fair value of derivatives designated at fair value through the income statement:		**12 months**	**15 months**
income statement:			
- SeaDragon options	17	-	4,625
- Other		-	127
Gain on sale of available-for-sale financial asset (Shares – Derma)	16	4,670	-
Net foreign exchange gain		1,331	525
Interest income		456	109
Dividend income		4	22
Finance income		**6,461**	**5,408**
Interest expense on financial liabilities measured at amortised cost		(4,058)	(4,453)
Other interest		(29)	(156)
Impairment of financial asset– SeaDragon	15(b)	(1,235)	-
Impairment of financial asset - Derma	16	-	(2,685)
Dilution of shareholding – SeaDragon	15(b)	(623)	-
Net loss in fair value of derivatives designated at fair value through the income statement			
- SeaDragon options		(3,501)	-
- Other		(46)	-
Finance expense		**(9,492)**	**(7,294)**
Net finance costs		**(3,031)**	**(1,886)**

8. PERSONNEL EXPENSES

In thousands of New Zealand dollars	**2017**	**2016**
	12 months	**15 months**
Wages and salaries	35,799	49,567
KiwiSaver – employer contribution	545	807
Movement in long-service leave provision	1	6
Equity settled share based payment transactions	450	475
Total personnel expenses	**36,795**	**50,855**

NOTES TO THE FINANCIAL STATEMENTS

9. EXPENSES

Administrative expenses

The following items of expenditure are included in administrative expenses:

In thousands of New Zealand dollars	**2017**	**2016**
Auditors' remuneration:	**12 months**	**15 months**
To KPMG for audit services (ii)	270	267
To KPMG for tax services (iii)	107	131
To KPMG for other assurance services (iv)	10	-
To Day Smith Hunter (UK auditors)	36	45
Personnel expenses (i)	6,911	11,196
Depreciation (i)	839	1,065
Amortisation (i)	1,654	1,779
Insurance (i)	217	350
Change in fair value of Biological Assets	-	721
Doubtful debts expense	252	(90)
Bad debts written off	159	129
Rental expense (i)	656	839
Directors' fees(v)	491	590
Directors – other costs	4	52
Other legal & professional expenses	424	1,274
Loss on disposal of property, plant & equipment	132	223
Loss on disposal of intangible assets	212	-
Donations	32	111

(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 and the review of the interim financial statements
(iii) Tax services is for tax compliance and advisory work
(iv) Audit for R&D grant application
(v) Refer to Statutory Information

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAX EXPENSE IN THE INCOME STATEMENT

In thousands of New Zealand dollars	**2017 12 months**	**2016 15 months**
Current tax expense		
Current period	500	9,616
Adjustment for prior periods	(80)	(346)
Total current income tax expense	420	9,270
Deferred tax expense		
Origination and reversal of temporary differences	(890)	(1,448)
Total deferred income tax (benefit)	(890)	(1,448)
Total income tax (benefit)/expense	**(470)**	**7,822**

Reconciliation of effective tax expense

In thousands of New Zealand dollars	**2017 12 months**	**2016 15 months**
Profit for the period	9,822	18,477
Total income tax (benefit)/expense	(470)	7,822
Profit excluding income tax	9,352	26,299
Income tax using the Company's domestic tax rate of 28% (2016: 28%)	2,619	7,364
Effect of tax rates in foreign jurisdictions	(204)	80
Non-deductible expenses	4,329	1,185
Additional income	170	286
Non-assessable income	(7,564)	(1,614)
Research and development tax credits	(73)	(58)
Under/(over) provided in prior periods	346	226
(Recognition)/de-recognition of tax losses	(93)	353
Total income tax (benefit)/expense	**(470)**	**7,822**

Income tax recognised directly in other comprehensive income

In thousands of New Zealand dollars	**2017 12 months**	**2016 15 months**
Derivatives	(135)	16
Available-for-sale financial assets	-	115
Other items	33	(293)
Total income tax recognised directly in other comprehensive income	**(102)**	**(162)**

Imputation credit account

In thousands of New Zealand dollars	**2017 30 June**	**2016 30 June**
Imputation credits available for use in subsequent reporting periods	7,478	6,441

NOTES TO THE FINANCIAL STATEMENTS

11. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of New Zealand dollars	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant & equipment	-	-	(1,292)	(1,263)	(1,292)	(1,263)
Biological assets	-	-	(565)	(411)	(565)	(411)
Inventories	1,821	389	-	-	1,821	389
Derivatives	417	539	-	-	417	539
Investments	910	877	-	-	910	877
Other items	851	1,135	-	-	851	1,135
Tax loss carry-forwards	7	95	-	-	7	95
Tax assets/(liabilities)	4,006	3,035	(1,857)	(1,674)	2,149	1,631
Set off of tax	(1,857)	(1,674)	1,857	1,674	-	-
Net tax assets/(liabilities)	**2,149**	**1,361**	**-**	**-**	**2,149**	**1,361**

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

Movement in temporary differences during the year

2017

In thousands of New Zealand dollars	Balance 1 July 2016	Recognised in the income statement	Recognised in other comprehensive income	Balance 30 June 2017
Property, plant & equipment	(1,263)	(29)	-	**(1,292)**
Biological assets	(411)	(154)	-	**(565)**
Derivatives	539	13	(135)	**417**
Investments	877	-	33	**910**
Inventories	389	1,432	-	**1,821**
Other items	1,135	(284)	-	**851**
Tax loss carry-forwards	95	(88)	-	**7**
Total	**1,361**	**890**	**(102)**	**2,149**

Unrecognised deferred tax assets

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

In thousands of New Zealand dollars	2017	2016
Tax loss carry-forwards	2,367	2,737
Intangible Assets	900	879
Total	**3,267**	**3,616**

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

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT & EQUIPMENT

In thousands of New Zealand dollars	Land	Buildings	Owned plant & machinery	Vehicles	Bearer Plants	Office equipment, furniture & fittings	Capital WIP	Total
Cost								
Balance at 31 March 2015	**8,082**	**14,749**	**22,228**	**2,345**	**5,128**	**6,022**	**249**	**58,803**
Additions/Transfers	1,207	1,181	3,858	9	152	1,197	2,284	9,888
Disposals	-	(5)	(1,638)	(146)	-	(1,542)	-	(3,331)
Effect of movements in exchange rates	56	30	52	5	134	139	(22)	394
Balance at 30 June 2016	**9,345**	**15,955**	**24,500**	**2,213**	**5,414**	**5,816**	**2,511**	**65,754**
Additions/Transfers	621	1,468	1,043	-	-	652	(827)	2,957
Disposals	-	(208)	(474)	(142)	-	(1,233)	-	(2,057)
Effect of movements in exchange rates	12	6	5	1	31	(78)	10	(13)
Balance at 30 June 2017	**9,978**	**17,221**	**25,074**	**2,072**	**5,445**	**5,157**	**1,694**	**66,641**
Depreciation								
Balance at 31 March 2015	**-**	**(2,988)**	**(7,028)**	**(964)**	**(54)**	**(4,219)**	**-**	**(15,253)**
Depreciation	-	(1,091)	(2,632)	(513)	(127)	(1,018)	-	(5,381)
Disposals	-	5	1,399	127	-	1,377	-	2,908
Effect of movements in exchange rates	-	(4)	(41)	(1)	(1)	(86)	-	(136)
Balance at 30 June 2016	**-**	**(4,078)**	**(8,302)**	**(1,351)**	**(182)**	**(3,946)**	**-**	**(17,859)**
Depreciation	-	(971)	(2,292)	(274)	(62)	(888)	-	(4,487)
Disposals	-	130	309	174	-	1,256	-	1,869
Effect of movements in exchange rates	-	(2)	(4)	(1)	(1)	50	-	42
Balance at 30 June 2017	**-**	**(4,921)**	**(10,289)**	**(1,452)**	**(245)**	**(3,528)**	**-**	**(20,435)**
Carrying amount								
At 31 March 2015	8,082	11,761	15,200	1,381	5,074	1,803	249	43,550
At 30 June 2016	9,345	11,877	16,198	862	5,232	1,870	2,511	47,895
At 30 June 2017	**9,978**	**12,300**	**14,785**	**620**	**5,200**	**1,629**	**1,694**	**46,206**

Depreciation charge in the income statement

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

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS AND GOODWILL

In thousands of New Zealand dollars	Goodwill	Brands, patents, trademarks	Software	Total
Cost				
Balance at 31 March 2015	**33,474**	**9,966**	**11,407**	**54,847**
Additions	-	548	1,437	1,985
Disposals	-	-	(280)	(280)
Impairment	-	(145)	(557)	(720)
Effect of movements in exchange rates	549	24	11	584
Balance at 30 June 2016	**34,023**	**10,393**	**12,018**	**56,434**
Additions	-	726	286	1,012
Disposals	(5,536)	(5,118)	(2,559)	(13,213)
Effect of movements in exchange rates	(49)	-	(9)	(58)
Balance at 30 June 2017	**28,438**	**6,001**	**9,736**	**44,175**
Amortisation				
Balance at 31 March 2015	**(626)**	**(6,932)**	**(4,177)**	**(11,735)**
Amortisation	-	(1,029)	(2,237)	(3,266)
Disposals	-	-	212	212
Effect of movements in exchange rates	-	(17)	1	(16)
Balance at 30 June 2016	**(626)**	**(7,978)**	**(6,201)**	**(14,805)**
Amortisation	-	(443)	(1,898)	(2,341)
Disposals	-	4,611	2,404	7,015
Effect of movements in exchange rates	-	-	7	7
Balance at 30 June 2017	**(626)**	**(3,810)**	**(5,688)**	**(10,124)**
Carrying Amount				
At 31 March 2015	32,848	3,034	7,230	43,112
At 30 June 2016	33,397	2,415	5,817	41,629
At 30 June 2017	**27,812**	**2,191**	**4,048**	**34,051**

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

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	**2017 30 June**	**2016 30 June**
Australia *	15,717	15,628
Hong Kong **	7,868	7,893
United Kingdom ***	1,968	2,029
Apiaries ****	1,901	-
Other	358	357
Medical	-	7,490
Total goodwill	**27,812**	**33,397**

* this CGU is within the Australia segment (refer Note 4)
** this CGU is within the Asia segment (refer Note 4)
*** this CGU is within the UK segment (refer Note 4)
**** this CGU is represented over all segments

With the sale of Medihoney Intellectual Property (IP) refer note 6, and the derecognition of the related goodwill, the Medical CGU no longer exists and the remaining goodwill has been allocated to a new CGU, Apiaries.

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:

	2017	**2016**
Anticipated annual revenue growth included in the cash flow projections for the combined four CGU's (normalised) for the years 2018 to 2022	5% to 10%	6% to 23%
Post tax discount rate	10.8%	10.8%
Discount rate based on the average weighted cost of capital which was based on debt leveraging of:	20%	13%
- At a cost of debt rate of:	4.7%	4.6%
Terminal growth rate applied beyond June 2022	3.0%	2.5% to 3.0%

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

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Sensitivity to changes in assumptions

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

In thousands of New Zealand dollars	2017 30 June	2016 30 June
Australia	26,261	98,181
Apiaries	34,297	-
Hong Kong	12,211	5,101
United Kingdom	3,197	2,953
Medical	-	48,053

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

In thousands of New Zealand dollars	2017
Australia	18,832
Apiaries	23,632
Hong Kong	10,566
United Kingdom	2,537

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

In thousands of New Zealand dollars	2017
Australia	15.7%
Apiaries	26.6%
Hong Kong	18.8%
United Kingdom	16.2%

NOTES TO THE FINANCIAL STATEMENTS

14. BIOLOGICAL ASSETS

Total

In thousands of New Zealand dollars	**2017 30 June**	**2016 30 June**
Bees	3,578	3,322
Olive Leaf	667	522
Total biological assets	**4,245**	**3,844**

Bees *In thousands of New Zealand dollars*	**2017 30 June**	**2016 30 June**
Balance at beginning of the period	3,322	4,358
Decrease due to sales	(31)	-
Net movement in operational hives	71	(315)
Movement in fair value	216	(721)
Balance at the end of the period	**3,578**	**3,322**

Number of operational hives

Balance at beginning of the period	26,577	28,170
Decrease due to sales	(250)	-
Net movement in operational hives	569	(1,593)
Balance at the end of the period	**26,896**	**26,577**

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

Fair value hierarchy

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

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

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

The value assigned is: *In New Zealand dollars*	**2017 30 June**	**2016 30 June**
Average per hive	93	87
Per queen	35	33
Per brood	5	5
Total value	**133**	**125**

NOTES TO THE FINANCIAL STATEMENTS

15. EQUITY ACCOUNTED INVESTEES

(a) Investments in Equity Accounted Investees comprises:

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

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

In thousands of New Zealand dollars	Note	2017	2016
Balance at 1 July (2016: 1 April)		**6,531**	**1,934**
Acquisition – SeaDragon		-	5,353
Acquisition – Putake		5,159	-
Acquisition – Comvita China		6,264	-
Acquisition – Other		204	-
Prior year profit distributed this year		(142)	(1,489)
Impairment – SeaDragon	7	(1,235)	-
Dilution of shareholding – SeaDragon	7	(623)	-
Share of (loss)/profit		(2,237)	733
Transfer share of loss to receivable		234	-
Balance at 30 June		**14,155**	**6,531**

SeaDragon

The Company holds 410,987,830 shares (2016: 410,987,830 shares) in SeaDragon Limited. On 14 October 2016 SeaDragon completed a rights offer to its shareholders which diluted the Company's shareholding from 13.1% to 9.1%. This dilution in shareholding has resulted in an expense of $623,000 being recognised in the profit & loss. In addition to this dilution expense, an impairment expense of $1,235,000 has been recognised.

NOTES TO THE FINANCIAL STATEMENTS

(c) Summarised financial information of material investees

As at:	SeaDragon 31-Mar-17	Comvita China 30-Jun-17	Kaimanawa 30-Jun-17
Revenues	4,331	-	384
Depreciation and amortisation	(877)	-	(68)
Interest income	51	-	-
Interest expense	(489)	-	-
Net profit/(loss) before tax	(6,659)	(103)	(1,999)
Tax expense	-	31	-
Net profit/(loss) after tax	(6,659)	(72)	(1,999)
Total comprehensive income (Profit/(loss) & OCI)	(6,659)	(72)	(1,999)
Cash and cash equivalents	4,929	12,267	550
Total current assets	7,197	12,317	1,152
Total non-current assets	12,318	13	2,142
Total assets	19,515	12,331	3,294
Current financial liabilities excluding trade and other payables and provisions	(1,429)	(202)	(286)
Total current liabilities	(2,525)	(284)	(3,374)
Non current financial liabilities excluding trade and other payables and provisions	-	-	-
Total non-current liabilities	(248)	-	-
Total liabilities	2,773	(284)	(3,374)
Net assets	16,742	12,047	(79)
Group's share of net assets	1,524	6,144	(40)

(d) Equity accounted investees acquired or set up this financial year

In thousands of New Zealand dollars	Comvita China	Putake
Consideration in cash	6,152	2,444
Consideration in shares	-	1,945
Contingent consideration (Note 22)	-	750
Professional fees capitalised to investment	112	20
Carrying amount of Equity Accounted Intvestee	6,264	5,159
Less: share of net assets acquired	-	(423)
Goodwill	**-**	**4,736**

NOTES TO THE FINANCIAL STATEMENTS

15. EQUITY ACCOUNTED INVESTEES (CONTINUED)

(i) Putake Group Holdings Limited

On 1 July 2016, the Company acquired 50% ownership in Putake Group Holdings Limited. The Company issued 163,439 shares from Treasury stock at $12.24 per share. A fair value adjustment was recognised to value the consideration at $11.90 per share, the share price on the date of the transaction.

The Company could be required to pay an additional $750,000 if certain earn out conditions are met by 30 June 2018. This has been included in the carrying value of the investment and recognised as a liability at 30 June 2017, refer to Note 22.

(ii) Comvita Food (China) Limited

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

Subsequent to balance date on 3 July 2017, the formation of the joint venture was completed. The Company issued 2,830,000 shares for consideration of $16,414,000. As part of this consideration, Comvita acquired $1,328,000 of net tangible assets with the difference of $15,086,000 being goodwill and other intangibles. The split between goodwill and intangibles has not yet been determined.

(e) Loans to equity accounted investees

In thousands of New Zealand dollars	Note	**2017 30 June** Loan receivable	**2016 30 June** Loan receivable	**2017 12 months** Interest income	**2017 30 June** Interest Receivable
Kaimanawa		103	-	-	-
Putake		665	-	-	-
Makino		3,282	2,999	200	200
SeaDragon - convertible note		2,000	1,500	163	40
Medibee		2,438	-	22	-
Nga Pi Honey		209	128	-	-
Total	20	8,697	4,627	385	240

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

SeaDragon

The convertible notes issued to SeaDragon at 30 June 2017 total $2,000,000 (30 June 2016 $1,500,000). SeaDragon have the ability to call on another $1,000,000 of convertible notes. This amount is recognised as a commitment at 30 June 2017.

There is a conversion element to the convertible note for 250,000,000 shares, which is recognised as an embedded derivative (refer to Note 17). The options and convertible note which Comvita hold at 30 June 2017 still have the ability to take the Company's shareholding over 20%. Refer to Note 17 for the valuation of the options and the convertible note.

Medibee

The joint venture was set up in May 2016 (as disclosed last year), both partners provided funding by way of $3,000,000 shareholder loan each. On 20 July 2016 Medibee Apiaries entered into a funding arrangement with HSBC to commence the business and to facilitate the growth aspirations of the partners. On the same day Comvita Limited provided a several guarantee for its share of the facility.

(f) Loans to related parties

In thousands of New Zealand dollars	Note	**2017 30 June** Loan receivable	**2016 30 June** Loan receivable	**2017 12 months** Interest income	**2017 30 June** Interest Receivable
Gan Enterprises Ltd (Nga Pi)		480	257	24	12
Casa Base Trustees (Putake)		565	0	0	0
Total	20	1,045	257	24	12

Loans to Gan Enterprises and Casa Base Trustees are secured over their investment in the equity accounted investee.

NOTES TO THE FINANCIAL STATEMENTS

(g) Transactions with equity accounted investees

In thousands of New Zealand dollars	**Sale of goods and services**		**Purchases of goods and services**		**Rental expenditure**	
	Transaction value	Balance due from	Transaction value	Balance owing to	Transaction value	Balance owing to
2017						
Kaimanawa	1,860	2,139	383	-	-	-
Makino	-	-	41	-	-	-
Nga Pi Honey	-	-	64		-	-
Putake	-	-	579	-	-	-
Extracts	-	-	18	-	59	-
2016						
Kaimanawa	1,297	357	5,013	-	-	-
Extracts	-	-	8	-	47	-
Putake	-	-	507	-	-	-

Extracts

On 23 June 2017, Comvita New Zealand purchased the building from ENZ for $715,000 (the Company owns 33.3% of Extracts). Extracts is in the process of being wound up.

16. OTHER INVESTMENTS

In thousands of New Zealand dollars	**2017 30 June**	**2016 30 June**
Available-for-sale financial assets	-	6,090
Investments in unlisted shares	8	8
Total other investments	**8**	**6,098**

Available-for-sale financial assets

During the year, Comvita Limited held shares in Derma Sciences, Inc. who were listed on the NASDAQ stock exchange. In March 2017, the Company sold these shares to Integra Life Sciences (Nasdaq: IART) for US$7 per share. Consideration of NZD$10,760,000 was received and a gain on sale of shares of NZD$4,670,000 has been recognised.

	2017 30 June	**2016 30 June**
Number of shares at the end of the period	-	1,098,213
Share price in (USD)		3.94
Market value of shares (NZD)	-	6,090,000
Fair value movement (Statement of comprehensive income) (NZD)	-	(3,670,000)
Impairment (Income statement) (NZD) (Note 7)	-	(2,685,000)
Gain on disposal of shares (Note 7)	4,670,000	-

Prior to the sale of shares, Comvita Limited sold Medihoney Intellectual Property to Derma - see Note 6

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	**2017 30 June**	**2016 30 June**
Derivatives – SeaDragon (Note 15 and table below)	1,124	4,625
Derivatives – assets (hedging instrument)	1,207	2,323
Total assets	**2,331**	**6,948**
Derivatives – liabilities (hedging instrument)	(2,625)	(4,038)
Total liabilities	**(2,625)**	**(4,038)**

Derivatives – assets and liabilities (hedged), 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 and convertible note

The Group determines Level 2 fair value through the application of the Binomial Model (2016: Binomial Model). Inputs include, the share price (a Level 1 input), risk free rate of the remaining life of the options/convertible note, and the volatility of the share price.

In thousands of New Zealand dollars	**# of shares**	**Strike Price**	**Expiry date**	**Expected volatility**	**Risk free rate**	**Value at 30 June 2017**	**Value at 30 June 2016**
Options A	410,987,830	$0.015	29-Sep-18	75%	2.49%	220	2,156
Options B	375,000,000	$0.008	28-Sep-18*	75%	2.49%	542	2,469
Total						**762**	**4,625**
Convertible Note – embedded derivative	250,000,000	$0.008	28-Sep-18	75%	2.49%	362	-
Total						**1,124**	**4,625**

* The expiry date of these options was extended from 1-Oct-17 in the current year as a condition of the Convertible Loan Note Agreement.

18. INVENTORY

In thousands of New Zealand dollars	**2017 30 June**	**2016 30 June**
Raw materials	59,895	64,509
Work in progress	3,876	2,405
Finished goods	24,965	29,362
Provision	(880)	(977)
Total inventory	**87,856**	**95,299**

NOTES TO THE FINANCIAL STATEMENTS

19. TRADE RECEIVABLES

In thousands of New Zealand dollars	**2017 30 June**	**2016 30 June**
Trade receivables	44,013	18,792
Total trade receivables	**44,013**	**18,792**

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

In thousands of New Zealand dollars	**Gross receivable 2017**	**Impairment 2017**	**Gross receivable 2016**	**Impairment 2016**
Not past due	30,790	-	15,468	-
Past due 0-30 days	4,097	-	895	-
Past due 31-60 days	3,710	(330)	1,570	-
Past due 61-365 days	5,975	(229)	1,166	(307)
Total	**44,572**	**(559)**	**19,099**	**(307)**

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	**2017 30 June**	**2016 30 June**
New Zealand	8,944	2,164
Australia	8,490	8,665
United States	285	764
United Kingdom	1,733	1,034
Hong Kong	789	2,707
China	22,004	2,218
Other regions	1,768	1,240
Total	**44,013**	**18,792**

20. SUNDRY RECEIVABLES

In thousands of New Zealand dollars	Note	**2017 30 June**	**2016 30 June**
Prepayments		4,171	4,301
Loans to equity accounted investees	15(e)	8,697	4,627
Loan receivable – related parties	15(f)	1,045	257
Other receivables		1,795	2,830
Total sundry receivables		**15,708**	**12,015**

NOTES TO THE FINANCIAL STATEMENTS

21. EMPLOYEE BENEFITS

In thousands of New Zealand dollars	2017 30 June	2016 30 June
Annual leave	1,410	1,576
Performance accrual (i)	2,168	533
Accrued wages and salaries	424	640
Total current employee benefits	4,002	2,749
Long service leave (non-current)	356	354
Total employee benefits	**4,358**	**3,103**

(i) The 30 June 2016 performance accrual payable is lower than 30 June 2017 as bonuses were paid out prior to year-end in the 2016 year due to the change in balance date and the 15 month period.

22. TRADE AND OTHER PAYABLES

In thousands of New Zealand dollars	Note	2017 30 June	2016 30 June
Trade creditors		9,740	6,835
Accruals		8,480	4,572
Contingent consideration – equity accounted investees	15(d)(i)	750	-
Due to directors		118	118
Total trade and other payables		**19,088**	**11,525**

23. CAPITAL AND RESERVES

Ordinary and partly paid redeemable shares

In thousands of shares	Note	2017 30 June	2016 30 June
On issue at beginning of the period		39,580	39,431
Net treasury stock movement		(41)	(413)
Private placement		2,000	-
Issued to members of executive share scheme	27a	462	547
Issued to employee share purchase scheme		4	15
Ordinary shares on issue at end of the period		**42,005**	**39,580**
Closing partly paid shares	27a	2,339	1,531
Total shares including part paid at end of the period		**44,344**	**41,111**

NOTES TO THE FINANCIAL STATEMENTS

Treasury Stock

In thousands of shares	Note	2017 30 June	2016 30 June
Treasury stock at beginning of the period		413	-
Acquired on market		-	213
Issued – Putake acquisition	15 (d)(i)	(163)	-
Transferred back from Escrow – NZ Honey acquisition		-	547
Supplier Partnership Group Share Scheme		204	(347)
Total treasury stock at end of the period		**454**	**413**

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.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired. At 30 June 2017 there is no available-for-sale financial assets.

Dividends

The following dividends were declared and paid by the Group:

In thousands of New Zealand dollars	2017 12 months	2016 15 months
$0.02 per ordinary share in March 2017	882	-
$0.02 per ordinary share in September 2016	825	-
$0.10 per ordinary share in June 2016	-	4,096
$0.06 per ordinary share in November 2015	-	2,427
$0.09 per ordinary share in June 2015	-	3,661
Total	**1,707**	**10,184**

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

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.

Basic earnings per share - weighted average number of ordinary shares *In thousands of shares*	**2017 12 months**	**2016 15 months**
Issued ordinary shares at beginning of period	39,581	39,431
Effect of shares issued during the period	1,792	(45)
Weighted average number of ordinary shares at the end of the period	**41,373**	**39,386**
Basic earnings per share (NZ cents)	**23.74**	**46.91**

Diluted earnings per share - weighted average number of ordinary shares (diluted) *In thousands of shares*	**2017 12 months**	**2016 15 months**
Weighted average number of ordinary shares (basic)	41,373	39,386
Effect of share entitlements issued	1,182	1,662
Weighted average number of diluted shares at end of the period	**42,555**	**41,048**
Diluted earnings per share (NZ cents)	**23.08**	**45.01**

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**	**Month of Maturity**	**Carrying Amount 2017**	**Carrying Amount 2016**
Secured bank loan – Westpac NZ	44,000	NZD	3.55%	Sept 2018	44,000	30,500
Multi option credit line – Westpac NZ	66,300	NZD	3.24%	Sept 2018	22,500	56,300
Total borrowings	**110,300**				**66,500**	**86,800**
Less current portion of borrowings					-	-
Borrowings – Non current					**66,500**	**86,800**

NOTES TO THE FINANCIAL STATEMENTS

Covenants and security

The Group was in compliance with all banking covenants during the period and as at 30 June 2017. 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	**2017 30 June**	**2016 30 June**
Cash	4,572	2,780
Less Debt – Non-Current	(66,500)	(86,800)
Net Debt	**(61,928)**	**(84,020)**

Interest rate risk

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

Sensitivity analysis

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's. Over the longer-term, however, permanent changes in interest rates will have an impact on profit. At 30 June 2017 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 $225,000 (30 June 2016: $408,000).

Other Facilities

Overdraft schedule

In thousands of New Zealand dollars	**Facility Local Currency**	**Currency**	**Interest rate 2017**	**Interest rate 2016**
Overdraft facility NZD – Westpac NZ	750	NZD	9.39%	9.49%
Overdraft facility GBP – Westpac NZ	1,650	GBP	9.39%	9.49%
Overdraft facility YEN – Westpac NZ	500	JPY	9.39%	9.49%

The balance drawn on each of these at 30 June 2017 is nil (2016: 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	2017 12 months	2016 15 months
Profit for the period		9,822	18,477
Adjustments for:			
Depreciation	12	4,487	5,382
Amortisation	13	2,341	3,266
Loss/(gain) on disposal of property, plant & equipment		132	(157)
Loss on disposal and impairment of intangible assets		212	770
Loss on disposal of biological assets		-	312
Share based payments	8	450	475
Release of deferred revenue	5a	(3,867)	(1,321)
Fair value (gain)/loss in biological assets		(428)	721
Impairment of Derma investment	7	-	2,685
Net loss/(gain) on fair value of derivatives of SeaDragon options	7	3,501	(4,625)
Impairment of SeaDragon investment	7	1,235	-
Dilution of shareholding of SeaDragon investment	7	623	-
Net gain/(loss) on fair value of derivatives		48	(127)
Gain from sale of Medihoney IP	6	(13,201)	-
Gain from sale of Derma shares	7	(4,670)	-
Share of loss/(profit) equity accounted investees	15(b)	2,237	(733)
Profit adjusted for non-cash items		2,922	25,125
Change in trade payables relating to investing activities		26	(13)
Changes in sundry receivables related to shares		(1,474)	2,199
Change in sundry receivables related to investing activities		4,729	4,884
Change in working capital items from foreign currency translation reserve		(243)	102
Foreign investor tax credits		33	143
Change in inventories		7,443	(50,780)
Change in trade receivables		(25,221)	6,205
Change in sundry debtors and prepayments		(3,693)	(8,116)
Change in trade and other payables		7,563	(10,031)
Change in employee benefits		1,255	(2,537)
Change in tax payable		(3,172)	1,750
Change in deferred tax liability		(788)	(663)
Movement of deferred tax in equity		(102)	115
Net cash from operating activities		**(10,722)**	**(31,617)**

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 2017		30 June 2016	
	Number of entitlements	**Weighted average exercise price**	**Number of entitlements**	**Weighted average exercise price**
Entitlements outstanding at beginning of period	1,531	4.71	1,739	3.59
Entitlements granted during the period	1,384	8.77	753	6.09
Entitlements forfeited during the period	(114)	6.71	(414)	4.39
Entitlements converted to ordinary shares (Note 23)	(462)	3.74	(547)	3.29
Entitlements outstanding at end of period	**2,339**	**7.20**	**1,531**	**4.71**

There are 64 (30 June 2016: 37) employees in the scheme. The number of entitlements at 30 June 2017 is 5.2% (30 June 2016: 3.7%) 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)

(a) Executive share scheme (continued)

Fair value of share entitlements and assumptions

Issue Date	25-Jul-13	5-Sep-14	17-Aug-15	18-Nov-15	30-Sep-16	30-Jun-17
Entitlements issued (number)	731,250	772,500	544,000	208,750	801,250	582,500
Entitlements on hand (at 30 June 2017)	135,312	295,000	371,500	188,750	766,250	582,500
Fair value at measurement date	$0.59	$0.59	$0.95	$1.21	$1.26	$1.59
Share price at grant date	$3.90	$3.65	$5.75	$8.18	$11.30	$5.80
Grant date	25-Jul-13	5-Sep-14	17-Aug-15	18-Nov-15	30-Sep-2016	30-Jun-2017
Exercise price	$3.90	$3.67	$5.45	$7.77	$11.08	$5.60
Expected price volatility	26.5%	35.3%	27.0%	25.8%	23.7%	52.6%
Share life (weighted average life of each tranche)	2-4 years	2-4 years	2-4 years	2-4 years	2-4 years	2-4 years
Expected dividend yield	2.50%	4.20%	2.78%	2.26%	2.73%	3.26%
Risk-free interest rate	4.00%	4.09%	2.69%	2.57%	1.87%	1.81%

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

Movement of entitlements on issue

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

Year ended 30 June 2017

In thousands

Grant date	Expiry date	Exercise price	Forecast share price hurdle at 30 June 2017*	Balance at start of period	Granted	Exercised during year	Forfeited during year	Balance at end of the period (number)
25-Jul-13	25-Jul-16	3.90		143	-	(143)	-	-
25-Jul-13	25-Jul-17	3.90	5.24	143	-	-	(8)	135
05-Sep-14	05-Sep-16	3.67		319	-	(319)	-	-
05-Sep-14	05-Sep-17	3.67	4.51	159	-	-	(12)	147
05-Sep-14	05-Sep-18	3.67	4.93	159	-	-	(11)	148
17-Aug-15	17-Aug-17	5.45	6.46	210	-	-	(24)	186
17-Aug-15	17-Aug-18	5.45	7.09	105	-	-	(12)	93
17-Aug-15	17-Aug-19	5.45	7.67	105	-	-	(12)	93
18-Nov-15	18-Nov-17	7.77	9.37	94	-	-	-	94
18-Nov-15	18-Nov-18	7.77	10.20	47	-	-	-	47
18-Nov-15	18-Nov-19	7.77	11.12	47	-	-	-	47
30-Sep-16	30-Sep-18	11.08	13.39	-	401	-	(18)	383
30-Sep-16	30-Sep-19	11.08	14.65	-	200	-	(9)	191
30-Sep-16	30-Sep-20	11.08	16.05	-	200	-	(8)	192
30-Jun-17	30-Jun-19	5.60	6.62	-	291	-	-	291
30-Jun-17	30-Jun-20	5.60	7.15	-	146	-	-	146
30-Jun-17	30-Jun-21	5.60	7.74	-	146	-	-	146
Total				**1,531**	**1,384**	**(462)**	**(114)**	**2,339**

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

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

NOTES TO THE FINANCIAL STATEMENTS

(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.

	2017	2016
Employees in the scheme	81	91
Number of shares held	34,063	41,885
% of share capital	0.08%	0.10%

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. As at 30 June 2017 there were no material guarantees (2016: nil).

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 NZ Dollar. The currencies in which transactions are primarily denominated are United States Dollars, Japanese Yen, Australian Dollars, Hong Kong Dollars and British Pounds.

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

Currency risk and equity price risk impact the value of available-for-sale assets held in the United States.

Liquidity risk

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

In thousands of New Zealand dollars	Stmt of financial position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5-10 years
Non-derivative financial liabilities							
2017							
Secured bank loans	(66,500)	(69,364)	(1,146)	(1,146)	(67,073)	-	-
Trade and other payables	(19,088)	(19,088)	(19,088)	-	-	-	-
Total non-derivative liabilities	(85,588)	(88,442)	(20,234)	(1,146)	(67,073)	-	-
Derivatives							
Inflow	1,024	23,358	12,110	8,512	786	1,562	389
Outflow	(2,625)	(26,824)	(12,066)	(8,701)	(1,919)	(3,607)	(532)
Total	(1,601)	(3,467)	44	(189)	(1,133)	(2,045)	(143)
2016							
Secured bank loans	(86,600)	(94,317)	(1,670)	(1,670)	(3,341)	(87,635)	-
Trade and other payables	(11,525)	(11,525)	(11,525)	-	-	-	-
Total non-derivative liabilities	(98,125)	(105,842)	(13,195)	(1,670)	(3,341)	(87,635)	-
Derivatives							
Inflow	1,621	25,504	12,497	7,180	3,349	1,984	494
Outflow	(4,038)	(28,129)	(12,229)	(7,127)	(3,910)	(3,872)	(991)
Total	(2,417)	(2,625)	268	53	(561)	(1,888)	(497)

NOTES TO THE FINANCIAL STATEMENTS

Currency risk

In thousands of New Zealand dollars

Group					
2017	**AUD**	**GBP**	**HKD**	**USD**	**Other**
Trade receivables	8,514	1,739	764	2,198	293
Trade and other payables	(1,728)	(36)	(63)	(192)	(109)
Gross balance sheet exposure	6,786	1,703	701	2,006	184
Forward exchange contracts (local currency)	9,780	1,260	18,950	1,722	42,000
2016					
Trade receivables	8,673	1,034	740	1,181	790
Trade and other payables	(1,771)	(563)	(535)	(116)	(330)
Gross balance sheet exposure	6,902	471	205	1,065	460
Forward exchange contracts (local currency)	11,300	1,400	13,415	1,600	7,000

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 2017 assumes a 20 percent (30 June 2016: 20 percent) strengthening and weakening of the NZD.

	2017		**2017**		**2016**		**2016**	
	Equity		**Income statement**		**Equity**		**Income statement**	
	+20%	-20%	+20%	-20%	+20%	-20%	+20%	-20%
AUD	1,701	(2,552)	-	-	1,958	(2,939)	-	-
GBP	376	(566)	-	-	443	(671)	-	-
USD	391	(587)	-	-	376	(568)	-	-
HKD	554	(833)	-	-	407	(614)	-	-

Classification and Fair Values

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

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

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTIES

Transactions with key management personnel

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

Key management and director compensation comprised:

In thousands of New Zealand dollars

	Note	2017 12 months	2016 15 months
Director fees	9	491	590
Short term employee benefits		2,005	3,153
KiwiSaver employer contribution		45	100
Share based payments		231	231
Total		**2,772**	**4,074**

Other transactions with key management personnel

At 30 June 2017 Directors and other key management personnel of the Company control 9.80% (2016: 9.98%) of the voting shares of the Company.

Other related party transactions

Brett Hewlett received $153,000 in consulting fees for his representation of Comvita on the boards of Derma Sciences and SeaDragon during the 2017 financial year (2016: $12,000).

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 were $35,500 (2016: $44,000) and balance due at 30 June of $7,500 (2016: nil).

Comvita has the first right of refusal to purchase the orchard adjacent to its head office site, which is owned by Neil Craig (Chairman).

See Note 15 for transactions with equity accounted investees.

NOTES TO THE FINANCIAL STATEMENTS

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 Innovation Limited	New Zealand	100%	30 June	Research and development
Comvita Health Limited	New Zealand	100%	30 June	Sales activities
Comvita Tourism Partnership Limited	New Zealand	100%	30 June	Sales activities
Comvita USA, Inc	USA	100%	30 June	Selling and distribution
Comvita Japan Company Limited	Japan	100%	30 June	Selling and distribution
Comvita Korea Co Limited	Korea	100%	30 June	Selling and distribution
Comvita Holdings HK Limited	Hong Kong	100%	30 June	Holding Company
Greenlife (New Zealand) Product Limited	Hong Kong	100%	30 June	Not trading
Comvita HK Limited	Hong Kong	100%	30 June	Selling and distribution
Comvita Holdings Pty Limited	Australia	100%	30 June	Holding Company
Comvita Australia Pty Limited	Australia	100%	30 June	Manufacturing, selling & distribution
Olive Leaf Australia Pty Limited	Australia	100%	30 June	Not trading
Olive Products Australia Pty Limited	Australia	100%	30 June	Property ownership
Comvita IP Pty Limited	Australia	100%	30 June	IP ownership
Comvita Health Pty Limited	Australia	100%	30 June	Not trading
Medihoney Pty Limited	Australia	100%	30 June	Not trading
Medihoney (Europe) Limited	United Kingdom	100%	30 June	Not trading
Comvita Holdings UK Limited	United Kingdom	100%	30 June	Holding Company
Comvita UK Limited	United Kingdom	100%	30 June	Selling and distribution
New Zealand Natural Foods Limited	United Kingdom	100%	30 June	Not trading

NOTES TO THE FINANCIAL STATEMENTS

30. COMMITMENTS

Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of New Zealand dollars	**2017 30 June**	**2016 30 June**
Less than 1 year	4,640	3,913
Between one and five years	3,354	2,527
Greater than five years	-	-
Total	**7,994**	**6,440**
Operating lease expense in the income statement	3,803	4,683

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 also has a number of short term land use agreements for hive placements.

Capital commitments

The total capital commitment is $261,000 (2016: $762,000) and will be paid over the next 12 months.

31. SUBSEQUENT EVENTS

Other than the matter relating to Investments in Equity Accounted Investees, (refer to Note 15 (d)(ii)) there are no other subsequent events.

KPMG

Independent auditor's report

To the shareholders of Comvita Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Comvita Limited (the company) and its subsidiaries (the Group) on pages 3 to 42:

i. present fairly in all material respects the Group's financial position as at 30 June 2017 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 2017;

— the consolidated income statement, consolidated statements of other 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*
Carrying value of goodwill	
Refer to Note 13 to the financial statements. The Group has $27.8M of goodwill arising from previous acquisitions, contained within 5 cash generating units (CGUs). In the last twelve months Comvita has sold its Medihoney related intellectual property, leaving a focus on driving global sales and distribution and growing their business globally. Certain CGUs have experienced volatility in the current year due to factors such as climatic conditions (Apiaries) and regulatory change in China (Australia). The assessment of impairment of the Group's goodwill balances incorporates significant judgement in respect of factors such as: • the strategic direction of the Group; • the future cash flows; • terminal growth rates; and • the discount rate applied to those cash flows. A key audit matter for us was whether the Group's value in use models for impairment included appropriate consideration of these factors on their significant estimates and judgements and the selection of key external and internal inputs.	Specific focus was given to the Hong Kong, Australia and Apiaries CGUs in light of performance in FY17 and the extent of goodwill for these CGUs. Our procedures to assess the carrying value of the goodwill included ensuring the methodologies adopted in the models are consistent with accepted valuation approaches. We analysed the projected cash flows to determine whether they were reasonable based on the historical performance and future growth prospects. We also assessed whether the modelled cash flows appropriately reflect the Group's strategy and budget. We challenged the terminal growth assumption by benchmarking against both historic and forecast inflation rates. We used our internal experts to assess the appropriateness of the discount rate used (10.8%) by comparing it to market data and industry research. We subjected the key assumptions to sensitivity analysis using a range of scenarios. As an overall test we compared the Group's net assets at 30 June 2017 of $164m to its market capitalisation of $295m at 30 June 2017.

Gain on sale of Medihoney IP to Derma	
Refer to Note 6 to the financial statements. During the year the Medihoney IP was sold to Derma resulting in a gain on sale of $13.2m and a release of deferred revenue of $3.3m. This amount is significant to the Group's reported net profit and significant judgement was required by management in determining the composition of the net assets derecognised (tangible and intangible assets and liabilities) and all components of the consideration (upfront payments and earnout), together with the tax treatment.	Our procedures included the following: We inspected the sale and purchase agreement to ensure the accounting reflected the commercial undertakings and arrangements. We examined whether the recognition criteria existed to include the earnout in the calculation of the consideration. We examined the balance sheet in detail to ensure all related assets and liabilities were derecognised. We examined specialist tax advice the Group procured in respect of the transaction.

The key audit matter	*How the matter was addressed in our audit*
Investment in SeaDragon Limited	
During FY16 the Group acquired 410.9M shares in SeaDragon Limited plus a further 785.9M options in two tranches. The investment is treated as an equity accounted investment, while the options are carried at fair value. The SeaDragon investment was impaired by $1.9m in FY17 and the net loss in fair value of the SeaDragon options was $3.5m. Judgement is applied in calculating the impairment of the investment and the value of the options. The key aspects of this judgement include recent share trading on the NZX, recent rights issue and share price volatility. Changes in the fair value of the asset are made through the income statement During FY17 the Group also entered into an agreement for a $3m convertible note with SeaDragon, of which $2m was taken up as at 30 June 2017. An embedded derivative has also been recognised as part of the convertible note. Judgement is also applied in assessing the convertible note for impairment and the identification and valuation of the embedded derivative.	We assessed management's judgements in recognising the impairment in the equity accounted investment by reference to recent transactional evidence. This included a fully subscribed renounceable rights issue during the year and share trading on the NZX; In assessing the option valuation, we assessed the key assumptions for reasonableness by comparing to market data. We also utilised internal specialists to assess the expected volatility of the share price; We assessed management's consideration of the accounting classification of the embedded derivative within the convertible note by examining the terms and conditions of the convertible note agreement and considering the requirements of NZ IAS 39 Financial Instruments: Recognition and Measurement, specifically whether the embedded derivative should be separated from the convertible note and how to determine the fair value at 30 June 2017. We challenged management's judgement to not recognise an impairment of the convertible note by reference to recent transactional evidence. This included recent rights issue and share trading on the NZX. We also referenced the net tangible assets of SeaDragon Limited, per their audited financial statements for the year ended 31 March 2017, when assessing if an impairment existed.

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 statutory information 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 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 report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

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:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx.

This description forms part of our Independent Auditor's Report.

KPMG

Glenn Keaney

For and on behalf of

KPMG
Tauranga

21 August 2017

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 2016 was paid on 23 September 2016 at $0.02 per share. An interim dividend for the year ended 30 June 2017 was paid on 21 March 2017 at $0.02 per share.

Directors

In accordance with the constitution, all directors will continue in office, until the 2017 Annual Meeting, when two directors will retire by rotation.

Directors' remuneration for the year ended 30 June 2017

In thousands of New Zealand dollars	Fee	Other	Total
N.J Craig	117	-	117
T.D.C Cullwick (retired 26 Oct 2016)	24	-	24
A.J Bougen	74	-	74
S.C Ottrey	58	-	58
L.N.E Bunt	73	-	73
S.J Kennedy	58	-	58
M.J Denyer	68	-	68
B.D Hewlett (appointed 1 May 2017)	9	4	13
P.R.T Reid (appointed 1 May 2017)	9	-	9
Total	**490**	**4**	**494**

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:

A.J Bougen
Director - Comvita Limited (Deputy Chairman)
Director - Kiwbee Medical Limited
Director - True North Marketing Limited

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

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

P.R.T Reid
Director & Chairman - Figured Limited
Director & Chairman- Pukeko Pictures GP Limited
Director - Comvita Limited
Director & Chairman- Software Education Holdings Limited

S.C Ottrey
Director - Comvita Limited
Director - Sarah Ottrey Marketing Limited
Director - Whitestone Cheese Limited
Director - Skyline Enterprises Limited
Director - EBOS Group Limited

S.J Kennedy
Director - Comvita Limited
Director - Lifestream International Limited
Director - Lanaco Limited

L.N.E Bunt
Director - Comvita Limited

B.D Hewlett
Director - Comvita Limited
Director - Comvita New Zealand Limited
Director - SeaDragon Limited
Member - Callaghan Stakeholder Advisory Group
Chairman - Priority One Inc
Director (Nominee) - Quayside Holdings Limited

STATUTORY INFORMATION

DIRECTORS OF GROUP COMPANIES

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

** denotes an executive of a Group Company*

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
A.J Bougen	-	-	7,600	41,080
N.J Craig	-	-	4,840	30,928
S.C. Ottrey	-	-	5,000	26,000
L.N.E Bunt	-	-	50,000	319,343
S.J Kennedy	-	-	2,762	22,173
M.J Denyer	-	-	4,000	24,400

Directors Shareholding

Directors, or entities associated with directors, held the following shareholding in Comvita Limited at 30 June 2017:

Director	Opening Balance	Shares Sold/ Transferred	Shares Purchased/ Transferred	Closing Balance
A.J Bougen				
Beneficial				
A Bougen & L Bougen & G Elvin	2,001,649	-	7,600	2,009,249
Non-beneficial (Employee Share Purchase Scheme)	41,115	(41,115)	-	-
Total	**2,042,764**	**(41,115)**	**7,600**	**2,009,249**
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	5,160	-	4,840	10,000
Non-beneficial	160,000	-	10,000	170,000
Total	**1,160,160**	**-**	**14,840**	**1,175,000**
B.D Hewlett*				
Beneficial				
Brett Donald Hewlett	-	-	-	56,537
YRW Trustees 2005 Limited	-	-	-	267,143
Total	**-**	**-**	**-**	**323,680**
L.N.E Bunt				
Beneficial	-	-	-	-
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
Non-beneficial (Employee Share Purchase Scheme)	-	-	34,063	34,063
Total	**-**	**-**	**38,063**	**38,063**

STATUTORY INFORMATION

Director	Opening Balance	Shares Sold/ Transferred	Shares Purchased/ Transferred	Closing Balance
S.C Ottrey				
Beneficial				
Sarah Christine Ottrey	31,200	-	5,000	36,200
Total	**31,200**	**-**	**5,000**	**36,200**
S.J Kennedy				
Beneficial				
S.J Kennedy	6,090	-	2,762	8,852
Total	**6,090**	**-**	**2,762**	**8,852**
Beneficial	3,039,099	-	74,202	3,436,981
Non-beneficial	201,115	(41,115)	44,063	204,063
Total	**3,240,214**	**(41,115)**	**118,265**	**3,641,044**

** Already held shares before becoming a director on 1 May 2017*

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 2017 the following numbers of employees received remuneration of at least $100,000.

	Number of employees
$100,000 to $110,000	10
$110,000 to $120,000	11
$120,000 to $130,000	12
$130,000 to $140,000	7
$140,000 to $150,000	3
$150,000 to $160,000	3
$160,000 to $170,000	4
$170,000 to $180,000	1
$180,000 to $190,000	1
$190,000 to $200,000	8
$200,000 to $210,000	3
$210,000 to $220,000	1
$220,000 to $230,000	2
$240,000 to $250,000	1
$250,000 to $260,000	1
$290,000 to $300,000	1
$320,000 to $330,000	1
$330,000 to $340,000	1
$350,000 to $360,000	1
$440,000 to $450,000	1
$480,000 to $490,000	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 $32,000 (2016: $111,000). The Company also made donations of products to charitable organisations.

STATUTORY INFORMATION

SHAREHOLDER ANALYSIS

Analysis of shareholder by size as at 1 August 2017

Category	No of shareholders	Shares held	Percentage of shareholders	Percentage of shares
Up to 1,000 shares	1,227	667,334	43.3%	1.5%
1,001 – 5,000 shares	1,129	2,804,809	39.8%	6.2%
5,001 – 10,000 shares	260	1,895,155	9.2%	4.2%
10,001 – 100,000 shares	185	4,478,410	6.5%	9.9%
100,001 shares or more	33	35,443,934	1.2%	78.3%
Total	2,834*	45,289,642	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 2017

Shareholder	Shares held	Percentage of shares
New Zealand Central Securities Depository Limited	5,906,282	13.0%
China Resources Ng Fung Limited	3,782,000	8.3%
Kauri NZ Investments Limited	3,558,077	7.9%
Custodial Services Limited – Account 16	3,451,003	7.6%
Li Wang**	2,848,736	6.3%
Alan John Bougen & Lynda Ann Bougen & Graeme William Elvin	2,009,249	4.4%
Custodial Services Limited – Account 3	1,810,002	4.0%
FNZ Custodians Limited	1,709,903	3.8%
Investment Custodial Services Limited	1,356,745	3.0%
Custodial Services Limited – Account 4	1,085,891	2.4%
Maori Investments Limited	1,000,000	2.2%
Robert Bertram Tait & Jane Gibbons Tait & Ian James Craig	905,000	2.0%
Forsyth Barr Custodians Ltd	605,949	1.3%
Te Arawa Group Holdings Ltd	602,390	1.3%
Aju Pharm Co Limited	600,000	1.3%
Kam Chip Butt	444,110	1.0%
Custodial Services Limited – Account 2	441,616	1.0%
Custodial Services Limited – Account 1	353,257	0.8%
Custodial Services Limited – Account 18	344,607	0.8%
Brett Donald Hewlett & Rhonda Hewlett & Yrw Trustees 2005 Limited	267,143	0.6%
Other	12,207,682	27.0%
Total Ordinary Shares* **	**45,289,642**	**100%**

*** in addition to this holding Li Wang is the beneficial owner of 2,264,000 shares, which are currently held in escrow and are part consideration for the Company's investment in Comvita Food (China) Limited*

****does not include 2,339,312 partly paid redeemable share entitlements as detailed in Note 27 to the annual accounts*

Substantial security holders as at 1 August 2017

Shareholder	Shares held	Percentage of shares
China Resources NG Fung Limited	3,782,000	8.3%
Kauri NZ Investments Limited	3,558,077	7.9%
Li Wang	2,848,736	6.3%

DIRECTORY

DIRECTORS

COMVITA BOARD OF DIRECTORS
Neil John Craig
Alan John Bougen
Sarah Christine Ottrey
Lucas (Luke) Nicholas Elias Bunt
Sarah Jane Kennedy
Murray John Denyer
Brett Donald Hewlett (apt 1 May 2017)
Paul Robert Thomas Reid (apt 1 May 2017)

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