



CONDENSED INTERIM
**FINANCIAL
STATEMENTS**

FOR THE 6 MONTHS ENDED
31 DECEMBER 2018

COMVITA LIMITED AND GROUP



CONTENTS

2	DIRECTORS' DECLARATION
3	CONDENSED INTERIM INCOME STATEMENT
4	CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
5	CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
6	CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
7	CONDENSED INTERIM STATEMENT OF CASH FLOWS
8-17	NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
18-19	COMPANY DIRECTORY

DIRECTORS' DECLARATION

In the opinion of the directors of Comvita Limited, the interim financial statements and the notes, on pages 3 to 17

- comply with New Zealand generally accepted accounting practice and fairly state the financial position of the Group as at 31 December 2018 and the results of their operations and cash flows for the six month period ended on that date.
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates, except for those changed with the Group adopting NZ IFRS 15 Revenue from contracts with customers and NZ IFRS 9 Financial Instruments.

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 six month period ended 31 December 2018.

For and on behalf of the Board of Directors:



Neil Craig

25 February 2019



Luke Bunt

25 February 2019

Condensed interim INCOME STATEMENT

		31 December 2018	31 December 2017
		Unaudited	Unaudited
For the 6 months ended 31 December 2018			
<i>In thousands of New Zealand dollars</i>			
	Note		
Revenue		77,741	83,561
Cost of sales		(45,856)	(47,765)
Gross profit		31,885	35,796
Other income		762	650
Selling and marketing expenses		(20,952)	(17,983)
Distribution expenses		(4,135)	(3,945)
Research and development expenses		(1,060)	(1,776)
Administrative expenses		(9,759)	(7,615)
Operating (loss)/profit before financing costs		(3,259)	5,127
Finance income	5	1,131	794
Finance expenses	5	(2,735)	(2,160)
Net finance costs		(1,604)	(1,366)
Share of profit of equity accounted investees	9b	798	1,114
Impairment of equity accounted investees	9b	(101)	-
(Loss)/profit before income tax		(4,166)	4,875
Income tax benefit/(expense)	6	1,488	(1,146)
(Loss)/profit for the period		(2,678)	3,729
Earnings per share:			
Basic earnings per share (NZ cents)	7	(5.91)	8.31
Diluted earnings per share (NZ cents)	7	(5.91)	7.91

The notes on pages 8 to 17 are an integral part of these condensed interim financial statements.

Condensed interim STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 31 December 2018

In thousands of New Zealand dollars

	31 December 2018 Unaudited	31 December 2017 Unaudited
(Loss)/profit for the period	(2,678)	3,729
<i>Items that are or may be reclassified subsequently to the income statement</i>		
Foreign currency translation differences for foreign operations	(1,760)	2,936
Effective portion of changes in fair value of cash flow hedges	553	(1,086)
Foreign investor tax credits received	10	-
Income tax on income and expense recognised directly in other comprehensive income	338	(518)
Income and expense recognised directly in other comprehensive income	(859)	1,332
Total comprehensive (loss)/income for the period	(3,537)	5,061

The notes on pages 8 to 17 are an integral part of these condensed interim financial statements.

Condensed interim STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 31 December 2018

In thousands of New Zealand dollars

	Share capital	Foreign currency translation on reserve	Hedging reserve	Retained earnings	Total
Balance at 1 July 2017	120,155	(3,894)	(1,087)	48,701	163,875
<i>Total comprehensive income for the period</i>					
Profit after tax for the period	-	-	-	3,729	3,729
<i>Other comprehensive income (net of tax):</i>					
Foreign currency translation differences for foreign operations	-	2,114	-	-	2,114
Effective portion of changes in fair value of cash flow hedges	-	-	(782)	-	(782)
Total other comprehensive income for the period	-	2,114	(782)	-	1,332
Total comprehensive income for the period	-	2,114	(782)	3,729	5,061
<i>Transactions with owners, recorded directly in equity</i>					
Share based payments	-	-	-	365	365
Supplier share scheme	52	-	-	45	97
<i>Issue of ordinary shares:</i>					
- executive share scheme	1,064	-	-	-	1,064
- staff share scheme	2	-	-	-	2
- acquisition	16,414	-	-	-	16,414
Issue expenses related to issuing shares	(28)	-	-	-	(28)
Total transactions with owners	17,504	-	-	410	17,914
Balance at 31 December 2017	137,659	(1,780)	(1,869)	52,840	186,850
Balance at 1 July 2018	137,744	(1,659)	(2,348)	55,955	189,692
<i>Total comprehensive income for the year</i>					
(Loss) after tax for the period	-	-	-	(2,678)	(2,678)
<i>Other comprehensive income (net of tax):</i>					
Foreign investor tax credits received	-	-	-	10	10
Foreign currency translation differences for foreign operations	-	(1,267)	-	-	(1,267)
Effective portion of changes in fair value of cash flow hedges	-	-	398	-	398
Total other comprehensive (loss) for the period	-	(1,267)	398	10	(859)
Total comprehensive (loss) for the period	-	(1,267)	398	(2,668)	(3,537)
<i>Transactions with owners, recorded directly in equity</i>					
Share based payments	-	-	-	334	334
<i>Issue of ordinary shares:</i>					
- executive share scheme	531	-	-	-	531
- staff share scheme	19	-	-	-	19
Issue of treasury stock (note 9b)	580	-	-	305	885
Dividends paid	-	-	-	(918)	(918)
Total transactions with owners	1,130	-	-	(279)	851
Balance at 31 December 2018	138,874	(2,926)	(1,950)	53,008	187,006

The notes on pages 8 to 17 are an integral part of these condensed interim financial statements.

Condensed interim STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

In thousands of New Zealand dollars

	Note	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018 Audited
Assets				
Property, plant and equipment	12	54,248	46,554	47,508
Biological assets		4,159	4,275	4,331
Intangible assets and goodwill		32,072	34,080	33,397
Investment in equity accounted investees	9	40,991	31,310	30,621
Other investments		8	8	8
Deferred tax asset		3,082	3,111	2,992
Total non-current assets		134,560	119,338	118,857
Inventory	11	119,040	98,643	116,492
Trade receivables		40,771	50,283	55,813
Sundry receivables	8	18,355	20,585	21,851
Cash and cash equivalents	13	8,026	4,931	4,947
Derivatives	10	3,827	968	186
Tax receivable		2,392	1,877	421
Total current assets		192,411	177,287	199,710
Total assets		326,971	296,625	318,567
Equity				
Issued capital		138,874	137,659	137,744
Retained earnings		53,008	52,840	55,955
Reserves		(4,876)	(3,649)	(4,007)
Total equity		187,006	186,850	189,692
Liabilities				
Loans and borrowings	13	111,700	87,300	96,700
Employee benefits		430	388	407
Total non-current liabilities		112,130	87,688	97,107
Trade and other payables		22,215	14,683	22,938
Employee benefits		3,005	3,367	4,048
Tax payable		115	1,442	1,414
Derivatives	10	2,500	2,595	3,368
Total current liabilities		27,835	22,087	31,768
Total liabilities		139,965	109,775	128,875
Total equity and liabilities		326,971	296,625	318,567

The notes on pages 8 to 17 are an integral part of these condensed interim financial statements.

Condensed interim STATEMENT OF CASH FLOWS

For the 6 months ended 31 December 2018

In thousands of New Zealand dollars

	Note	31 December 2018 Unaudited	31 December 2017 Unaudited
Receipts from customers		89,095	78,377
Payments to suppliers and employees		(79,091)	(92,118)
Interest received		161	94
Interest paid		(2,468)	(1,863)
Taxation paid		(1,360)	(1,899)
Net cash flows from operating activities	14	6,337	(17,409)
Deposit for business combination	18	(600)	-
Payment for loans to related parties		-	(87)
Payment for investment in equity accounted investee	9	(6,513)	-
Payment for loans to equity accounted investee		(922)	(2,168)
Payment for the acquisition of property, plant and equipment	12	(9,859)	(2,298)
Receipt from disposal of property, plant and equipment		319	612
Receipt of profit from equity accounted investee		-	256
Payment for the acquisition of intangibles		(336)	(490)
Net cash flows from investing activities		(17,911)	(4,175)
Proceeds from the issue of shares		550	1,044
Payment for share capital issue expenses		-	(6)
Payment of dividend		(918)	-
Drawdown of loans and borrowings		15,000	20,800
Net cash flows from financing activities		14,632	21,838
Net increase in cash and cash equivalents		3,058	254
Cash and cash equivalents at the beginning of the period		4,947	4,572
Effect of exchange rate fluctuations on cash held		21	105
Cash and cash equivalents at the end of the period		8,026	4,931
Represented as:			
Cash and cash equivalents	13	8,026	4,931
Bank overdraft		-	-
Total		8,026	4,931

The notes on pages 8 to 17 are an integral part of these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM 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 condensed interim financial statements of the Group for the six months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investees.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the group financial statements as at and for the year ended 30 June 2018.

The condensed interim financial statements were approved by the Board of Directors on 25 February 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments and biological assets which are measured at fair value. Fair values have been determined for measurement and/or disclosure purposes on the same basis as those applied by the Group in the financial statements as at and for the year ended 30 June 2018.

(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 condensed interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting 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.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Groups accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 30 June 2018, except for those changed with adopting NZ

IFRS 9 Financial Instruments. The effect of these changes in accounting policies are shown in note 10.

The accounting policies have been applied consistently throughout the Group for the purposes of these condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Group's financial statements as at and for the year ended 30 June 2018 except for those changed with adopting NZ IFRS 15 Revenue from contracts with customers and NZ IFRS 9 Financial Instruments.

NZ IFRS 15 Revenue from contracts with customers (NZ IFRS 15) replaces NZ IAS 18 Revenue. The Group transitioned to NZ IFRS 15 with a date of initial application of 1 July 2018. The transition to NZ IFRS 15 has not had a material impact.

NZ IFRS 9 Financial Instruments (NZ IFRS 9) replaces NZ IAS 39 Financial Instruments: Recognition and Measurement. The Group transitioned to NZ IFRS 9 with a date of initial application of 1 July 2018. NZ IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. The transition to NZ IFRS 9 has not resulted in a material change to the numbers reported at 31 December 2018 and therefore no adjustment has been made on transition.

4. SEGMENT REPORTING

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

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

Each segment sells Comvita's range of products, except for the medical segment, see below. Comvita's range of products primarily include products with apiary and other natural ingredients.

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

The Group has six reportable segments as described below:

New Zealand	This segment captures both revenue and related costs for the New Zealand market, excluding exports.
Australia	This segment captures both revenue and related costs for the Australian domestic market and includes external revenue and costs from Comvita Australia Pty Limited.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

4. SEGMENT REPORTING (CONTINUED)

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

For the 6 months to 31 December 2018 Unaudited

In thousands of New Zealand dollars

	New Zealand		Australia		China*		Asia		North America		Europe		Total reportable segments		Other segments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	13,116	15,465	19,465	16,535	6,626	3,562	21,157	16,830	8,053	19,553	3,128	4,875	71,545	76,820	6,196	6,741	77,741	83,561
Contribution	4,858	5,563	3,289	3,607	727	541	2,013	1,777	1,040	8,798	(407)	506	11,520	20,792	349	484	11,869	21,276
Non attributable (other corporate expenses)																	(15,890)	(16,799)
Financial income and expenses (Note 5)																	(1,604)	(1,366)
Other income																	762	650
Share of profit of equity accounted investees (Note 9)					1,210	1,460									(412)	(346)	798	1,114
Impairment of equity accounted investees (Note 9)															(101)	-	(101)	-
Net (loss)/profit before tax					1,937	2,001											(4,166)	4,875

*Reconciliation of China Segment	2018			2017		
	Gross	51% elimination movement	Total segment (per above)	Gross	51% elimination movement	Total segment (per above)
Revenue	3,340	3,286	6,626	4,641	(1,079)	3,562
Contribution	156	571	727	379	162	541
Share of profit of equity accounted investees	1,210	-	1,210	1,460	-	1,460
Net profit before tax	1,366	571	1,937	1,839	162	2,001

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

Total assets

In thousands of New Zealand dollars

	December 2018 Unaudited	December 2017 Unaudited	June 2018 Audited
Total assets for reportable segments	123,019	134,772	120,181
Other investments	8	8	8
Investment in equity accounted investees	40,991	7,328	30,621
Other unallocated assets	162,953	154,517	167,757
Consolidated total assets	326,971	296,625	318,567

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

5. FINANCE INCOME AND EXPENSES

In thousands of New Zealand dollars

Note	31 December 2018 Unaudited	31 December 2017 Unaudited
Net gain in fair value of derivatives designated at fair value through income statement		
- SeaDragon options	10 831	-
Interest income	298	222
Net foreign exchange gain	-	572
Dividend income	2	-
Finance income	1,131	794
Interest expense on financial liabilities measured at amortised cost	(2,468)	(1,863)
Net foreign exchange loss	(77)	-
Net loss in fair value of derivatives designated at fair value through income statement		
- Other	(184)	-
- SeaDragon options	-	(297)
- SeaDragon convertible loan notes	10 (6)	-
Finance expenses	(2,735)	(2,160)

6. INCOME TAX EXPENSE

The current period effective tax rate as reflected in the income tax expense is impacted by a number of factors. Equity earnings are primarily assessed for tax in the investee, so do not impact the company tax expense.

7. EARNINGS PER SHARE

Basic earnings per share – weighted average number of ordinary shares

In thousands of New Zealand dollars

	31 December 2018 Unaudited	31 December 2017 Unaudited
Issued ordinary shares at beginning of year	45,164	42,005
Effect of shares issued during the period	173	2,843
Weighted average number of ordinary shares at the end of the period	45,337	44,848
Basic earnings per share (NZ cents)	(5.91)	8.31

Diluted earnings per share – weighted average number of ordinary shares

	31 December 2018 Unaudited	31 December 2017 Unaudited
Weighted average number of ordinary shares (basic)	45,337	44,848
Effect of stock entitlements issued	1,214	2,280
Weighted average number of diluted shares at the end of the period	46,551	47,128
Diluted earnings per share (NZ cents)	(5.91)	7.91

The effect of stock entitlements is Nil where the exercise price is higher than the average share price for the year, in accordance with NZ IAS 33 Earnings per share. When there is a net loss the diluted earnings per share cannot be less than the basic earnings per share.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

8. SUNDRY RECEIVABLES

In thousands of New Zealand dollars

	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018 Audited
Prepayments	7,034	5,892	4,924
Loans to equity accounted investees (note gc)	8,678	10,928	10,790
Loan receivable – related parties (note gd)	1,188	1,132	1,170
Other receivables	1,455	2,633	4,967
Total sundry receivables	18,355	20,585	21,851

9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

(a) Investments in Equity Accounted Investees comprises:

	Country of Incorporation	Ownership Interest Held	Balance Date	Principal Activity
Kaimanawa Honey Limited Partnership	New Zealand	50%	30 June	Apiary and land use
Makino Station Limited	New Zealand	50%	30 June	Apiary and land ownership
SeaDragon Limited	New Zealand	9.1%	31 March	Fish oil production
Nga Pi Honey Limited	New Zealand	33%	30 June	Apiary
Putake Group Holdings Limited	New Zealand	50%	30 June	Apiary
Manuka Research Partnership Limited	New Zealand	31.77%	30 June	Research and development
Medibee Pty Limited	Australia	50%	30 June	Apiary
Apiter S.A. (new)	Uruguay	20%	31 July	Manufacturing, selling and distribution
China Joint Venture, consisting of the two entities:				
Comvita Food (China) Limited	China	51%	31 December	Selling and distribution
Comvita China Limited	Hong Kong	51%	31 December	Selling and distribution

(b) Carrying value of Investments in Equity Accounted Investees

In thousands of New Zealand dollars

	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018 Audited
Opening balance – 1 July	30,621	14,155	14,155
Acquisition – Comvita China	-	16,420	16,424
Acquisition – Apiter S.A.	9,048	-	-
Acquisition – Other	-	-	269
Prior year profit distributed this year	-	(262)	(262)
Impairment – SeaDragon	(101)	-	(681)
Share of profit	798	1,114	1,921
Profit elimination *	571	(162)	(1,623)
Transfer share of loss to receivable	54	45	418
Closing Balance	40,991	31,310	30,621

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

Apiter S.A

On 3 July 2018, the Company acquired a 20% shareholding in Apiter S.A. The consideration for this investment was USD \$4,447,000 in cash and USD \$600,000 in shares (NZD: \$855,000), which were issued from Treasury Stock. Acquisition related costs of \$119,000 have been capitalised to the carrying value of the investment.

The Company could be required to pay an additional USD \$1,115,000 if certain earn out conditions are met. This has been included in the carrying value of the investment and recognised as a liability at 31 December 2018.

c) Loans to equity accounted investees

In thousands of New Zealand dollars

Note	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018 Audited
Loan receivable			
Makino	3,720	3,257	3,548
SeaDragon - convertible note	-	3,000	3,000
Medibee	2,283	2,501	2,302
Kaimanawa	1,115	1,253	1,128
Putake	875	665	550
Apiter	426	-	-
Nga Pi Honey	252	252	252
Comvita China	7	-	10
Total	8	10,928	10,790

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

In thousands of New Zealand dollars

	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018 Audited
Interest receivable			
Makino	386	224	185
SeaDragon - convertible note	60	47	362
Apiter	5	-	-
Total	451	271	547

The Group's interest income from SeaDragon on the convertible notes was \$167,000 for the six months to 31 December 2018 (31 December 2017: \$87,000). Interest income from Makino was \$96,000 for the six months ended 31 December 2018 (31 December 2017: \$93,000). Interest income from Apiter was \$5,000 for the six months ended 31 December 2018 (31 December 2017: nil).

SeaDragon

With the application of the new accounting standard NZIFRS 9 Financial Instruments on 1 July 2018, the SeaDragon Convertible Loan Note has been reclassified from a loan recognised at amortised cost with an embedded derivative, to a derivative financial asset - see Note 10 for further information.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

d) Loans to related parties

Note	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018 Audited
<i>In thousands of New Zealand dollars</i>			
Loan receivable			
Gan Enterprises Ltd (Nga Pi Honey)	567	566	567
Casa Base Trustees (Putake)	621	565	603
Total	8	1,132	1,170

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

In thousands of New Zealand dollars

	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018 Audited
Interest receivable			
Gan Enterprises Ltd (Nga Pi Honey)	-	-	2
Casa Base Trustees (Putake)	56	21	38
Total	56	21	40

The Group's interest income on the loan to Gan Enterprises Ltd was \$18,000 for the six months ended 31 December 2018 (31 December 2017: \$15,000). Interest income on the loan to Casa Base Trustees was \$18,000 for the six months ended 31 December 2018 (31 December 2017: \$21,000).

e) Transactions with equity accounted investees

In thousands of New Zealand dollars

	Sale of goods and services		Purchases of goods and services	
	Transaction value	Balance due from	Transaction value	Balance owing to
31 December 2018				
Comvita China	1,659	1,342	-	-
Kaimanawa	885	885	19	-
Makino	-	-	144	-
Nga Pi Honey	12	12	572	-
Putake	-	-	77	2
Apiter	-	-	2,174	-
SeaDragon	30	-	-	-
31 December 2017				
Comvita China	4,641	4,341	-	-
Kaimanawa	1,328	1,328	12	-
Makino	-	-	-	-
Nga Pi Honey	3	1	151	-
Putake	-	-	-	151
Extracts	-	-	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

10. DERIVATIVES

The table below analyses financial instruments carried at fair value, by valuation method. These 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

	31 December 2018	31 December 2017	30 June 2018
	Unaudited	Unaudited	Audited
Derivatives – SeaDragon options	832	459	1
Derivatives – SeaDragon convertible loan notes	2,995	369	1
Derivatives – assets (hedging instrument)	-	140	184
Total assets	3,827	968	186
Derivatives – liabilities (hedging instrument)	(2,500)	(2,595)	(3,368)
Total liabilities	(2,500)	(2,595)	(3,368)

SeaDragon

A Deed of Amendment and Restatement signed on 3 July 2018 and approved by SeaDragon shareholders on 8 August 2018 amended the terms of both the Options and the convertible loan notes.

SeaDragon Options

The new agreement extended the expiry date of the \$0.008 options to 31 March 2020 and adjusted the strike price to \$0.0033.

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

SeaDragon Convertible Loan Notes

Adoption of NZ IFRS 9 Financial Instruments

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

New Agreements signed

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

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

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

Fair values

The fair value of all financial assets and liabilities is the same as the carrying amount.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

11. INVENTORY

In thousands of New Zealand dollars

	31 December 2018	31 December 2017	30 June 2018
	Unaudited	Unaudited	Audited
Raw materials	90,904	72,237	89,273
Work in progress	3,625	2,105	2,866
Finished goods	26,221	25,464	25,980
Provision	(1,710)	(1,163)	(1,627)
Total inventory	119,040	98,643	116,492

12. PROPERTY, PLANT & EQUIPMENT

During the six month period ended 31 December 2018 the group has spent \$9,856,000 on acquiring property, plant & equipment. The spend predominantly relates to the construction of the new warehouse at Paengaroa.

13. LOANS AND BORROWINGS

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

In thousands of New Zealand dollars

	31 December 2018	31 December 2017	30 June 2018
	Unaudited	Unaudited	Audited
Balance at beginning of period	96,700	66,500	66,500
Drawdown from long term borrowings	15,000	20,800	30,200
Balance at end of period	111,700	87,300	96,700
Represented as:			
Current loans and borrowings	-	-	-
Non-current loans and borrowings	111,700	87,300	96,700
Total loans and borrowings	111,700	87,300	96,700
Less: cash and cash equivalents	(8,026)	(4,931)	(4,947)
Total net debt	103,764	82,369	91,753

The Group was in compliance with banking covenants during the period and as at 31 December 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

14. RECONCILIATION OF THE (LOSS)/PROFIT FOR THE PERIOD WITH THE NET CASH FROM OPERATING ACTIVITIES

<i>In thousands of New Zealand dollars</i>	December 2018 Unaudited	December 2017 Unaudited
(Loss)/Profit for the period	(2,678)	3,729
Adjustments for:		
Depreciation	2,253	2,169
Amortisation	1,068	1,254
Gain on disposal of property, plant and equipment	(18)	(362)
Share based payments	334	365
(Gain)/Loss on fair value of SeaDragon derivatives	(825)	297
Share of profit in equity accounted investees	(798)	(1,114)
(Loss)/Profit adjusted for non-cash items	(664)	6,338
Change in working capital items from foreign currency translation reserve	(1,167)	604
Change in inventories	(2,548)	(10,787)
Change in trade receivables	15,042	(6,270)
Change in sundry debtors and prepayments	(1,306)	(2,559)
Change in trade and other payables	(2,373)	(4,405)
Change in employee benefits	(1,018)	(603)
Change in derivatives	3,393	1,036
Movement of deferred tax in equity	338	(518)
Change in tax payable	(3,270)	717
Change in deferred tax	(90)	(962)
Net cash from operating activities	6,337	(17,409)

15. RELATED PARTIES

Transactions with key management personnel

Key management compensation comprised:

<i>In thousands of New Zealand dollars</i>	31 December 2018 Unaudited	31 December 2017 Unaudited
Short term employee benefits	1,224	1,350
Share based payments	180	202
Total	1,404	1,552

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

15. RELATED PARTIES (CONTINUED)

Other transactions with key management personnel

Directors and other key management personnel of the Company control 5.29% (30 June 2018: 5.70%, 31 December 2017: 5.62%) of the voting shares of the Company.

Other related party transactions

Craigs Investment Partners Limited are considered to be a related party as Neil Craig is Chairman of both entities. Craigs Investment Partners Limited manage the Comvita share purchase program (START Scheme) and facilitated the sale of shares in the Executive Share Scheme (refer Note 16) for some employees. During the period fees paid to Craigs Investment Partners Limited, recognised in other expenses for mainly secretarial services totalled \$18,000 (six months ended 31 December 2017: \$20,000).

16. EXECUTIVE EMPLOYEE SHARE SCHEME

Comvita Limited has an Executive 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 is disclosed in the most recent annual financial statements.

Movements in the number of share entitlements outstanding under the scheme are shown below:

Entitlements on issue at

<i>In thousands</i>	December 2018		December 2017	
	Number of entitlements	Weighted average exercise price	Number of entitlements	Weighted average exercise price
Entitlements outstanding at beginning of period	2,057	7.67	2,339	7.20
Entitlements granted	578	6.33	-	-
Entitlements converted to ordinary shares	(144)	3.67	(282)	3.78
Entitlements forfeited	(325)	7.43	-	-
Entitlements outstanding at end of period	2,166	7.62	2,057	7.67

17. NET TANGIBLE ASSETS PER SHARE

	December 2018 Unaudited	December 2017 Unaudited
Net tangible assets per share (NZ cents)	3.26	3.21

18. CAPITAL COMMITMENTS

Capital commitments for the group totalled \$11,700,000 at 31 December 2018 in relation to plantations, the completion of the new warehouse at Paengaroa and the outstanding consideration for the acquisition of a Queen Bee Breeding Unit.

DIRECTORY

DIRECTORS

COMVITA BOARD OF DIRECTORS

Neil John Craig
Lucas (Luke) Nicholas Elias Bunt
Sarah Jane Kennedy
Murray John Denyer
Paul Robert Thomas Reid
Brett Donald Hewlett
Xin Wang (appointed 18 October 2018)

SOLICITORS

SHARP TUDHOPE

Level 4
152 Devonport Road
Private Bag TG12020
Tauranga 3110

AUDITORS

KPMG Tauranga

Level 2
247 Cameron Road
PO Box 110
Tauranga 3140

REGISTERED OFFICE

COMVITA LIMITED

23 Wilson Road South, Paengaroa
Private Bag 1, Te Puke 3153
Bay of Plenty, New Zealand
Phone +64 7 533 1426
Fax +64 7 533 1118
Freephone 0800 504 959
Email investor-relations@comvita.com
www.comvita.co.nz

BANKERS

WESTPAC BANKING CORPORATION

Level 8
16 Takutai Square
PO Box 934
Auckland 1140

SHARE REGISTRY

LINK MARKET SERVICES LIMITED

PO Box 91976
Auckland 1142

DIRECTORY

NEW ZEALAND

Comvita New Zealand Limited

23 Wilson Road South | Paengaroa
Private Bag 1 | Te Puke 3153
Bay of Plenty | New Zealand

Phone +64 7 533 1426

Freephone 0800 504 959

info@comvita.com

HONG KONG

Comvita Hong Kong Limited

Room 1320 – 1322 Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Phone +852 2562 2335

cs@comvita.com.hk

SOUTH KOREA

Comvita Korea Co Limited

18F Gwanghwamun Building
149 Sejong-daero
Jongno-gu, Seoul (03186) | Korea

Phone +82 2 2631 0041

service.korea@comvita.com

UNITED KINGDOM

Comvita UK Limited

2nd Floor, 47a High Street
Maidenhead, SL61JT
United Kingdom

Phone +44 1628 779 460

info@comvita.co.uk

AUSTRALIA

Comvita Australia Pty Limited

10 Edmondstone Street
South Brisbane
Queensland 4101 | Australia

Phone +61 7 3845 1400

Freephone 1800 466 392

Customer Service 1300 653 436

info@comvita.com.au

JAPAN

Comvita Japan Company Limited

Sangenjaya Horisho Bld 4F
1-12-39 Taishido, Setagaya-Ku
Tokyo 154-0004 | Japan

Phone +81 3 6805 4780

info@comvita-jpn.com

CHINA

Comvita Food (China) Limited

No.3038, Luosha Road,
Liantang Street,
Luohu District
Shenzhen | China

Phone +86 755 8366 1958

comvita@comvita.com.cn

NORTH AMERICA

Comvita USA Inc.

Comvita USA Inc.,
506 Chapala Street
Santa Barbara, CA 93101 | USA

Phone +1 855 449 2201

usacustomerservice@comvita.com

