



CONDENSED INTERIM
**FINANCIAL
STATEMENTS**



FOR THE SIX MONTHS ENDED 31 DECEMBER 2019
COMVITA LIMITED





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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 2019 and the results of their operations and cash flows for the period ended on that date
- have been prepared using appropriate accounting policies, which unless otherwise stated have been consistently applied and supported by reasonable judgements and estimates

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

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

The Directors are pleased to present the financial statements of Comvita Limited for the period ended 31 December 2019.



Brett Hewlett
26 February 2020



Luke Bunt
26 February 2020

CONDENSED INTERIM INCOME STATEMENT

For the 6 months ended		31 December 2019	31 December 2018
<i>In thousands of New Zealand dollars</i>		Unaudited	Unaudited
	Note		
Revenue		93,854	77,741
Cost of sales		(55,027)	(45,856)
Gross profit		38,827	31,885
Other income		584	762
Selling and marketing expenses		(32,104)	(20,952)
Distribution expenses		(5,025)	(4,135)
Research and development expenses		(746)	(1,060)
Administrative expenses		(12,041)	(9,759)
Operating (loss) before financing costs		(10,505)	(3,259)
Finance income	6	164	1,131
Finance expenses	6	(3,497)	(2,735)
Net finance costs		(3,333)	(1,604)
Share of profit of equity accounted investees	9	11	798
Impairment of equity accounted investees	9	(2,310)	(101)
(Loss) before income tax		(16,137)	(4,166)
Income tax benefit		3,167	1,488
Loss for the period		(12,970)	(2,678)
Earnings per share:			
Basic earnings per share (NZ cents)	7	(26.17)	(5.91)
Diluted earnings per share (NZ cents)	7	(26.17)	(5.91)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended

In thousands of New Zealand dollars

	31 December 2019	31 December 2018
	Unaudited	Unaudited
Loss for the period	(12,970)	(2,678)
<i>Items that are or may be reclassified subsequently to the income statement</i>		
Foreign currency translation differences for foreign operations	(505)	(1,760)
Foreign currency translation differences for equity accounted investees	(540)	-
Effective portion of changes in fair value of cash flow hedges	1,137	553
Foreign investor tax credits received	-	10
Income tax on these items	(221)	338
Income and expense recognised directly in other comprehensive income	(129)	(859)
Total comprehensive income for the period	(13,099)	(3,537)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 31 December

In thousands of New Zealand dollars

	Share capital	Foreign currency translation on reserve	Hedging reserve	Retained earnings	Total
Balance at 1 July 2018	137,744	(1,659)	(2,348)	55,955	189,692
Total comprehensive income for the period					
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 income for the period	-	(1,267)	398	10	(859)
Total comprehensive income for the period	-	(1,267)	398	(2,668)	(3,537)
<i>Transactions with owners, recorded directly in equity</i>					
Share based payment	-	-	-	334	334
Issue of ordinary shares					
- executive share scheme	531	-	-	-	531
- staff share scheme	19	-	-	-	19
Issue of treasury stock	580	-	-	305	885
Dividend 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
Balance at 1 July 2019	151,245	(4,467)	(1,723)	28,300	173,355
Total comprehensive income for the period					
Loss after tax for the period	-	-	-	(12,970)	(12,970)
<i>Other comprehensive income (net of tax):</i>					
Foreign currency translation differences for equity accounted investees	-	(540)	-	-	(540)
Foreign currency translation differences for foreign operations	-	(408)	-	-	(408)
Effective portion of changes in fair value of cash flow hedges	-	-	819	-	819
Total other comprehensive income for the period	-	(948)	819	(12,920)	(13,099)
Total comprehensive income for the period	-	(948)	819	(12,970)	(13,099)
<i>Transactions with owners, recorded directly in equity</i>					
Share based payments	-	-	-	239	239
Issue/ redemption of ordinary shares	(12)	-	-	-	(12)
Purchase of treasury stock	(318)	-	-	-	(318)
Supplier share scheme	502	-	-	(43)	459
Total transactions with owners	172	-	-	196	368
Balance at 31 December 2019	151,417	(5,415)	(904)	15,526	160,624

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 2019	31 December 2018	30 June 2019
<i>In thousands of New Zealand dollars</i>		Unaudited	Unaudited	Audited
	Note			
Assets				
Property, plant and equipment		58,345	54,248	56,921
Biological assets		4,098	4,159	4,048
Intangible assets and goodwill		40,280	32,072	41,082
Investment in equity accounted investees	9	8,916	40,991	9,755
Right of use assets		11,498	-	-
Other investments		2,648	8	2,648
Deferred tax asset		9,642	3,082	6,757
Total non-current assets		135,427	134,560	121,211
Inventory	11	116,139	119,040	132,192
Trade receivables		28,913	40,771	30,878
Sundry receivables	8	12,746	18,355	16,289
Cash and cash equivalents	12	10,199	8,026	10,314
Derivatives	10	38	3,827	192
Tax receivable		508	2,392	553
Assets held for sale		-	-	1,414
Total current assets		168,543	192,411	191,832
Total assets		303,970	326,971	313,043
Equity				
Issued capital		151,417	138,874	151,245
Retained earnings		15,526	53,008	28,300
Reserves		(6,319)	(4,876)	(6,190)
Total equity		160,624	187,006	173,355
Liabilities				
Loans and borrowings	12	103,350	111,700	99,250
Lease liabilities		11,646	-	-
Deferred tax liability		2,346	-	3,321
Employee benefits		405	430	446
Total non-current liabilities		117,747	112,130	103,017
Trade and other payables		20,431	22,215	29,471
Employee benefits		2,941	3,005	4,041
Tax payable		1,055	115	739
Derivatives	10	1,172	2,500	2,420
Total current liabilities		25,599	27,835	36,671
Total liabilities		143,346	139,965	139,688
Total equity and liabilities		303,970	326,971	313,043

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 2019	31 December 2018
<i>In thousands of New Zealand dollars</i>		Unaudited	Unaudited
	Note		
Receipts from customers		93,631	89,095
Payments to suppliers and employees		(89,810)	(79,091)
Interest received		13	161
Interest paid		(2,374)	(2,468)
Taxation paid		(573)	(1,360)
Net cash flows from operating activities	13	887	6,337
Deposit for business combination		-	(600)
Payment for investment in equity accounted investees		-	(6,513)
Interest from related parties		28	-
Payment for loans and prepayments to equity accounted investees		(1,304)	(922)
Payment for the acquisition of property, plant and equipment		(1,731)	(9,859)
Receipt from disposal of property, plant and equipment		255	319
Payment for the acquisition of intangibles		(278)	(336)
Net cash flows from investing activities		(3,030)	(17,911)
Proceeds from the issue of shares		-	550
Payment for redemption of employee shares		(12)	-
Payment for purchase of treasury stock		(318)	-
Payment of dividend		-	(918)
Repayment of lease liabilities		(1,527)	-
Drawdown of loans and borrowings		4,100	15,000
Net cash flows from financing activities		2,243	14,632
Net increase in cash and cash equivalents		100	3,058
Cash and cash equivalents at the beginning of the period		10,314	4,947
Effect of exchange rate fluctuations on cash held		(215)	21
Cash and cash equivalents at the end of the period		10,199	8,026
Represented as:			
Cash and cash equivalents	12	10,199	8,026
Total		10,199	8,026

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 financial statements of the Group for the six months ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investees.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The Company is a FMC reporting entity for the purposes of the Financial Reporting Act 2013 and under Part 7 of 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 2019.

The condensed interim financial statements were approved by the Board of Directors on 26 February 2020.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, financial instruments designated as fair value through other comprehensive income and biological assets which are measured at fair value. 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 2019.

There has been a change to reported segments, in the current period comparatives of the Statement of Financial Position, see note 4 and note 5 respectively.

(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) Use of 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 2019, except for those changed with adopting NZ IFRS 16 Leases. The effect of these changes in accounting policies are shown below.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019.

NZ IFRS 16 Leases (NZ IFRS 16) replaces NZ IAS 17 Leases and removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. This has resulted in the Group recognising right of use assets and related lease liabilities in the statement of financial position. Lease payments previously recorded as operating lease expenses in profit or loss are now split between interest expense and repayment of finance lease liabilities. Amortisation of right of use assets is recognised on a straight line basis over the lease term in profit or loss.

The Group transitioned to NZ IFRS 16 with a date of initial application of 1 July 2019 using the modified retrospective approach and has not restated comparative amounts for the period prior to first adoption. The Group has utilised practical expedients permitted by NZ IFRS 16 in respect of short-term and low value leases where appropriate.

The impact of adoption of NZ IFRS 16 in the Group's Consolidated Statement of Financial Position in the table below:

Consolidated Statement of Financial Position effect	31 December 2019	1 July 2019
	Unaudited	Unaudited
<i>In thousands of shares</i>		
Right of use assets	11,498	10,743
Lease liabilities	(11,646)	(10,743)
Change in net assets	(148)	-

When compared to the accounting policies applied in the prior comparative period, the adoption of NZ IFRS 16 on the Group's Consolidated Statement of Comprehensive Income for the six months ended 31 December 2019 is summarised in the table below:

	31 December 2019
	Unaudited
Other operating expenses	(1,727)
Depreciation	1,613
Interest expense	200

The weighted average incremental borrowing cost applied to lease liabilities at 1 July 2019 was 5.3%. \$924,000 of rental and vehicle lease expense has not been captured by NZ IFRS 16 as they are short-term and/or are of low value.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

4. SEGMENT REPORTING (CONTINUED)

Contribution is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments. Inter-segment pricing is determined on an arms-length basis.

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

The Company is organised primarily by geographic location of its subsidiaries.

The Group has five reportable segments as described below:

Greater China	This segment reports both revenue and related costs for the China and Hong Kong markets. This includes sales to our China Joint Venture and our share of the China Joint Venture's profits up to 31 May 2019. From that date, Comvita China was consolidated, refer note 5.
ANZ	Australia and New Zealand (ANZ) segment captures both revenue and related costs for the ANZ market.
Rest of Asia	This segment captures both revenue and related costs of all of our Asian operations and customers excluding Greater China.
North America	This segment reports both revenue and related costs for sales to customers in North American.
EMEA	The Europe, Middle East and Africa (EMEA) segment captures both revenue and related costs for the EMEA markets.

For the 6 months to 31 December 2019 and 31 December 2018 unaudited

In thousands of New Zealand dollars

Contribution segments	ANZ		Greater China		Rest of Asia		North America		EMEA		Total reportable segments		Other segments		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	31,182	36,721	40,664	18,908	8,497	8,880	8,414	8,053	3,444	3,127	92,201	75,689	1,727	2,084	93,928	77,773
Contribution	8,565	9,937	4,390	1,685	1,495	1,305	957	1,178	(909)	(279)	14,498	13,826	290	349	14,788	14,175
Non attributable (other corporate expenses)															(25,877)	(18,196)
Financial income and expenses (Note 6)															(3,333)	(1,604)
Other income															584	762
Share of profit of equity accounted investees (Note 9)				1,210										11	(412)	11
Impairment of equity accounted investees (Note 9)													(2,310)	(101)	(2,310)	(101)
Net loss before tax															(16,137)	(4,166)

Total reportable segment assets

In thousands of New Zealand dollars

	31 December 2019	31 December 2018	30 June 2019
	Unaudited	Unaudited	Audited
Total assets for reportable segments	124,834	123,019	128,162
Other investments	2,648	8	2,648
Investment in equity accounted investees	8,916	40,991	9,755
Other unallocated assets	167,572	162,953	172,478
Consolidated total assets	303,970	326,971	313,043

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

5. BUSINESS COMBINATIONS – COMVITA CHINA

Effective 31 May 2019 the Company owned 100% of Comvita Food (China) Limited and Comvita China Limited, collectively referred to as Comvita China. In the 30 June 2019 financial statements, it was noted that the identification of the fair value of assets and liabilities acquired was incomplete. A Distribution Network intangible asset has now been recognised effective 31 May 2019 for NZD \$9,870,00 reducing goodwill on acquisition at 31 May 2019 of \$17,794,000.

6. FINANCIAL INCOME AND EXPENSES

In thousands of New Zealand dollars

	Note	31 December 2019 Unaudited	31 December 2018 Unaudited
Net gain in fair value of derivatives designated at fair value through the income statement:			
- SeaDragon options	10	-	831
Interest income		156	298
Dividend income		8	2
Finance income		164	1,131
Interest expense on financial liabilities measured at amortised cost		(2,174)	(2,468)
Interest expense on lease liabilities		(200)	-
Net foreign exchange loss		(969)	(77)
Net loss in fair value of derivatives designated at fair value through the income statement:			
- Other		-	(184)
- SeaDragon options and convertible loan notes	10	(154)	(6)
Finance expense		(3,497)	(2,735)

7. EARNINGS PER SHARE

Basic earnings per share - weighted average number of ordinary shares

In thousands of shares

	31 December 2019 Unaudited	31 December 2018 Unaudited
Issued ordinary shares at beginning of year	49,555	45,164
Effect of shares issued during the period	(3)	173
Weighted average number of ordinary shares at the end of the period	49,552	45,337
Basic earnings per share (NZ cents)	(26.17)	(5.91)

Diluted earnings per share – weighted average number of ordinary shares

In thousands of shares

	31 December 2019	31 December 2018
Weighted average number of ordinary shares (basic)	49,552	45,337
Effect of stock entitlements issued	582	1,214
Weighted average number of diluted shares at the end of the period	50,134	46,551
Diluted earnings per share (NZ cents)	(26.17)	(5.91)

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 2019	31 December 2018	30 June 2019
	Unaudited	Unaudited	Audited
Prepayments	4,385	7,034	3,393
Loans to equity accounted investees (note 9c)	5,661	8,678	9,119
Loan receivable – related parties (note 9d)	1,224	1,188	1,206
Other receivables	1,476	1,455	2,571
Total sundry receivables	12,746	18,355	16,289

9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

(a) Investments in Equity Accounted Investees comprises:

	Country of Incorporation	Ownership Interest Held	Balance Date	Principal Activity
Makino Station Limited	New Zealand	50%	30 June	Apiary and land ownership
Gan Supply JV Limited *	New Zealand	33%	30 June	Apiary
Putake Group Holdings Limited	New Zealand	50%	30 June	Apiary
Manuka Research Partnership Limited	New Zealand	31.77%	30 June	Research and development
Medibee Pty Limited**	Australia	50%	30 June	Apiary
Apiter S.A.	Uruguay	20%	31 July	Manufacturing, selling and distribution
Kaimanawa Honey Limited Partnership	New Zealand	50%	30 June	Ceased operating 10 November 2019

*On 30 September 2019 Nga Pi Honey Limited changed its name to Gan Supply JV Limited and Gan Enterprises Limited changed its name to Nga Pi Honey Limited.

**Medibee Apiaries has a funding arrangement with HSBC and Comvita has signed a several guarantee for its share of the facility, which is AUD \$5,500,000.

(b) Carrying value of Investments in Equity Accounted Investees

In thousands of New Zealand dollars

	31 December 2019	31 December 2018	30 June 2019
	Unaudited	Unaudited	Audited
Opening balance – 1 July	9,755	30,621	30,621
Acquisition – Apiter	-	9,048	9,048
Dividend	-	-	(519)
Impairment	-	(101)	(2,401)
Share of profit	11	798	448
Profit elimination *	-	571	1,623
Transfer share of (profit)/loss to receivable	(310)	54	62
Foreign exchange movements recognised in other comprehensive income	(540)	-	(1,707)
Derecognition of EAI – China	-	-	(26,711)
Derecognition of EAI – SeaDragon	-	-	(709)
Closing Balance	8,916	40,991	9,755

*The profit elimination (sales less cost of sales) results from the movement in 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 INVESTEEES (CONTINUED)

(c) Loans to equity accounted investees

<i>In thousands of New Zealand dollars</i>	Note	31 December 2019	31 December 2018	30 June 2019
		Unaudited	Unaudited	Audited
Loan receivable				
Makino		3,911	3,720	3,815
Medibee		- ^{**}	2,283	2,469
Kaimanawa		- [*]	1,115	1,133
Putake		925	875	875
Apiter		573	426	575
Gan Supply JV		252	252	252
Comvita China		-	7	-
Total	8	5,661	8,678	9,119

All loans to equity accounted investees are repayable on demand.

* The Kaimanawa shareholder loan totalling \$1,673,000 was written off when the Joint Venture ceased.

** The loan to Medibee has been impaired, with an impairment expense of \$2,310,000 recognised in profit and loss.

<i>In thousands of New Zealand dollars</i>	31 December 2019	31 December 2018	30 June 2019
	Unaudited	Unaudited	Audited
Interest receivable			
Makino	577	386	481
SeaDragon - convertible note	-	60	-
Apiter	14	5	4
Total	591	451	485

Interest income from Makino was \$96,000 for the six months ended 31 December 2019 (31 December 2018: \$96,000). Interest income from Apiter was \$9,000 for the six months ended 31 December 2019 (31 December 2018: \$5,000).

(d) Loans to related parties

<i>In thousands of New Zealand dollars</i>	Note	31 December 2019	31 December 2018	30 June 2019
		Unaudited	Unaudited	Audited
Nga Pi Honey Ltd (Gan Supply JV)		567	567	567
Casa Base Trustees (Putake)		657	621	639
Total	8	1,224	1,188	1,206

Loans to Nga Pi Honey Limited and Casa Base Trustees are secured over their investment in the equity accounted investee.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (CONTINUED)

(d) Loans to related parties (continued)

In thousands of New Zealand dollars

	31 December 2019	31 December 2018	30 June 2019
	Unaudited	Unaudited	Audited
Interest receivable			
Nga Pi Honey Ltd (Gan Supply JV)	-	-	4
Casa Base Trustees (Putake)	92	56	74
Total	92	56	78

The Group's interest income on the loan to Nga Pi Honey Ltd was \$18,000 for the six months ended 31 December 2019 (31 December 2018: \$18,000). Interest income on the loan to Casa Base Trustees was \$18,000 for the six months ended 31 December 2019 (31 December 2018: \$18,000).

(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 2019				
Kaimanawa	609	-	537*	-
Makino	210	-	451	-
Gan Supply JV	6	3	348	-
Putake	46	17	3	36
Apiter	-	-	1,164	-
31 December 2018				
Comvita China	1,659	1,342	-	-
Kaimanawa	885	885	19	-
Makino	-	-	144	-
Gan Supply JV	12	12	572	-
Putake	-	-	77	2
Apiter	-	-	2,174	-
SeaDragon	30	-	-	-

* This number includes hives and equipment totalling \$518,000 purchased by Kiwibee Medical Limited related to the wind-up of the Joint Venture.

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 2019	31 December 2018	30 June 2019
	Unaudited	Unaudited	Audited
Derivatives – SeaDragon options	38	832	192
Derivatives – SeaDragon convertible loan notes	-	2,995	-
Total assets	38	3,827	192
Derivatives – liabilities (hedging instrument)	(1,172)	(2,500)	(2,420)
Total liabilities	(1,172)	(2,500)	(2,420)

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

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

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

The Group determines Level 2 fair value through the application of the Binomial Model (2019: Binomial Model). Inputs include, the share price (a Level 1 input), risk free rate of the remaining life of the warrant, and the volatility of the share price.

In thousands of New Zealand dollars

	Number of shares	Strike Price	Expiry date	Expected volatility	Risk free rate
Options	909,090,909	\$0.0033	31-03-2020	75%	2.49%

The Convertible Loan Note issued to SeaDragon recognised within 'Other Investments' converts to 909,090,909 shares on 31 March 2020.

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 2019	31 December 2018	30 June 2019
	Unaudited	Unaudited	Audited
Raw materials	84,316	90,904	83,996
Work in progress	706	3,625	1,854
Finished goods	34,822	26,221	48,202
Provision	(3,705)	(1,710)	(1,860)
Total inventory	116,139	119,040	132,192

12. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings issued and repaid during the periods presented.

Terms and debt repayment schedule

In thousands of New Zealand dollars

	31 December 2019	31 December 2018	30 June 2019
	Unaudited	Unaudited	Audited
Balance at beginning of period	99,250	96,700	96,700
Drawdown from long term borrowings	4,100	15,000	2,550
Balance at end of period	103,350	111,700	99,250
Represented as:			
Current loans and borrowings	-	-	-
Non-current loans and borrowings	103,350	111,700	99,250
Total loans and borrowings	103,350	111,700	99,250
Less: cash and cash equivalents	(10,199)	(8,026)	(10,314)
Total net debt	93,151	103,764	88,936

The Group was in compliance with banking covenants during the period and as at 31 December 2019.

The Group's loans and borrowings has an expiry date of 1 January 2021.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

13. RECONCILIATION OF THE LOSS FOR THE PERIOD WITH THE NET CASH FROM OPERATING ACTIVITIES

In thousands of New Zealand dollars

	31 December 2019	31 December 2018
	Unaudited	Unaudited
Loss for the period	(12,970)	(2,678)
<i>Items not involving cash flows:</i>		
Depreciation	3,941	2,253
Amortisation	1,149	1,068
Gain on disposal of non-current assets	(95)	(18)
Share based payments	240	334
Wind-up of equity accounted investees	1,070	-
Impairment of equity accounted investees	2,310	-
Supplier share scheme – inventory purchase	459	-
Loss on fair value of biological assets	72	-
Loss/(Gain) on fair value of SeaDragon derivatives	154	(825)
Share of profit in equity accounted investees	(11)	(798)
Loss adjusted for non-cash items	(3,681)	(664)
<i>Movement in working capital items:</i>		
Change in inventories	16,053	(2,548)
Change in trade receivables	1,965	15,042
Change in sundry debtors and prepayments	103	(1,306)
Change in trade and other payables	(10,536)	(3,391)
Change in derivatives	-	3,393
Change in tax payable	361	(3,270)
Change in deferred tax	(3,860)	(90)
Movement in working capital items from foreign currency translation reserve	(363)	(1,167)
<i>Other movements:</i>		
Movement of deferred tax in equity	(222)	338
Prepayment to equity accounted investee	1,257	-
Interest income from investing activities	(143)	-
Foreign currency reserve	(47)	-
Net cash from operating activities	887	6,337

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

14. RELATED PARTIES

Transactions with key management personnel

Key management and director compensation comprised:

In thousands of New Zealand dollars

	31 December 2019	31 December 2018
	Unaudited	Unaudited
Short term employee benefits	940	1,224
Share based payments	90	180
Total	1,030	1,404

Other transactions with key management personnel

Directors and other key management personnel of the Company control 4.17% (30 June 2019: 4.84%, 31 December 2018: 5.29%) of the voting shares of the Company.

Other related party transactions

Brett Hewlett received \$72,000 for consulting services (30 June 2019: \$12,000, 31 December 2018: \$nil). Luke Bunt received \$24,000 for consulting services (30 June 2019: \$nil, 31 December 2018: \$nil).

Craigs Investment Partners Limited are considered to be a related party as Neil Craig was Chairman of both entities as at 31 December 2019. 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 15) for some employees. During the period fees paid to Craigs Investment Partners Limited, recognised in other expenses for mainly secretarial services totalled \$15,000 (six months ended 31 December 2018: \$18,000).

15. 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:

n thousands of New Zealand dollars

	December 2019		December 2018	
	Number of Entitlements	Weighted average exercise price	Number of Entitlements	Weighted average exercise price
Entitlements on issue				
Entitlements outstanding at beginning of period	2,028	7.59	2,057	7.67
Entitlements granted	-	-	578	6.33
Entitlements converted to ordinary shares	-	-	(144)	3.67
Entitlements forfeited	(700)	8.68	(325)	7.43
Entitlements outstanding at end of period	1,328	7.07	2,166	7.62

16. CAPITAL COMMITMENTS

At 31 December 2019 the Group has committed to spending \$4,300,000 over the next three years. The capital commitment mainly relates to plantation costs.

DIRECTORY

DIRECTORS COMVITA BOARD OF DIRECTORS

Brett Donald Hewlett
Lucas (Luke) Nicholas Elias Bunt
Neil John Craig
Sarah Jane Kennedy
Paul Robert Thomas Reid
Murray John Denyer (retired 16 August 2019)
Robert Malcolm Major (appointed
1 September 2019)
Cheng Dayong (appointed 17 October 2019)
Zhu Guangping (appointed 17 October 2019)

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