COMVITA LIMITED

Financial Statements

31 March 2013

Contents

Directors' Declaration

In the opinion of the directors of Comvita Limited, the financial statement and the notes, on pages 4 to 45:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and Group as at 31 March 2013 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 Company and Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company and 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 31 March 2013.

For and on behalf of the Board of Directors:

Neil Craig
22 May 2013

Rob Tait
22 May 2013

Income Statement

		Group		Company	
For the year ended 31 March		**2013**	**2012**	**2013**	**2012**
In thousands of New Zealand dollars	**Note**				
Revenue	6	103,529	95,928	5,579	5,265
Cost of sales		(45,966)	(42,641)	-	-
Gross profit		57,563	53,287	5,579	5,265
Other income	6	1,051	1,195	-	-
Selling and marketing expenses		(27,011)	(24,014)	(267)	(390)
Distribution expenses		(4,908)	(4,394)	-	-
Research and development expenses		(2,736)	(2,621)	(317)	(339)
Administrative expenses	9	(12,664)	(11,339)	(2,651)	(2,663)
Operating profit before financing costs		11,295	12,114	2,344	1,873
Finance income	7	448	1,086	2,414	2,339
Finance expenses	7	(1,302)	(1,641)	(2,019)	(3,972)
Net finance costs		(854)	(555)	395	(1,633)
Share of profit of equity accounted associates	15	5	2	5	2
Profit before income tax		10,446	11,561	2,744	242
Income tax (expense)/benefit	10	(3,075)	(3,337)	(726)	66
Profit for the year		7,371	8,224	2,018	308
Attributable to:					
Equity holders of the Company		7,384	8,224	2,018	308
Non-controlling interest		(13)	-	-	-
Earnings per share:					
Basic earnings per share (NZ cents)	28	25.71	29.10		
Diluted earnings per share (NZ cents)	28	24.52	27.85		

The notes on pages 10 to 45 are an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 March	Group 2013	Group 2012	Company 2013	Company 2012
In thousands of New Zealand dollars				
Foreign currency translation differences for foreign operations	(1,102)	(3,310)	-	-
Effective portion of changes in fair value of cash flow hedges	155	67	16	(158)
Net change in fair value of available-for-sale financial assets	2,279	(791)	2,279	(791)
Foreign investor tax credits received	93	98	-	-
Income tax on income and expense recognised directly in other comprehensive income	92	608	(91)	100
Income and expense recognised directly in other comprehensive income	1,517	(3,328)	2,204	(849)
Profit for the year	7,371	8,224	2,018	308
Total comprehensive income for the year	8,888	4,896	4,222	(541)
Attributable to:				
Equity holders of the Company	8,901	4,896	4,222	(541)
Non-controlling interest	(13)	-	-	-

The notes on pages 10 to 45 are an integral part of these financial statements.

Statement of Changes in Equity

Group

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 2011	59,018	3,737	(4)	4,653	4,860	72,264	-	72,264
Total comprehensive income for the year								
Profit for the year	-	-	-	-	8,224	8,224	-	8,224
Other comprehensive income (net of tax):								
Foreign investor tax credits received	-	-	-	-	98	98	-	98
Foreign currency translation differences for foreign operations	-	(2,725)	-	-	-	(2,725)	-	(2,725)
Effective portion of changes in fair value of cash flow hedges	-	-	34	-	-	34	-	34
Net change in fair value of available-for-sale financial assets	-	-	-	(735)	-	(735)	-	(735)
Total other comprehensive income	-	(2,725)	34	(735)	98	(3,328)	-	(3,328)
Total comprehensive income for the year	-	(2,725)	34	(735)	8,322	4,896	-	4,896
Transactions with owners, recorded directly in equity								
Share based payment	-	-	-	-	145	145	-	145
Non redemption or forfeiture of partly paid shares - executive share scheme	(1)	-	-	-	-	(1)	-	(1)
Issue of ordinary shares								
- executive share scheme	297	-	-	-	-	297	-	297
- employee share purchase scheme	4	-	-	-	-	4	-	4
Dividend paid	-	-	-	-	(2,032)	(2,032)	-	(2,032)
Total transactions with owners	300	-	-	-	(1,887)	(1,587)	-	(1,587)
Balance at 31 March 2012	59,318	1,012	30	3,918	11,295	75,573	-	75,573
Total comprehensive income for the year								
Profit for the year	-	-	-	-	7,384	7,384	(13)	7,371
Other comprehensive income (net of tax):								
Foreign investor tax credits received	-	-	-	-	93	93	-	93
Foreign currency translation differences for foreign operations	-	(881)	-	-	-	(881)	-	(881)
Effective portion of changes in fair value of cash flow hedges	-	-	112	-	-	112	-	112
Net change in fair value of available-for-sale financial assets	-	-	-	2,193	-	2,193	-	2,193
Total other comprehensive income	-	(881)	112	2,193	93	1,517	-	1,517
Total comprehensive income for the year	-	(881)	112	2,193	7,477	8,901	(13)	8,888
Transactions with owners, recorded directly in equity								
Share based payment	-	-	-	-	212	212	-	212
Sale of Treasury Stock	54	-	-	-	-	54	-	54
Share buy-back	(584)	-	-	-	-	(584)	-	(584)
Issue shares to bee-keepers	575	-	-	-	-	575	-	575
Sell shares on-market	9	-	-	-	-	9	-	9
Issue of ordinary shares								
- executive share scheme	1,229	-	-	-	-	1,229	-	1,229
- employee share purchase scheme	7	-	-	-	-	7	-	7
Dividend paid	-	-	-	-	(4,105)	(4,105)	-	(4,105)
Total transactions with owners	1,290	-	-	-	(3,893)	(2,603)	-	(2,603)
Balance at 31 March 2013	60,608	131	142	6,111	14,879	81,871	(13)	81,858

The notes on pages 10 to 45 are an integral part of these financial statements.

Statement of Changes in Equity

Company

In thousands of New Zealand dollars	Share capital	Hedging reserve	Fair value reserve	Retained earnings	Total
Balance at 1 April 2011	59,072	(38)	4,653	(370)	63,317
Total comprehensive income for the year					
Profit for the year	–	–	–	308	308
Total other comprehensive income for the year (net of tax):					
Effective portion of changes in fair value of cash flow hedges	–	(114)	–	–	(114)
Net change in fair value of available-for-sale financial assets	–	–	(735)	–	(735)
Total other comprehensive income	–	(114)	(735)	–	(849)
Total comprehensive income for the year	–	(114)	(735)	308	(541)
Transactions with owners, recorded directly in equity					
Share based payments	–	–	–	145	145
Non redemption or forfeiture of partly paid shares – executive share scheme	(1)	–	–	–	(1)
Issue of ordinary shares					
- executive share scheme	297	–	–	–	297
- employee share purchase scheme	4	–	–	–	4
Dividend paid	–	–	–	(2,032)	(2,032)
Total transactions with owners	300	–	–	(1,887)	(1,587)
Balance at 31 March 2012	59,372	(152)	3,918	(1,949)	61,189
Total comprehensive income for the year					
Profit for the year	–	–	–	2,018	2,018
Total other comprehensive income for the year (net of tax):					
Effective portion of changes in fair value of cash flow hedges	–	11	–	–	11
Net change in fair value of available-for-sale financial assets	–	–	2,193	–	2,193
Total other comprehensive income	–	11	2,193	–	2,204
Total comprehensive income for the year	–	11	2,193	2,018	4,222
Transactions with owners, recorded directly in equity					
Share based payments	–	–	–	212	212
Share buy-back	(584)	–	–	–	(584)
Issue shares to bee-keepers	575	–	–	–	575
Sell shares on-market	9	–	–	–	9
Issue of ordinary shares					
- executive share scheme	1,229	–	–	–	1,229
- employee share purchase scheme	7	–	–	–	7
Dividend paid	–	–	–	(4,105)	(4,105)
Total transactions with owners	1,236	–	–	(3,893)	(2,657)
Balance at 31 March 2013	60,608	(141)	6,111	(3,824)	62,754

The notes on pages 10 to 45 are an integral part of these financial statements.

Statement of Financial Position

As at 31 March In thousands of New Zealand dollars	Note	Group 2013	Group 2012	Company 2013	Company 2012
Assets					
Property, plant and equipment	12	22,443	16,710	–	–
Intangible assets and goodwill	13	41,605	41,497	2,135	2,090
Biological assets	14	7,195	5,276	–	–
Investments in equity accounted investees	15	73	68	73	68
Investments in subsidiaries	15	–	–	19,027	19,027
Other investments	15	12,482	10,199	12,478	10,199
Deferred tax asset	11	647	505	–	–
Total non-current assets		84,445	74,255	33,713	31,384
Inventory	16	20,803	17,010	–	–
Tax receivable		1,998	1,939	706	16
Trade receivables	17	17,927	16,322	–	–
Sundry receivables	18	3,236	1,586	65,830	52,254
Derivatives	31	2,345	2,073	1,888	1,735
Cash and cash equivalents		5,998	2,169	30	60
Total current assets		52,307	41,099	68,454	54,065
Total assets		136,752	115,354	102,167	85,449
Equity					
Issued capital	19	60,608	59,318	60,608	59,372
Reserves		6,384	4,960	5,970	3,766
Retained earnings		14,879	11,295	(3,824)	(1,949)
Non-controlling interest		(13)	–	–	–
Total equity		81,858	75,573	62,754	61,189
Liabilities					
Employee benefits	20	273	258	12	19
Deferred revenue	24	6,246	6,139	6,246	6,139
Loans and borrowings	21	29,387	14,025	29,387	14,025
Deferred tax liabilities	11	1,000	1,190	411	484
Total non-current liabilities		36,906	21,612	36,056	20,667
Loans and borrowings	21	1,948	1,524	1,498	1,524
Tax payable		1,084	729	–	–
Trade and other payables	23	10,963	11,584	420	494
Derivatives	31	195	212	195	212
Deferred revenue	24	1,057	888	1,057	888
Employee benefits	20	2,741	3,232	187	475
Total current liabilities		17,988	18,169	3,357	3,593
Total liabilities		54,894	39,781	39,413	24,260
Total equity and liabilities		136,752	115,354	102,167	85,449

The notes on pages 10 to 45 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March *In thousands of New Zealand dollars*	Note	Group 2013	Group 2012	Company 2013	Company 2012
Receipts from customers		102,101	93,512	5,856	5,607
Payments to suppliers and employees		(94,685)	(77,354)	(4,795)	(2,590)
Interest received		56	29	2,235	2,339
Interest paid		(1,282)	(1,280)	(1,280)	(1,289)
Taxation received		738	-	-	-
Taxation paid		(3,958)	(2,360)	(1,575)	-
Net cash flows from operating activities	25	2,970	12,547	441	4,067
Payment for property, plant and equipment through business combinations		(3,230)	-	-	-
Payment for the purchase of property, plant and equipment		(5,530)	(4,430)	-	-
Receipt for the disposal of property, plant and equipment		32	3	-	-
Payment for the purchase of biological assets	14	(393)	(144)	-	-
Payment for biological assets through business combinations	14	(751)	-	-	-
Payment for intangibles through business combinations	13	(503)	-	-	-
Payment for the purchase of intangibles		(1,011)	(1,128)	(414)	(569)
Investment in subsidiary		-	-	-	(13)
Capital distribution from equity accounted investee	15	-	-	-	-
Net cash flows from investing activities		(11,386)	(5,699)	(414)	(582)
Proceeds from the issue of share capital		1,290	300	1,235	300
Payment for shares on share buy-back		(584)	-	-	-
Proceeds from sale of shares on-market		9	-	-	-
Proceeds from loans and borrowings		16,765	-	16,765	-
Repayment of loans and borrowings		(1,521)	(5,262)	(1,521)	(5,262)
Loans received from related parties	21	450	-	-	-
Loans advanced to subsidiary companies		-	-	(12,431)	3,504
Payment of dividends		(4,105)	(2,032)	(4,105)	(2,031)
Net cash flows from financing activities		12,304	(6,994)	(57)	(3,489)
Net increase/(decrease) in cash and cash equivalents		3,888	(146)	(30)	(4)
Cash and cash equivalents at the beginning of the year		2,169	2,450	60	64
Effect of exchange rate fluctuations on cash held		(59)	(135)	-	-
Cash and cash equivalents at the end of the year		5,998	2,169	30	60
Represented as:					
Cash and cash equivalents		5,098	2,347	30	60
Cash on trust account (restricted)		900	-	-	-
Bank overdraft		-	(178)	-	-
Total		5,998	2,169	30	60

The notes on pages 10 to 45 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 1993. The financial statements of the Group for the year ended 31 March 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. These financial statements also comply with the International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 22 May 2013.

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except that 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 note 4.

(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 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 4(f) & 14 – valuation of biological assets
- Note 11 – recoverability of deferred tax assets
- Note 13 – measurement of recoverability of cash generating units
- Note 24 – deferred revenue
- Note 26 – measurement of share based payments

3. Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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 Parent entity.

(iv) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates 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. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation (see (iii) below).

(ii) Foreign operations

The assets and liabilities of foreign operations with currencies different to the parent 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.

(iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operation are recognised in other comprehensive income to the extent that the hedge is effective and are presented within equity in the FCTR. To the extent that the hedge is ineffective, such differences are recognised in the income statement. When the hedged net investment is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the income statement on disposal.

(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(o).

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

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.

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.

Other non-derivative financial instruments

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Loans and borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments.

Trade and other payables

Trade and other payables are stated at cost.

(ii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as financial instruments designated at 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.

(d) Share capital

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.

Repurchase of share capital

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

Notes to the Financial Statements

3. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. 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	2-15 years
• Vehicles	5-10 years
• Office equipment, furniture and fittings	3-10 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 are transferred to inventory at its fair value 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. For measurement of goodwill at initial recognition refer to note 3(a)(i)

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) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) 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.

(v) 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 – 5 years

(h) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

Notes to the Financial Statements

3. Significant accounting policies (continued)

(i) Inventories

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

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

(j) Impairment

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

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying 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 numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, biological assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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.

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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Employee benefits

(i) Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits (i.e long service leave) is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Financial Statements

3. Significant accounting policies (continued)

(k) Employee benefits (continued)

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

(l) Revenue

(i) Goods sold
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.

(ii) Royalties
Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement.

(iii) Management fee income
Management fee income is recognised when the services have been performed.

(iv) Deferred revenue
Deferred income is recognised as revenue over the term of the expected benefits.

(m) Government Grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(n) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(o) 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.

(p) 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.

Notes to the Financial Statements

3. Significant accounting policies (continued)

(q) 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.

(r) Segments

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

(s) New standards and interpretations not yet adopted

A number of new standards and interpretations are not yet effective as at 31 March 2013, and have not been applied in preparing these consolidated financial statements. These standards are not expected to have a material impact on the Group's financial statements. The relevant standards are:

Standard		Effective for Group reporting period ending on:
NZ IAS 27	Separate Financial Statements *	31 March 2014
NZ IFRS 9 (2009)	Financial Instruments: Classification and Measurement	31 March 2014
NZ IAS 10	Consolidated Financial Statements	31 March 2014
NZ IFRS 7	Financial Instruments (amendments) *	31 March 2014
NZ IFRS 13	Fair Value Measurement	31 March 2014
NZ IFRS 12	Disclosure of Interest in Other Entities' *	31 March 2014
NZ IAS 28	Investments in Associates and Joint Ventures'	31 March 2014
NZ IAS 32	Financial Instruments: Presentation (amendments) *	31 March 2015
NZ IFRS 9	Financial Instruments	31 March 2016

* This standard will not affect any of the amounts recognised in the financial statements but may impact the type of information disclosed

4. Determination of fair values

Some of the Group's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

(b) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Short term receivables are not discounted.

(c) Derivatives

The fair value of forward exchange contracts is estimated using the currently quoted forward price for the residual maturity of the contract. The fair value of interest rate swaps is based on broker quotes.

(d) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(e) Share based payment transactions

The fair value of employee share entitlements is measured using 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

4. Determination of fair values (continued)

(f) Biological assets

Olive trees are valued at fair value based on a combination of a replacement cost and a discounted cash flow model. Refer to note 14 for further details.

The fair value of bees is determined by reference to the cost incurred to purchase the bees and establish the bee hive, as the impact of the biological transformation of the bee hive on price is not expected to be material.

5. Segment reporting

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

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

Each segment sells Comvita's range of products, 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, except for the Medical segment, though this is primarily earned from Derma Sciences Inc, which is an American based company.

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 non-intercompany revenue and costs from Comvita Australia Pty Limited. This segment excludes all ethical medical based revenue and costs as these are shown in their own segment.
Asia	This segment captures both revenue and related costs of our Asian operations and customers. The Asian segment includes Hong Kong, Taiwan, Japan, China, Korea and Singapore.
Europe	This segment captures both revenue and related costs for the United Kingdom and European markets. This segment excludes all ethical medical based revenue and costs as these are shown in their own segment.
Medical	This segment is based over multiple geographical regions capturing both revenue and related costs for medical Manuka Honey based products. The main contributors to this segment are bulk medical honey sales, deferred revenue (note 24) and royalty payments received from Derma Sciences Inc.

Notes to the Financial Statements

5. Segment reporting (continued)

Contribution Segments	New Zealand *		Australia *		Asia *		Europe *		Medical		Total reportable segments		Other		Total	
For the year ended 31 March	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
In thousands of New Zealand dollars																
Sales	19,264	19,356	24,740	24,526	44,932	34,809	6,184	10,377	3,664	3,469	98,784	92,537	4,745	3,391	103,529	95,928
Contribution	9,751	9,108	8,399	9,102	8,611	6,895	490	620	2,389	2,221	29,640	27,946	1,246	1,696	30,886	29,642
Non attributable (other corporate expenses)															(20,445)	(18,083)
Share of profit of equity accounted investees															5	2
Net profit before tax															10,446	11,561

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

Geographical segments

For the year ended 31 March	2013		2012	
In thousands of New Zealand dollars	**Revenue**	**Non-current assets**	**Revenue**	**Non-current assets**
Asia	45,369	8,435	35,102	8,200
Australia	24,475	36,601	23,814	33,562
New Zealand	21,172	24,938	19,912	20,243
United Kingdom	6,377	1,269	12,063	1,478
North America	6,136	-	5,037	-
Total	103,529	71,243	95,928	63,483
Investment in equity accounted investees	5	73	2	68
Total	103,534	71,316	95,930	63,551

Total assets

For the year ended 31 March *In thousands of New Zealand dollars*	**2013**	**2012**
Total assets for reportable segment	69,931	60,104
Other assets	12,152	6,011
Investment in equity accounted investees	73	68
Other unallocated assets	54,596	49,171
Consolidated total assets	136,752	115,354

Notes to the Financial Statements

6. Revenue

In thousands of New Zealand dollars	Note	Group 2013	Group 2012	Company 2013	Company 2012
Sales		101,211	94,027	-	-
Royalties		1,343	1,011	-	-
Management fee		-	-	4,607	4,375
Deferred revenue released	24	944	830	944	830
Other		31	60	28	60
Total revenue		103,529	95,928	5,579	5,265

Other income

	Note	Group 2013	Group 2012	Company 2013	Company 2012
Change in fair value of biological assets	14	155	566	-	-
Litigation recoveries		-	242	-	-
Government grants		896	387	-	-
Net gain on disposal of property, plant & equipment		-	-	-	-
Total other income		1,051	1,195	-	-

Included in government grants is a claim of $480,000 which is yet to be submitted in relation to a government grant for international market development. The amount is based on expenses incurred to date and expected to be fully receivable as they meet the criteria stipulated in the conditions of the grant.

7. Finance income and expenses

In thousands of New Zealand dollars	Group 2013	Group 2012	Company 2013	Company 2012
Interest income on bank deposits	14	29	1	1
Interest income - other	42	-	-	-
Interest income from subsidiaries	-	-	2,233	2,277
Dividend income	30	-	26	61
Net foreign exchange gain	160	1,057	-	-
Other	57	-	-	-
Net gain in fair value of derivatives designated at fair value through the income statement	145	-	154	-
Finance income	448	1,086	2,414	2,339
Interest expense on financial liabilities measured at amortised cost	(1,302)	(1,274)	(1,299)	(1,283)
Net foreign exchange loss	-	-	(720)	(2,309)
Net loss in fair value of derivatives designated at fair value through the income statement	-	(303)	-	(316)
Net loss on disposal of Derma Sciences Inc warrants (derivatives)	-	(64)	-	(64)
Finance expense	(1,302)	(1,641)	(2,019)	(3,972)
Net finance costs	(854)	(555)	395	(1,633)

8. Personnel expenses

In thousands of New Zealand dollars	Group 2013	Group 2012	Company 2013	Company 2012
Wages and salaries	25,045	19,761	1,435	1,873
KiwiSaver-employer contribution	163	126	27	21
Long-service leave	15	(43)	(7)	(3)
Equity settled share based payment transactions	212	145	212	145
Total personnel expenses	25,435	19,989	1,667	2,036

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	Note	Group 2013	Group 2012	Company 2013	Company 2012
Auditors' remuneration:					
To KPMG for audit services		182	170	134	124
To KPMG for tax services		86	83	86	83
To KPMG for accounting advice		-	22	-	22
To Day Smith Hunter (UK auditors)		32	30	-	-
Personnel expenses *	8	4,246	3,477	952	830
Depreciation *	12	1,017	920	-	-
Amortisation *	13	528	511	306	320
Insurance		866	680	-	-
Doubtful debts expense	31	67	(340)	-	-
Bad debts written off		35	36	-	-
Rental expense *		533	342	-	-
Directors' fees		295	266	295	266
Directors – other costs		6	95	6	95
Other legal & professional expenses		585	221	346	344
Loss on disposal of property, plant & equipment		-	104	-	-
Donations		23	25	-	-

* Only the portion included in administrative expenses

10. Income tax expense in the income statement

In thousands of New Zealand dollars	Group 2013	Group 2012	Company 2013	Company 2012
Current tax expense				
Current year	3,137	1,683	886	435
Adjustment for prior periods	179	(65)	4	(281)
Total current income tax expense	3,316	1,618	890	154
Deferred tax expense				
Origination and reversal of temporary differences	(241)	1,654	(164)	(220)
Tax rate change	-	65	-	-
Total defered income tax expense	(241)	1,719	(164)	(220)
Total income tax expense/(benefit)	3,075	3,337	726	(66)

Notes to the Financial Statements

10. Income tax expense in the income statement (continued)

Reconciliation of effective tax rate

In thousands of New Zealand dollars	Group 2013	Group 2012	Company 2013	Company 2012
Profit for the year	7,371	8,224	2,018	308
Total income tax expense/(benefit)	3,075	3,337	726	(66)
Profit excluding income tax	10,446	11,561	2,744	242
Income tax using the Company's domestic tax rate of 28% (2012: 28%)	2,925	3,237	768	68
Effect of tax rates in foreign jurisdictions *	26	(50)	-	-
Non-deductible expenses	346	383	220	273
Tax exempt income	(286)	(233)	(266)	(250)
Recognition of under recognised losses	(34)	-	-	-
Research and development tax credits	(81)	-	-	-
Effect of change in tax rate	-	65	-	-
Utilisation of tax benefits	-	-	-	124
Under/(over) provided in prior periods	179	(65)	4	(281)
Total income tax expense/(benefit)	3,075	3,337	726	(66)

* Subsidiaries registered in foreign jurisdictions have different tax rates. The main differences are Australia with a tax rate of 30%, Hong Kong 16.5%, United Kingdom 24% and Korea 22%.

Income tax recognised directly in other comprehensive income

In thousands of New Zealand dollars	Group 2013	Group 2012	Company 2013	Company 2012
Derivatives	(41)	(33)	(5)	44
Available-for-sale financial assets	(86)	56	(86)	56
Other items	219	585	-	-
Total income tax recognised directly in other comprehensive income	92	608	(91)	100

Imputation credit Account

In thousands of New Zealand dollars	Group 2013	Group 2012	Company 2013	Company 2012
Imputation credits available for use in subsequent reporting periods	993	410	(1,817)	(1,674)

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:

Group

In thousands of New Zealand dollars	Assets 2013	Assets 2012	Liabilities 2013	Liabilities 2012	Net 2013	Net 2012
Property, plant & equipment	-	-	(1,173)	(1,303)	(1,173)	(1,304)
Biological assets	-	-	(235)	(195)	(235)	(195)
Available-for-sale financial assets	-	-	(228)	(142)	(228)	(142)
Derivatives	-	-	(62)	(21)	(62)	(21)
Investments	69	-	-	(150)	69	(150)
Inventories	862	698	-	-	862	698
Other items	278	268	-	-	278	268
Tax loss carry-forwards	136	160	-	-	136	160
Tax assets/(liabilities)	1,345	1,126	(1,698)	(1,811)	(353)	(686)
Set off of tax	(698)	(621)	698	621	-	-
Net tax assets/(liabilities)	647	505	(1,000)	(1,190)	(353)	(686)

Company

In thousands of New Zealand dollars	Assets 2013	Assets 2012	Liabilities 2013	Liabilities 2012	Net 2013	Net 2012
Available-for-sale financial assets	-	-	(228)	(143)	(228)	(142)
Derivatives	55	59	-	-	55	59
Investments	-	-	(258)	(428)	(258)	(428)
Other items	20	28	-	-	20	27
Tax assets/(liabilities)	75	87	(486)	(571)	(411)	(484)

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

Group 2013

In thousands of New Zealand dollars	Balance 1 April 2012	Recognised in the income statement	Recognised in other comprehensive income	Balance 31 March 2013
Property, plant & equipment	(1,304)	130	-	(1,174)
Biological assets	(195)	(40)	-	(235)
Available-for-sale financial assets	(142)	-	(86)	(228)
Derivatives	(21)	-	(41)	(62)
Investments	(150)	-	219	69
Inventories	698	164	-	862
Other items	268	11	-	279
Tax loss carry-forwards	160	(24)	-	136
Total	(686)	241	92	(353)

Notes to the Financial Statements

11. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year (continued)

Group 2012

In thousands of New Zealand dollars	Balance 1 April 2011	Recognised in the income statement	Recognised in other comprehensive income	Balance 31 March 2012
Property, plant & equipment	(1,374)	71	-	(1,304)
Biological assets	(24)	(171)	-	(195)
Available-for-sale financial assets	(198)	-	56	(142)
Derivatives	(2)	14	(33)	(21)
Investments	(735)	-	585	(150)
Inventories	928	(230)	-	698
Other items	273	(5)	-	268
Tax loss carry-forwards	1,558	(1,398)	-	160
Total	426	(1,719)	608	(686)

Company 2013

In thousands of New Zealand dollars	Balance 1 April 2012	Recognised in the income statement	Recognised in other comprehensive income	Balance 31 March 2013
Available-for-sale financial assets	(142)	-	(86)	(228)
Derivatives	59	-	(5)	54
Investments	(428)	170	-	(258)
Other items	27	(6)	-	21
Total	(484)	164	(91)	(411)

Company 2012

In thousands of New Zealand dollars	Balance 1 April 2011	Recognised in the income statement	Recognised in other comprehensive income	Balance 31 March 2012
Available-for-sale financial assets	(198)	-	56	(142)
Derivatives	15	-	44	59
Investments	(1,019)	591	-	(428)
Other items	36	(9)	-	27
Tax loss carry-forwards	362	(362)	-	-
Total	(804)	220	100	(484)

Movement in unrecognised deferred tax assets and liabilities during the year

Group 2013

In thousands of New Zealand dollars	Balance 1 April 2012	Additions	Recognition	Exchange rate	Balance 31 March 2013
Tax losses	843	112	-	69	1,024

Group 2012

In thousands of New Zealand dollars	Balance 1 April 2011	Additions	Recognition	Exchange rate	Balance 31 March 2012
Tax losses	910	-	-	(67)	843

There were no unrecognised amounts in the Parent in 2013 or 2012.

Notes to the Financial Statements

11. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

In thousands of New Zealand dollars	Group 2013	Group 2012	Company 2013	Company 2012
Tax loss carry-fowards	1,024	843	-	-

The tax loss carry-forwards do not expire under current tax legislation. This deferred tax asset mainly relates to Medihoney (Europe) Limited for pre-acquisition losses and is unrecognised as it is not probable that future taxable profit will be available in the short term against which the Group can utilise the benefit.

12. Property, plant and equipment

Group

In thousands of New Zealand dollars	Land	Buildings	Owned plant & machinery	Vehicles	Office equipment, furniture & fittings	Capital WIP	Total
Cost							
Balance at 1 April 2011	1,406	9,045	6,448	355	3,942	-	21,196
Other additions	1,467	142	3,083	131	689	-	5,512
Disposals	-	(592)	(253)	(72)	(1,096)	-	(2,013)
Effect of movements in exchange rates	(62)	(55)	(77)	(7)	(113)	-	(314)
Balance at 31 March 2012	2,811	8,540	9,201	407	3,422	-	24,381
Additions through business combinations	1,609	517	1,104	-	-	-	3,230
Other additions	705	493	1,844	620	1,067	552	5,281
Transfer to biological assets (note 14)	-	-	(714)	-	-	-	(714)
Disposals	-	-	(32)	-	(193)	-	(225)
Effect of movements in exchange rates	(17)	(15)	(21)	(2)	(92)	-	(147)
Balance at 31 March 2013	5,108	9,535	11,382	1,025	4,204	552	31,806
Depreciation							
Balance at 1 April 2011	-	(2,263)	(3,244)	(227)	(2,469)	-	(8,203)
Depreciation for the year	-	(201)	(599)	(68)	(658)	-	(1,526)
Disposals	-	592	253	69	1,009	-	1,923
Effect of movements in exchange rates	-	8	21	1	105	-	135
Balance at 31 March 2012	-	(1,864)	(3,569)	(225)	(2,013)	-	(7,671)
Depreciation for the year	-	(251)	(751)	(153)	(791)	-	(1,946)
Disposals	-	-	13	-	181	-	194
Effect of movements in exchange rates	-	3	15	-	42	-	60
Balance at 31 March 2013	-	(2,112)	(4,292)	(378)	(2,581)	-	(9,363)
Carrying amount							
At 1 April 2011	1,406	6,782	3,204	128	1,473	-	12,993
At 31 March 2012	2,811	6,676	5,632	182	1,409	-	16,710
At 31 March 2013	5,108	7,423	7,090	647	1,623	552	22,443

Security
Security arrangements are detailed in note 21.

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.

13. Intangible assets

Group

In thousands of New Zealand dollars	Goodwill	Brands, patents, trademarks	Product development costs	Software	Total
Cost					
Balance at 1 April 2011	39,187	8,325	230	3,205	50,947
Other additions	-	571	-	465	1,036
Written off during the year	(51)	-	(230)	-	(281)
Effect of movements in exchange rates	(1,781)	(73)	-	(17)	(1,871)
Balance at 31 March 2012	37,355	8,823	-	3,653	49,831
Additions through business combinations	503	-	-	-	503
Other additions	-	415	-	846	1,261
Effect of movements in exchange rates	(538)	(19)	-	(12)	(569)
Balance at 31 March 2013	37,320	9,219	-	4,487	51,026
Amortisation and impairment losses					
Balance at 1 April 2011	(677)	(5,007)	(172)	(1,656)	(7,512)
Amortisation for the year	-	(568)	(58)	(524)	(1,150)
Written off during the year	51	-	230	-	281
Effect of movements in exchange rates	-	36	-	11	47
Balance at 31 March 2012	(626)	(5,539)	-	(2,169)	(8,334)
Amortisation for the year	-	(593)	-	(516)	(1,109)
Effect of movements in exchange rates	-	13	-	9	22
Balance at 31 March 2013	(626)	(6,119)	-	(2,676)	(9,421)
Carrying Amount					
At 1 April 2011	38,510	3,318	58	1,549	43,435
At 31 March 2012	36,729	3,284	-	1,484	41,497
At 31 March 2013	36,694	3,100	-	1,811	41,605

Company

	Goodwill	Brands, patents, trademarks	Product development costs	Software	Total
Cost					
Balance at 1 April 2011	51	6,078	43	-	6,172
Acquisitions	-	571	-	-	571
Written off during the year	(51)	-	(43)	-	(94)
Balance at 31 March 2012	-	6,649	-	-	6,649
Acquisitions	-	415	-	-	415
Balance at 31 March 2013	-	7,064	-	-	7,064
Amortisation and impairment losses					
Balance at 1 April 2011	(51)	(4,233)	(43)	-	(4,327)
Amortisation for the year	-	(326)	-	-	(326)
Written off during the year	51	-	43	-	94
Balance at 31 March 2012	-	(4,559)	-	-	(4,559)
Amortisation for the year	-	(370)	-	-	(370)
Balance at 31 March 2013	-	(4,929)	-	-	(4,929)
Carrying Amount					
At 1 April 2011	-	1,845	-	-	1,845
At 31 March 2012	-	2,090	-	-	2,090
At 31 March 2013	-	2,135	-	-	2,135

Security
Security arrangements are detailed in note 21.

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.

13. Intangible assets and goodwill (continued)

Impairment testing for cash-generating units containing goodwill (CGU)
For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions 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:

	Group	
In thousands of New Zealand dollars	**2013**	**2012**
Medical	8,397	8,239
Olive Products *	18,492	18,569
Hong Kong **	7,775	7,792
United Kingdom	1,963	2,062
Other	67	67
Total goodwill	36,694	36,729

* this CGU is within the Australia segment (refer note 5)
** this CGU is within the Asia segment (refer note 5)

The recoverable amounts of each of the above CGU's are the greater of their values in use and their fair values less costs to sell. In assessing the values 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 assets.

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:

- Cash flows were projected on actual operating results and the 5-year business plan.
- The anticipated annual revenue growth included in the cash flow projections for the combined four CGU's ranged from 2.5% to 10.4% (2012: 5% to 30%) (normalised) for the years 2014 to 2018.
- A pre-tax discount rate range of 12.7% to 14.8% (2012: 13.3% to 15.4%) for the four CGU's was applied in determining the recoverable amount of the units. The discount rate was based on the average weighted cost of capital which was based on debt leveraging of 25% at a cost of debt rate of 5.6% (2012: 25% and 6.2%).
- A terminal growth rate of 2.5% (2012: 2.5%) was applied beyond March 2018.

Sensitivity Analysis
The United Kingdom CGU has goodwill of $2.0 million. In our review of goodwill the estimated recoverable amount of the CGU exceeds its carrying amount by approximately GBP 1,490,000 (2012: GBP 800,000). Management has identified two key assumptions that could cause the carrying amount to exceed the recoverable amount, these are pre-tax discount rate and EBIT growth. For the estimated recoverable amount to be equal to the carrying amount, individually these assumptions would need to increase by 4.1% (2012: 2.7%) (pre-tax discount rate) and decrease to an annual growth of 24% (2012: 25%) (EBIT growth).

14. Biological assets

Total

	Group	
In thousands of New Zealand dollars	**2013**	**2012**
Olive trees	5,846	5,276
Bees	1,349	-
Total biological assets	7,195	5,276

Olive trees

		Group	
In thousands of New Zealand dollars	**Note**	**2013**	**2012**
Balance at beginning of the year		5,276	5,146
Decrease due to removal of trees		-	(258)
Increase due to new plantings and nursery activities		163	144
Increase due to business combination	30	346	-
Change in fair value	6	155	566
Effect of movements in exchange rates		(94)	(322)
Balance at the end of the year		5,846	5,276

Notes to the Financial Statements

14. Biological assets (continued)

At 31 March 2013 biological assets consists of approximately 579,000 hedge row olive trees and 14,130 grove olive trees (2012: 579,000 & 7,130).

The grove trees are valued on a fair value basis using a discounted cash flow approach. The hedge row trees are valued on a fair value basis considering the cost of replicating the assets along with a discounted cash flow.

The Group is exposed to a number of risks related to olive trees, primarily the risk of damage from climatic changes, diseases, fire, other natural forces and lack of water. The Group has processes in place aimed at monitoring and mitigating those risks, through rainfall and temperature monitoring, the maintenance of property fire breaks, regular fire drills, pest and disease spraying programmes and through access to dam and bore water supplies located on the property.

Bees

		Group
In thousands of New Zealand dollars	Note	2013
Balance at beginning of the year		-
Transfer from property, plant and equipment	12	714
Increase due to new hives constructed		230
Increase due to business combination		405
Balance at the end of the year		1,349

At 31 March 2013 biological assets consists of approximately 16,100 hives.

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

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 maintenance of bee hives and disease prevention programmes.

15. Investments

		Group		Company	
In thousands of New Zealand dollars	Note	2013	2012	2013	2012
Investment in subsidiaries		-	-	19,027	19,027
Investment in equity accounted investees	15a	73	68	73	68
Investments in unlisted shares		4	-	-	-
Available-for-sale financial assets	15b	12,478	10,199	12,478	10,199
Total investments		12,555	10,267	31,578	29,294

a) Investment in equity accounted investees (associates)

The Group's ownership of Extracts NZ Limited (ENZ) is 33% (2012: 33%). The Group's share of profit in its equity accounted investees for the year was a gain of $5,000 (2012: gain of $2,000). The earnings for 2013 are based on management accounts.

ENZ's principal business activity is as a landlord, whereby it leases the land and buildings to Kiwi Extracts Limited (a subsidiary of the Group) at market rates.

Movements in carrying value of equity accounted investees:

	Group & Company	
In thousands of New Zealand dollars	2013	2012
Balance at 1 April	68	66
Share of profit	5	2
Capital distribution	-	-
Balance at 31 March	73	68

There is no goodwill in the carrying value of equity accounted investees.

Notes to the Financial Statements

15. Investments (continued)

b) Available-for-sale financial assets

Comvita Limited holds 864,880 (2012: 864,880) shares in Derma Sciences Inc. Derma Sciences Inc is listed on the NASDAQ stock exchange. The market value at 31 March 2013 of the shareholding is $12,478,000 (2012: $10,199,000), based on a share price of USD$12.08 (2012: USD$9.62).

The Comvita shareholding in Derma Sciences, Inc is 6.5% (2012: 10.1%) including warrants. This shareholding may reduce to approximately 5.1% (2012: 7.1%) if all third party exercisable warrants and options are included.

Summary of warrants held

Exercise date	Exercise price	No of warrants	
		2013	2012
24 February 2015	US$6.25	100,000	100,000
24 February 2015	US$5.50	133,333	133,333
Total		233,333	233,333

Sensitivity
A 10% percent increase in the share price at the reporting date would have impacted the carrying value of the investment by $1,248,000 (2012: $1,020,000), an equal change in the opposite direction would have caused an equivalent decrease. The analysis was performed on the same basis for 2012.

16. Inventory

	Group		Company	
In thousands of New Zealand dollars	2013	2012	2013	2012
Raw materials	9,572	6,315	-	-
Work in progress	2,848	854	-	-
Finished goods	8,383	9,841	-	-
Total inventory	20,803	17,010	-	-

At 31 March 2013 the provision of inventories to net realisable value amounted to $733,000 (2012: $452,000). The movement in the provision is included in cost of sales. The provision represents an increase of $442,000 and there was a write-off against the provision of $162,000 (2012: $27,000 and $216,000).

17. Trade receivables

	Group		Company	
In thousands of New Zealand dollars	2013	2012	2013	2012
Trade receivables	17,927	16,322	-	-
Total trade receivables	17,927	16,322	-	-

An impairment provision of $213,000 (2012: $146,000) is included in trade receivables, the movement in the provision was recognised in administrative expenses.

18. Sundry receivables

	Group		Company	
In thousands of New Zealand dollars	2013	2012	2013	2012
Prepayments	2,100	1,232	308	1
Intercompany advances	-	-	65,519	52,245
Other receivables	1,136	354	3	8
Total sundry receivables	3,236	1,586	65,830	52,254

Notes to the Financial Statements

19. Capital and reserves

Share capital

In thousands of shares	Note	2013	2012
On issue at beginning of the year		28,431	28,174
Transfer of treasury stock to third parties		16	-
Issued to members of executive share scheme	26	648	254
Issued to staff share scheme		2	3
On issue at end of the year		29,097	28,431

All shares issued are fully paid and have no par value. The number of shares on issue excludes the shares held by the Comvita Limited Partly Paid Share Scheme (note 26).

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.

Dividends

The following dividends were declared and paid by the Group:

In thousands of New Zealand dollars	2013	2012
$0.10 (2012: $0.03) per ordinary share in June	2,913	868
$0.04 (2012: $0.04) per ordinary share in December	1,192	1,164
$0.14 (2012: $0.07) per ordinary share - total	4,105	2,032

20. Employee benefits

	Group		Company	
In thousands of New Zealand dollars	2013	2012	2013	2012
Accrued wages and salaries	1,889	2,584	138	403
Annual leave	852	648	49	72
Long service leave	273	258	12	19
Total employee benefit	3,014	3,490	199	494
Classified as				
Current liabilities	2,741	3,232	187	475
Non-current liabilities	273	258	12	19
Total employee benefits	3,014	3,490	199	494

Accrued wages and salaries were greater for the year ended 31 March 2012 primarily due to the profit related portion of bonuses being accrued, these were not accrued or paid in relation to the year ending 31 March 2013. Balance scorecard bonuses have been accrued for in both years.

Notes to the Financial Statements

21. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk see note 31.

	Group		Company	
In thousands of New Zealand dollars	2013	2012	2013	2012
Current liabilities				
Secured bank loans	1,498	1,524	1,498	1,524
Secured related party loan (note 29)	450	-	-	-
Total current liabilities	1,948	1,524	1,498	1,524
Non-current liabilities				
Secured bank loans	29,387	14,025	29,387	14,025
Total non-current liabilities	29,387	14,025	29,387	14,025

Terms and debt repayment schedule

In thousands of New Zealand dollars	Facility Local Currency	Currency	Nominal interest rate	Year of maturity	Carrying Amount 2013	Carrying Amount 2012
Group						
Secured bank loan – Westpac NZ	9,200	NZD	4.50%	Sept 2015	9,200	7,000
Secured bank loan – Westpac NZ	7,600	AUD	4.88%	Sept 2015	9,485	7,749
Multi option credit line – Westpac NZ	14,100	NZD	4.24%	Sept 2015	12,200	800
Secured related party loan	450	NZD	(a)	(a)	450	-
Total borrowings					31,335	15,549
Less current portion of borrowings					(1,948)	(1,524)
Borrowings – Non current					29,387	14,025
Parent						
Secured bank loan – Westpac NZ	9,200	NZD	4.50%	Sept 2015	9,200	7,000
Secured bank loan – Westpac NZ	7,600	AUD	4.88%	Sept 2015	9,485	7,749
Multi option credit line – Westpac NZ	14,100	NZD	4.24%	Sept 2015	12,200	800
Total borrowings					30,885	15,549
Less current portion of borrowings					(1,498)	(1,524)
Borrowings – Non current					29,387	14,025

The group has a trade finance facility with a limit of $nil (2012: $3,500,000) with nil drawn at 31 March 2013 (2012: nil).
The group was in compliance with all banking covenants during the year and as at 31 March 2013.

(a) The related party loan is payable to The Department of Discovery Limited, refer note 29 for details of the relationship. The loan is repayable on demand and no interest is payable. The loan is secured by way of general security agreement over all present and future acquired assets of Comvita Tourism Partnership Limited.

Security

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 the group and an interlocking supported guarantee between all group companies. Additionally there are registered first mortgages over property situated in Paengaroa and Kerikeri, New Zealand and Queensland, Australia. The carrying value of the property is $9,185,000 (2012: $6,924,000).

22. Bank overdraft

The Company and Comvita New Zealand Limited have an overdraft facility of $750,000 with Westpac, of which $nil is drawn at 31 March 2013 (2012: facility $750,000, drawn $120,000). The interest rate as at 31 March 2013 was 8.70% (2012: 8.70%).

In addition, there is a overdraft facility on the GBP foreign currency bank account for NZD$1,650,000 overdraft facility and on the Yen foreign currency bank account for NZD$500,000 overdraft, of which $nil is drawn at 31 March 2013 (2012: GBP NZD$1,650,000, Yen NZD$500,000, drawn $nil).

23. Trade and other payables

	Group		Company	
In thousands of New Zealand dollars	2013	2012	2013	2012
Trade creditors	5,954	7,261	134	153
Accruals	4,934	4,257	211	275
Due to directors	75	66	75	66
Total trade and other payables	10,963	11,584	420	494

Notes to the Financial Statements

24. Deferred revenue

In thousands of New Zealand dollars	Group 2013	Group 2012	Company 2013	Company 2012
Opening balance	7,027	6,686	7,027	6,686
Revenue received (note 6)	1,220	1,171	1,220	1,171
Released to the income statement	(944)	(830)	(944)	(830)
Closing balance	7,303	7,027	7,303	7,027
Classified as				
Current liabilities	1,057	888	1,057	888
Non-current liabilities	6,246	6,139	6,246	6,139
Total deferred revenue	7,303	7,027	7,303	7,027

Deferred revenue resulted from the cash, shares and warrants received from Derma Sciences Inc in February 2010 for the exclusive worldwide rights to manufacture and sell Medihoney woundcare and skincare products to the professional and medical (ethical) market.

The initial payment received for this Restraint of Trade was $7.5 million, being $3.3 million cash, $2.9 million shares and $1.3 million warrants. The total value is being amortised over 10 years, based on expected remaining useful life of patents. A further $1.2 million in cash was received in December 2012 as a result of achieving agreed milestones under the Restraint of Trade contract (2012: $1.2 million in cash was received in September 2011).

25. Reconciliation of the profit for the year with the net cash from operating activities

In thousands of New Zealand dollars	Note	Group 2013	Group 2012	Company 2013	Company 2012
Profit for the year		7,371	8,224	2,018	308
Adjustments for:					
Depreciation	12	1,946	1,526	-	-
Loss/(gain) on disposal of property, plant & equipment	9	-	104	-	-
Amortisation	13	1,109	1,150	370	326
Share based payments	8	212	145	212	145
Release of deferred revenue	24	(944)	(830)	(944)	(830)
Fair value adjustment in biological assets	14	(155)	(566)	-	-
Non-cash cost of sales on biological assets	14	-	258	-	-
Share of profit equity accounted investees	15a	(5)	(2)	(5)	(2)
FX loss related to financing activities		-	-	(751)	2,265
Net loss on disposal of derivatives		-	64	-	64
		9,534	10,073	900	2,276
Change in inventories		(4,199)	1,064	-	-
Change in trade receivables		(1,785)	(3,257)	-	-
Change in sundry debtors and prepayments		(1,699)	(15)	(302)	145
Change in trade and other payables		815	1,318	(80)	56
Change in derivatives (asset)		(272)	299	(153)	515
Change in employee benefits		(476)	988	(296)	224
Change in deferred revenue		1,220	1,171	1,220	1,171
Tax payable		390	(840)	(690)	-
Deferred tax		(558)	1,746	(158)	(320)
Net cash from operating activities		2,970	12,547	441	4,067

Notes to the Financial Statements

26. Executive share scheme

Comvita Limited has established 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.
- Shares that were issued prior to 1st September 2009 are released from transfer restrictions in the following manner:
  - On the 3rd anniversary of the issue date – 60% will be released
  - On the 4th anniversary of the issue date – 20% will be released
  - On the 5th anniversary of the issue date – 20% will be released
- Shares that were issued from the 1st September 2009 are released from transfer restrictions in the following manner:
  - On the 2nd anniversary of the issue date – 50% will be released
  - On the 3rd anniversary of the issue date – 25% will be released
  - On the 4th anniversary of the issue date – 25% will be released
- 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.

Entitlements on issue at 31 March

In thousands of New Zealand dollars

	2013 Number of entitlements	2013 Weighted average exercise price	2012 Number of entitlements	2012 Weighted average exercise price
Entitlements outstanding at beginning of year	1,098	1.78	1,467	1.83
Entitlements granted during the year	489	2.65	-	-
Entitlements expired during the year	-	-	(105)	2.87
Entitlements forfeited during the year	(46)	1.94	(10)	2.12
Entitlements converted to ordinary shares (note 19)	(648)	1.90	(254)	1.18
Entitlements outstanding at end of year	893	2.05	1,098	1.78

There are 28 (2012: 22) employees in the scheme. The number of entitlements at 31 March 2013 is 3.0% (2012: 3.7%) of total shares.

Fair Value of Share rights granted

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.

Fair value of share entitlements and assumptions

	Issue Date 4/7/2008	Issue Date 1/8/2008	Issue Date 1/9/2009	Issue Date 3/3/2011	Issue Date 4/4/2012
Fair value at measurement date	$0.45	$0.60	$0.37	$0.23	$0.52
Share price at grant date	$1.67	$2.00	$1.19	$1.40	$2.60
Grant date	4 July 2008	1 Aug 2008	1 Sept 2009	3 Mar 2011	4 Apr 2012
Exercise price	$2.12	$2.12	$1.18	$1.53	$2.65
Expected price volatility	45.6%	45.8%	47.1%	39.7%	39.4%
Share life (weighted average life of each tranche)	3-5 years	3-5 years	2-4 years	2-4 years	2-4 years
Expected dividend yield	2.50%	2.50%	2.5%	5.71%	2.50%
Risk-free interest rate	6.24%	6.24%	6.00%	5.43%	4.0%

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.

26. Executive share scheme (continued)

Movement of entitlements on issue

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

Year ended 31 March 2013

In thousands of New Zealand dollars

Grant date	Expiry date	Exercise price	Forecast share price hurdle at 31-3-2013*	Balance at start of year	Granted	Converted to ordinary shares	Forfeited during year	Balance at end of the year (number)	Exercisable at end of the year (number)
4/07/2008	4/07/2012	2.12	3.38	60	–	(60)	–	–	–
4/07/2008	4/07/2012	2.12	3.38	20	–	(20)	–	–	–
4/07/2008	4/07/2013	2.12	3.33	20	–	–	–	20	–
1/08/2008	1/08/2012	2.12	3.77	327	–	(312)	(15)	–	–
1/08/2008	1/08/2012	2.12	3.38	109	–	(104)	(5)	–	–
1/08/2008	1/08/2013	2.12	3.33	109	–	–	(5)	104	–
1/9/2009	1/9/2011	1.18	1.49	20	–	(20)	–	–	–
1/9/2009	1/9/2012	1.18	1.67	137	–	(132)	(5)	–	–
1/9/2009	1/9/2013	1.18	1.40	136	–	–	(5)	131	–
3/3/2011	3/3/2013	1.53	1.66	80	–	–	(2)	78	78
3/3/2011	3/3/2014	1.53	1.72	40	–	–	(1)	39	–
3/3/2011	3/3/2015	1.53	1.78	40	–	–	(1)	39	–
4/4/2012	4/4/2014	2.65	2.98	–	244	–	(3)	241	–
4/4/2012	4/4/2015	2.65	3.18	–	123	–	(2)	121	–
4/4/2012	4/4/2016	2.65	3.40	–	122	–	(2)	120	–
Total				1,098	489	(648)	(46)	893	78

Year ended 31 March 2012

In thousands of New Zealand dollars

Grant date	Expiry date	Exercise price	Forecast share price hurdle at 31-3-2012*	Balance at start of year	Converted to ordinary shares	Expired or forfeited during year	Balance at end of the year (number)	Exercisable at end of the year (number)
31/05/2006	30/09/2011	2.87	5.24	105	–	(105)	–	–
4/07/2008	4/07/2012	2.12	3.38	60	–	–	60	–
4/07/2008	4/07/2012	2.12	3.38	20	–	–	20	–
4/07/2008	4/07/2013	2.12	3.77	20	–	–	20	–
1/08/2008	1/08/2012	2.12	3.38	333	–	(6)	327	–
1/08/2008	1/08/2012	2.12	3.38	111	–	(2)	109	–
1/08/2008	1/08/2013	2.12	3.77	111	–	(2)	109	–
1/9/2009	1/9/2011	1.18	1.49	273	(253)	–	20	20
1/9/2009	1/9/2012	1.18	1.67	137	–	–	137	–
1/9/2009	1/9/2013	1.18	1.86	137	–	–	137	–
3/3/2011	3/3/2013	1.53	1.90	80	–	–	80	–
3/3/2011	3/3/2014	1.53	2.12	40	–	–	40	–
3/3/2011	3/3/2015	1.53	2.36	40	–	–	40	–
Total				1,467	(253)	(115)	1,098	20

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

Notes to the Financial Statements

27. Employee share purchase scheme

In September 2001 the Company established a share purchase scheme to assist employees to become equity holders in the Company. A trust deed dated September 2001, amended April 2005, governs the operation of the 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. The scheme is governed by section DC12 of the Income Tax Act 2007, and received IRD approval.

Employees who subscribe for shares pay for them over a three year period. An interest free loan is advanced by the Company. The issue price is the lesser of the market value on the date of the offer as quoted on the NZX website or the weighted average of the prices at which equivalent shares have been sold on an arms length basis between unrelated parties during the 20 business days immediately preceding the date at which such price is to be determined.

There is a restrictive period of three years in respect of all shares purchased under the scheme. During the three year restrictive period, the shares are held by the trustees of the scheme on behalf of the participant.

Employees that leave the Company within three years of issue of the shares are required to sell the shares back to the Company. The maximum value of any advance cannot exceed $2,340.

Shares issued under the scheme have voting rights in proportion to the amount paid up, and entitlement to dividends.

The Trustees of the scheme are appointed by the Board of Directors of the Company and remain in office until termination or resignation. At the reporting date the Trustees were Alan Bougen (Director) and Timothy McManaway (Group Financial Controller).

There are 28 (2012: 45) employees in the scheme. The number of shares held by the Trust at the reporting date is 34,968 (2012: 87,344) representing 0.12% (2012: 0.31%) of the share capital. Of this number 1,529 (2012: 597) shares remain unallocated at the reporting date. The market value of shares at the reporting date is $132,878 (2012: $231,462).

28. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2013 was based on the profit attributable to ordinary shareholders of $7,371,000 (2012: profit of $8,224,000) and a weighted average number of ordinary shares outstanding of 28,667,000 (2012: 28,263,000), calculated as follows:

Weighted average number of ordinary shares

In thousands of shares	2013	2012
Issued ordinary shares at beginning of year	28,431	28,174
Effect of shares issued in September 2011	–	1
Effect of shares issued in October 2011	–	10
Effect of shares issued in December 2011	–	78
Effect of shares issued in May 2012	18	–
Effect of treasury shares transferred in September 2012	8	–
Effect of shares issued in October 2012	1	–
Effect of shares issued in December 2012	165	–
Effect of shares issued in December 2012	44	–
Weighted average number of ordinary shares at the end of the year	28,667	28,263
Basic earnings per share (NZ cents)	25.71	29.10

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2013 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all diluted ordinary shares (refer note 26 for entitlements on issue), which are paid up to $0.01, calculated as follows:

Weighted average number of ordinary shares (diluted)

In thousands of shares	2013	2012
Weighted average number of ordinary shares (basic)	28,667	28,263
Effect of stock entitlements issued in July & August 2008	496	648
Effect of stock entitlements issued in September 2009	258	459
Effect of stock entitlements issued in March 2011	159	160
Effect of stock entitlements issued in April 2012	482	–
Weighted average number of diluted shares at end of the year	30,062	29,530
Diluted earnings per share (NZ cents)	24.52	27.85

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.*

Notes to the Financial Statements

29. Related parties

Group Investments

Subsidiaries	Country of Incorporation	Ownership Interest Held	Balance Date	Principal Activity
Comvita New Zealand Limited	New Zealand	100%	31 March	Manufacturing and marketing
Medibee Limited	New Zealand	100%	31 March	Not trading
Comvita Taiwan Limited	New Zealand	100%	31 March	Sales activities
Bee & Herbal New Zealand Limited	New Zealand	100%	31 March	IP ownership
Apimed Medical Honey Limited	New Zealand	100%	31 March	IP ownership
Comvita Landowner Share Scheme Trustee Limited	New Zealand	100%	31 March	Apicultural land owner share scheme
Kiwi Extracts Limited	New Zealand	100%	31 March	Raw material extraction
Kiwi Bee Medical Limited	New Zealand	100%	31 March	Apiary and medical honey extraction
Jonno Developments Limited	New Zealand	100%	31 March	Research and development
Kyoto Forests of New Zealand Limited	New Zealand	100%	31 March	Not trading
Comvita Share Scheme Trustee Limited	New Zealand	Management control	31 March	Executive employee share scheme
Comvita Innovation Limited*	New Zealand	100%	31 March	Research and development
Comvita Health Limited*	New Zealand	100%	31 March	Sales activities
Comvita Tourism Partnership Limited*	New Zealand	50% **	31 March	Sales activities
Comvita USA Inc	United States of America	100%	31 March	Selling and distribution
Comvita Japan Co Limited	Japan	100%	31 March	Selling and distribution
Comvita Korea Co Limited	Korea	100%	31 March	Selling and distribution
Comvita Holdings HK Limited	Hong Kong	100%	31 March	Holding company
Greenlife (New Zealand) Product Limited	Hong Kong	100%	31 March	Not trading
Comvita HK Limited	Hong Kong	100%	31 March	Selling and distribution
Comvita Holdings Pty Limited	Australia	100%	31 March	Holding company
Comvita Australia Pty Limited	Australia	100%	31 March	Manufacturing, selling & distribution
Olive Leaf Australia Pty Limited	Australia	100%	31 March	Not trading
Olive Products Australia Pty Limited	Australia	100%	31 March	Property ownership
Comvita IP Pty Limited	Australia	100%	31 March	IP ownership
Comvita Health Pty Limited	Australia	100%	31 March	Not trading
Medihoney Pty Limited	Australia	100%	31 March	Not trading
Medihoney (Europe) Limited	United Kingdom	100%	31 March	Not trading
Comvita Holdings UK Limited	United Kingdom	100%	31 March	Holding company
Comvita UK Limited	United Kingdom	100%	31 March	Selling and distribution
New Zealand Natural Foods Limited	United Kingdom	100%	31 March	Not trading
Associates				
Extracts NZ Limited	New Zealand	33.3%	31 March	Landlord

* Company was incorporated during the 2013 financial year
** Accounted for as a subsidiary, with non-controlling interest

Notes to the Financial Statements

29. Related parties (continued)

Transactions with key management personnel

Key management compensation comprised:

In thousands of New Zealand dollars	Notes	2013	2012
Short term employee benefits		1,187	1,552
KiwiSaver employer contribution		23	18
Share based payments	8 & 26	94	82
Total		1,304	1,652

Other transactions with key management personnel

Directors of the Company have 19.26% (2012: 19.78%) of the voting shares of the Company, and 18.60% (2012: 18.94%) beneficial control. Note 9 details director fees paid during the year.

Other related party transactions

Extracts NZ Limited (ENZ)
ENZ is an associate of the Group, refer to note 15. The company owns the land and building which it leases to the group. The terms and conditions of these transactions are determined on an arm's length basis.

The Department of Discovery Limited (DOD)
DOD owns 50% of Comvita Tourism Partnership Limited (CTP). The Group consolidates CTP and includes DOD's share as non-controlling interest. DOD have been contracted to provide managerial services for the management of the day-to-day operations of CTP. Refer note 21 for details of the loan.

Transactions and balances with related parties comprised:

In thousands of New Zealand dollars	2013		2012	
	ENZ	DOD	ENZ	DOD
Sale of goods and services				
Transaction value	-	-	-	-
Balance due from	-	-	-	-
Purchases of goods and services				
Transaction value	4	72	8	-
Balance owing to	-	72	-	-
Rental expenditure				
Transaction value	50	-	50	-
Balance owing	-	-	-	-

The outstanding balance with these related parties are priced on an arm's length basis and are to be settled in cash within six months of reporting date. None of the balances are secured.

The parent company has an intercompany current account balance (refer note 18) with subsidiary companies. The transactions and balances are priced on an arm's length basis, in line with transfer pricing requirements. A management fee is charged (refer note 6). The balances are repayable on demand and incur interest.

Craigs Investment Partners Limited are considered to be a related party as Neil Craig is Chairman of both entities. Craigs Investment Partners Limited manage the Comvita share purchase program (START Scheme) and facilitated the sale of shares in the Executive Share Scheme (refer note 26) for some employees. During the year fees paid to Craigs Investment Partners Limited, recognised in other expenses for mainly secretarial services were $34,000 (2012: $37,000).

Brett Hewlett (CEO of Comvita Limited) is a director of Derma Sciences Inc. As part of his Directorship he is entitled to warrants and options in Derma Sciences Inc.

Notes to the Financial Statements

30. Business acquistions

Organic Olives (Aust) Company

In February 2013 the Group's Australian subsidiaries acquired the assets and business of Organic Olives (Aust) Company for $3,217,000 (AU$2,600,000) in cash. The acquisition had the following effect on the Group's financial position:

In thousands of New Zealand dollars	Note	Group 2013
Property, plant and equipment		2,448
Biological assets (olive trees)	14	346
Inventory		173
Net identifiable assets		2,967
Goodwill on acquisition		250
Consideration paid		3,217

The goodwill recognised on acquisition is attributable mainly to the synergies expected to be achieved from planting the land with olive trees to use in production of the Group's existing Olive Leaf business.

Acquisition related costs
The Group incurred acquisition related costs of $292,000, relating to external legal fees and stamp duty. These costs have been included in administrative expenses.

Other acquisitions
There have been other non-material acquisitions.

31. 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 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 polices 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 are 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. As at 31 March 2013 there were no guarantees (2012: 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.

Notes to the Financial Statements

31. Financial instruments (continued)

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.

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.

Loans are taken out in NZ Dollars and Australian Dollars. As at 31 March 2013, AUD foreign currency loans were held as a designated hedge of the net investment in foreign subsidiaries in Australia.

Interest risk
The Group has a policy of ensuring that its exposure to interest rates for borrowings is fixed for at least two years. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure with the Group's policy.

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.

Note 19 details public share offerings, 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.

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

Quantitative disclosures

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	2013	2012
New Zealand	4,182	3,785
Australia	5,917	3,187
United States	708	181
United Kingdom	1,457	4,366
Hong Kong	1,593	1,410
Other regions	4,070	3,393
Total	17,927	16,322

31. Financial instruments (Continued)

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

In thousands of New Zealand dollars	Gross receivable 2013	Impairment 2013	Gross receivable 2012	Impairment 2012
Not past due	16,963	(16)	15,937	-
Past due 0-30 days	642	-	289	(29)
Past due 31-60 days	292	(95)	57	(30)
Past due 61-365 days	243	(102)	185	(87)
Total	18,140	(213)	16,468	(146)

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.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In thousands of New Zealand dollars	2013	2012
Balance at the beginning of the year	146	486
Impairment loss/(gain) recognised	67	(340)
Balance at the end of the year	213	146

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

Group

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
Non-derivative financial liabilities						
2013						
Secured bank loans	(30,885)	(34,370)	(1,446)	(1,446)	(2,892)	(28,587)
Secured related party loan	(450)	(450)	(450)	-	-	-
Trade and other payables	(10,693)	(10,963)	(10,963)	-	-	-
Total non-derivative liabilities	(42,028)	(45,783)	(12,859)	(1,446)	(2,892)	(28,587)
Derivatives						
Inflow	457	13,332	7,834	5,270	90	138
Outflow	(195)	(13,114)	(7,518)	(5,212)	(154)	(230)
Total	262	218	316	58	(64)	(92)
2012						
Secured bank loans	(15,549)	(16,757)	(1,189)	(1,165)	(14,403)	-
Trade and other payables	(11,584)	(11,584)	(11,584)	-	-	-
Total non-derivative liabilities	(27,133)	(28,341)	(12,773)	(1,165)	(14,403)	-
Derivatives						
Inflow	338	18,356	10,319	5,537	2,240	260
Outflow	(212)	(18,367)	(10,120)	(5,520)	(2,269)	(458)
Total	126	(11)	199	17	(29)	(198)

31. Financial instruments (continued)

Parent

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
Non-derivative financial liabilities						
2013						
Secured bank loans	(30,885)	(34,371)	(1,446)	(1,446)	(2,892)	(28,587)
Trade and other payables	(420)	(420)	(420)	-	-	-
Total non-derivative liabilities	(31,305)	(34,791)	(1,866)	(1,446)	(2,892)	(28,587)
Derivatives						
Inflow	5	333	53	53	90	138
Outflow	(195)	(567)	(91)	(91)	(154)	(230)
Total	(190)	(234)	(38)	(38)	(64)	(92)
2012						
Secured bank loans	(15,549)	(16,757)	(1,189)	(1,165)	(14,403)	-
Trade and other payables	(494)	(494)	(494)	-	-	-
Total non-derivative liabilities	(16,043)	(17,251)	(1,683)	(1,165)	(14,403)	-
Derivatives						
Inflow	-	604	164	72	108	260
Outflow	(212)	(991)	(236)	(116)	(183)	(456)
Total	(212)	(387)	(72)	(44)	(75)	(196)

Currency risk

In thousands of New Zealand dollars

Group

2013	AUD	GBP	HKD	USD	Other
Trade receivables	6,218	1,457	1,593	2,873	1,604
Secured bank loans	(9,485)	-	-	-	-
Trade and other payables	(1,497)	(628)	(2,146)	(169)	(2,068)
Gross balance sheet exposure	(4,764)	829	(553)	2,704	(464)
Forward exchange contracts (local currency)	8,350	1,000	25,400	1,200	
2012					
Trade receivables	3,588	4,147	1,410	1,830	1,220
Secured bank loans	(7,749)	-	-	-	-
Trade and other payables	(1,519)	(996)	(1,557)	(32)	(724)
Gross balance sheet exposure	(5,680)	3,151	(147)	1,798	496
Forward exchange contracts (local currency)	6,400	800	30,000	2,200	

Parent

2013	AUD	GBP	HKD	USD	Other
Secured bank loans	(9,485)	-	-	-	-
Gross balance sheet exposure	(9,485)	-	-	-	-
2012					
Secured bank loans	(7,749)	-	-	-	-
Gross balance sheet exposure	(7,749)	-	-	-	-

31. Financial instruments (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: 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)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In New Zealand dollars	Level 1	Level 2	Level 3	Total
Group				
31 March 2013				
Derivatives designated at fair value through the income statement – Derma warrants *	-	1,888	-	1,888
Derivatives designated at fair value through the income statement	-	6	-	6
Derivatives – assets (hedged)	-	451	-	451
Available-for-sale financial assets – Derma shares *	12,478	-	-	12,478
Derivatives – liabilities (hedged) *	-	(195)	-	(195)
31 March 2012				
Derivatives designated at fair value through the income statement – Derma warrants *	-	1,735	-	1,735
Derivatives designated at fair value through the income statement	-	13	-	13
Derivatives – assets (hedged)	-	325	-	325
Available-for-sale financial assets – Derma shares *	10,199	-	-	10,199
Derivatives – liabilities (hedged) *	-	(212)	-	(212)

There have been no transfers between levels in either direction during the year.

Parent

* These values are the same for the parent fair value hierarchy.

Notes to the Financial Statements

31. Financial instruments (continued)

The following significant exchange rates applied during the year:

	Average rate *		Reporting date spot rate	
	2013	**2012**	**2013**	**2012**
AUD	0.789	0.787	0.801	0.787
GBP	0.516	0.508	0.554	0.512
USD	0.813	0.813	0.837	0.816
HKD	6.308	6.325	6.501	6.334

* The average rate is calculated as the average monthly rate used in translating the monthly results during the year.

Sensitivity analysis

A 20 percent strengthening and 20% weakening of the NZD against the following currencies at 31 March would have changed the asset or liability values in the statement of financial position at 31 March 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 2013 assumes a 20 percent (2012: 20 percent) strengthening and weakening of the NZD.

	2013				2012			
	Equity		Income statement		Equity		Income statement	
	+20%	-20%	+20%	-20%	+20%	-20%	+20%	-20%
AUD	913	(1,369)	-	-	1,303	(1,948)	6	(8)
GBP	212	(319)	(10)	(14)	262	(394)	2	(4)
USD	241	(364)	-	-	452	(680)	-	(2)
HKD	659	(994)	-	-	796	(1,202)	-	-

Interest rate risk

Group and parent

At reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2013	**2012**
Variable rate instruments		
Financial liabilities (note 21)	(31,335)	(15,549)
Total	(31,335)	(15,549)

Sensitivity analysis

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit. At 31 March 2013 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 $309,000 (2012: $155,000).

Notes to the Financial Statements

31. Financial instruments (continued)

Fair Values

Classification and fair values

Group

In New Zealand dollars	Note	Designated at fair value	Available-for-sale	Loans & receivables	Other liabilities & amortised cost	Total carrying amount	Fair value
2013							
Assets							
Other investments	15	–	12,478	4	–	12,482	12,482
Total non-current assets		–	12,478	4	–	12,482	12,482
Trade receivables	17	–	–	17,927	–	17,927	17,927
Other receivables	18	–	–	1,136	–	1,136	1,136
Derivatives – Derma warrants		1,888	–	–	–	1,888	1,888
Derivatives – other		457	–	–	–	457	457
Cash and cash equivalents		–	–	5,998	–	5,998	5,998
Total current assets		2,345	–	25,061	–	27,406	27,406
Total assets		2,345	12,478	25,065	–	39,888	39,888
Liabilities							
Loans and borrowings	21	–	–	–	(29,387)	(29,387)	(29,387)
Total non-current liabilities		–	–	–	(29,387)	(29,387)	(29,387)
Loans and borrowings	21	–	–	–	(1,948)	(1,948)	(1,948)
Trade and other payables	23	–	–	–	(10,963)	(10,963)	(10,963)
Derivatives		(195)	–	–	–	(195)	(195)
Total current liabilities		(195)	–	–	(12,911)	(13,106)	(13,106)
Total liabilities		(195)	–	–	(42,298)	(42,493)	(42,493)
2012							
Assets							
Other investments	15	–	10,199	–	–	10,199	10,199
Total non-current assets		–	10,199	–	–	10,199	10,199
Trade receivables	17	–	–	16,322	–	16,322	16,322
Other receivables	18	–	–	354	–	354	354
Derivatives – Derma warrants		1,735	–	–	–	1,735	1,735
Derivatives – other		338	–	–	–	338	338
Cash and cash equivalents		–	–	2,169	–	2,169	2,169
Total current assets		2,073	–	18,845	–	20,918	20,918
Total assets		2,073	10,199	18,845	–	31,117	31,117
Liabilities							
Loans and borrowings	21	–	–	–	(14,025)	(14,025)	(14,025)
Total non-current liabilities		–	–	–	(14,025)	(14,025)	(14,025)
Loans and borrowings	21	–	–	–	(1,524)	(1,524)	(1,524)
Trade and other payables	23	–	–	–	(11,584)	(11,584)	(11,584)
Derivatives		(212)	–	–	–	(212)	(212)
Total current liabilities		(212)	–	–	(13,108)	(13,320)	(13,320)
Total liabilities		(212)	–	–	(27,133)	(27,345)	(27,345)

Notes to the Financial Statements

31. Financial instruments (continued)

Fair Values

Parent

In New Zealand dollars	Note	Designated at fair value	Available-for-sale	Loans & receivables	Other liabilities & amortised cost	Total carrying amount	Fair value
2013							
Assets							
Other investments	15	–	12,478	–	–	12,478	12,478
Total non-current assets		–	12,478	–	–	12,478	12,478
Other receivables	18	–	–	65,521	–	65,521	65,521
Derivatives – Derma warrants		1,888	–	–	–	1,888	1,888
Cash and cash equivalents		–	–	30	–	30	30
Total current assets		1,888	–	65,551	–	67,439	67,439
Total assets		1,888	12,478	65,551	–	79,917	79,917
Liabilities							
Loans and borrowings	21	–	–	–	(29,387)	(29,387)	(29,387)
Total non-current liabilities		–	–	–	(29,387)	(29,387)	(29,387)
Loans and borrowings	21	–	–	–	(1,498)	(1,498)	(1,498)
Trade and other payables	23	–	–	–	(420)	(420)	(420)
Derivatives		(195)	–	–	–	(195)	(195)
Total current liabilities		(195)	–	–	(1,918)	(2,113)	(2,113)
Total liabilities		(195)	–	–	(31,305)	(31,500)	(31,500)
2012							
Assets							
Other investments	15	–	10,199	–	–	10,199	10,199
Total non-current assets		–	10,199	–	–	10,199	10,199
Other receivables	18	–	–	52,254	–	52,254	52,254
Derivatives – Derma warrants	18	1,735	–	–	–	1,735	1,735
Cash and cash equivalents		–	–	60	–	60	60
Total current assets		1,735	–	52,314	–	54,049	54,049
Total assets		1,735	10,199	52,314	–	64,248	64,248
Liabilities							
Loans and borrowings	21	–	–	–	(14,025)	(14,025)	(14,025)
Total non-current liabilities		–	–	–	(14,025)	(14,025)	(14,025)
Loans and borrowings	21	–	–	–	(1,524)	(1,524)	(1,524)
Trade and other payables	23	–	–	–	(494)	(494)	(494)
Derivatives		(212)	–	–	–	(212)	(212)
Total current liabilities		(212)	–	–	(2,018)	(2,230)	(2,230)
Total liabilities		(212)	–	–	(16,043)	(16,255)	(16,255)

Notes to the Financial Statements

32. Commitments

Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
In thousands of New Zealand dollars	**2013**	**2012**	**2013**	**2012**
Less than 1 year	2,635	1,976	12	-
Between one and five years	2,388	1,893	19	-
Greater than five years	146	237	-	-
Total	5,169	4,106	31	-
Operating lease expense in the income statement	2,384	2,009	11	11

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 them have options to renew the leases after that period.

Finance leases as lessee

There are no finance leases.

Capital commitments

In February 2013 Comvita New Zealand Limited entered into a contract with an offshore company for the delivery of a Global Point of Sale System valued at $1.4m to be paid over the next 3 years.

33. Contingent liabilities

There are no significant contingent liabilities.

34. Subsequent events

Comvita New Zealand Limited as part of its planned upgrade of its Visitor Centre and site development has entered into construction contracts valued at $3.3m. This work is expected to be completed within the next 12 months.

On 22 May 2013, the Directors approved the payment of a fully imputed final dividend of $2,620,000 (9 cents per share) to be paid on 28 June 2013. As the dividend was declared after balance date it has not been recognised as a liability in these financial statements.

Audit Report

KPMG

Independent auditors report

To the shareholders of Comvita Limited

Report on the Company and Group financial statements

We have audited the accompanying financial statements of Comvita Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 4 to 45. The financial statements comprise the statements of financial position as at 31 March 2013, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' Responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the company and group in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 4 to 45:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 March 2013 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Comvita Limited as far as appears from our examination of those records.

KPMG

22 May 2013
Hamilton

Statutory Information

Principal activity

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

Dividend

An interim dividend was paid on 21 December 2012 at $0.04 per share.

Directors

In accordance with the constitution, all directors will continue in office, until the 2013 Annual Meeting, when two directors will retire by rotation.

Directors' remuneration

In thousands of New Zealand dollars	**Fee**	**Other**	**Total**
A.J Bougen	51	1	52
N.J Craig	83	5	88
T.D.C Cullwick	51	-	51
M.J Prendergast	41	-	41
R.B Tait	51	-	51
S. Ottrey (appointed November 2012)	18	-	18
Total	295	6	301

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

Director - Comvita New Zealand Limited

Director – a number of Comvita group subsidiary companies

Director - Comvita Share Scheme Trustee Limited

Director - True North Marketing Limited

M.J Prendergast

Director - Comvita Limited

Director - Kezza Properties Limited

N.J Craig

Director & Chairman - Craigs Investment Partners

Director & Chairman - Comvita Limited

Director – a number of Comvita group subsidiary companies

Director - Custodial Services Limited

Director - Hendry Nominees Limited

Director - Pohutukawa Private Equity Limited

Director - NZ Social Infrastructure Fund Limited

R.B Tait

Director - Comvita Limited

Director - Comvita New Zealand Limited

Director & Chairman - Horizon Energy Distribution Limited and group companies

Director - Tait Fleming Consulting Limited

Director – Quayside group of companies

S.C. Ottrey

Director – Comvita Limited

Director – Sarah Ottrey Marketing Limited

Director – Smiths City Group Limited

Director – EBOS Group Limited

Director – Horizon Meats New Zealand Limited

Director – Blue Sky Meats (N.Z.) Limited

T.D.C Cullwick

Director - Comvita Limited

Director - Innomarc Consulting Limited

Statutory Information

Directors of Group Companies other than shown above

Apimed Medical Honey Limited
B D Hewlett*, P N Moran*

Bee & Herbal New Zealand Limited
B D Hewlett*, P N Moran*

Better Healthy Limited (de- registered)
S P Coulter*, Butt Kwong Hei*

Better Healthy (North Point) Limited (de- registered)
S P Coulter*, Butt Kwong Hei*

Comvita Australia Pty Limited
B D Hewlett*, A Hutton*

Comvita Health Pty Limited
B D Hewlett*, A Hutton*

Comvita Health Limited
B D Hewlett*, S P Coulter*, P N Moran*

Comvita HK Limited
B D Hewlett*, S P Coulter*, Butt Kwong Hei*

Comvita Holdings HK Limited
B D Hewlett*, S P Coulter*, Butt Kwong Hei*

Comvita Holdings Pty Limited
B D Hewlett*, A Hutton*

Comvita Holdings UK Limited
B D Hewlett*, S P Coulter*, S Pothecary*

Comvita IP Pty Limited
B D Hewlett*, A Hutton*

Comvita Innovation Limited
B D Hewlett*, S P Coulter*, R Schlothauer*

Comvita Japan Co Limited
B D Hewlett*, S P Coulter*, N D Amos*

Comvita Korea Co Limited
B D Hewlett*, S P Coulter*, N D Amos*

Comvita Landowner Share Scheme Trustee Limited
B D Hewlett*, P N Moran*

Comvita Share Scheme Trustee Limited
T J McManaway*

Comvita Taiwan Limited
B D Hewlett*, S P Coulter*

Comvita Tourism Partnership Limited
B D Hewlett*, P N Moran*, T H Wilson

Comvita UK Limited
B D Hewlett *, S P Coulter*, S Pothecary*

Green Life (New Zealand) Product Limited
B D Hewlett*, S P Coulter*, Butt Kwong Hei*

Jonno Developments Limited
B D Hewlett*, P N Moran*

Kiwi Bee Medical Limited
B D Hewlett*, P N Moran*

Kiwi Extracts Limited
B D Hewlett*

Kyoto Forests of New Zealand Limited
B D Hewlett*

Medibee Limited
B D Hewlett*, P N Moran*

Medihoney Pty Limited
B D Hewlett*, A Hutton*

Medihoney Europe Limited
B D Hewlett*, S P Coulter*, S Pothecary

New Zealand Natural Foods Limited
B D Hewlett*, S P Coulter*, S Pothecary*

Olive Leaf Australia Pty Limited
B D Hewlett*, A Hutton*

Olive Products Australia Pty Limited

B D Hewlett*, A Hutton*

* denotes an executive of a Group Company

Statutory Information

Directors of Group Companies (continued)

Share Dealings of Directors – beneficial

Director	Number of Shares Sold	Value of Shares Sold	Number of Shares Purchased	Value of Shares Purchased
A.J Bougen	–	–	–	–
N.J Craig	–	–	–	–
R.B Tait	–	–	–	–
M.J Prendergast	–	–	–	–
T.D.C Cullwick	–	–	–	–
S.C. Ottrey	–	–	7,000	$25,200

Directors Shareholding

Directors, or entities associated with directors, held the following shareholding in Comvita Limited at 31 March 2013:

Director	Opening Balance	Shares Sold	Shares Purchased	Closing Balance
A.J Bougen				
Beneficial				
A Bougen & L Bougen & G Elvin	3,037,149	–	–	3,037,149
Non-beneficial	87,344	(58,130)	–	29,214
Total	3,124,493	(58,130)	–	3,066,363
N.J Craig				
Beneficial				
Custodial Services Limited (A/C 4)	431,987	–	–	431,987
Eaglesham Trust	350,000	–	–	350,000
Sheryl Denise Tebbutt	113,713	–	–	113,713
Anna Beth Craig	4,300	–	–	4,300
Non-beneficial	76,515	–	–	76,515
Total	976,515	–	–	976,515
R.B Tait				
Non-beneficial	826,387	–	26,000	852,387
Total	826,387	–	26,000	852,387
M.J Prendergast				
Beneficial				
Kezza Properties Limited	650,000	–	–	650,000
Total	650,000	–	–	650,000

Directors of Group Companies (continued)

Director	Opening Balance	Shares Sold	Shares Purchased	Closing Balance
T.D.C Cullwick				
Beneficial				
Thomas David Cartwright Cullwick	12,787	–	–	12,787
Hopwood Cullwick Trust Nominees Limited	37,711	–	–	37,711
Total	50,498	–	–	50,498
S.C Ottrey				
Beneficial				
Sarah Christine Ottrey	–	–	7,000	7,000
Total	–	–	7,000	7,000
Beneficial	5,387,651	–	32,000	5,419,651
Non-beneficial	240,242	(58,130)	1,000	183,112
Total	5,627,893	(58,130)	33,000	5,602,763

Directors Indemnity and Insurance

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

Employees' remuneration

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

	Number of employees
$100,000 to $110,000	6
$110,000 to $120,000	9
$120,000 to $130,000	3
$130,000 to $140,000	7
$140,000 to $150,000	2
$150,000 to $160,000	1
$160,000 to $170,000	7
$170,000 to $180,000	2
$180,000 to $190,000	2
$190,000 to $200,000	1
$200,000 to $210,000	2
$210,000 to $220,000	2
$240,000 to $250,000	2
$260,000 to $270,000	1
$300,000 to $310,000	2
$420,000 to $430,000	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 year end. It does not include any remuneration or benefit relating to the Executive Share Scheme. No executive profit share bonuses were paid or provided for, in relation to the 2013 financial year.

Donations

During the year the group made cash donations of $23,000 (2012: $25,000). The company also made donations of products to charitable organisations.

Statutory Information

Shareholder Analysis

Analysis of shareholder by size as at 28 April 2013

Category	No of shareholders	Shares held	Percentage of shareholders	Percentage of shares
Up to 1,000 shares	344	210,931	22.44%	0.72%
1,001 – 5,000 shares	763	2,001,077	49.77%	6.88%
5,001 – 10,000 shares	215	1,587,559	14.02%	5.46%
10,001 – 100,000 shares	183	4,719,416	11.94%	16.22%
100,001 shares or more	28	20,577,698	1.83%	70.72%
Total	1,533	29,096,681	100.00%	100.00%

Top 20 shareholders as at 28 April 2013

Shareholder	Shares held	Percentage of shares
A Bougen & L Bougen & G Elvin	3,037,149	10.44%
Kauri NZ Investments Limited	2,906,461	9.99%
New Zealand Central Securities Depository Limited	2,539,065	8.73%
Custodial Services Limited – Account 3	1,735,207	5.96%
Li Wang	1,382,280	4.75%
Stapway Nominees Limited	1,131,256	3.89%
K C Butt	1,024,110	3.52%
Maori Investments Limited	938,414	3.23%
Custodial Services Limited – Account 4	793,813	2.73%
R Tait & J Tait & I Craig	775,004	2.66%
Kezza Properties Limited	650,000	2.23%
Asia Pharm Ind Company Limited	600,000	2.06%
Development Enterprises Limited	501,780	1.72%
Custodial Services Limited – Account 2	383,078	1.32%
Miu Ling Fung	377,226	1.30%
K H Butt	281,527	0.97%
Custodial Services Limited – Account 16	244,031	0.84%
Custodial Services Limited – Account 18	222,895	0.77%
Waipaoa Station Limited	213,408	0.73%
Other	9,359,977	32.16%
Total Ordinary Shares *	29,096,681	100.00%

* does not include 893,000 partly paid redeemable share entitlements as detailed in note 26 to the annual accounts.

Substantial security holders as at 28 April 2013

Shareholder	Shares held	Percentage of shares
A Bougen & L Bougen & G Elvin	3,037,149	10.44%
Kauri NZ Investments Limited	2,906,461	9.99%
K C Butt & F M Ling & K H Butt	1,682,863	5.78%

Company Directory

Directors
Alan John Bougen
Neil John Craig
Thomas (David) Cartwright Cullwick
Maurice John Prendergast
Robert Bertram Tait
Sarah Christine Ottrey (appt. Nov 2012)

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