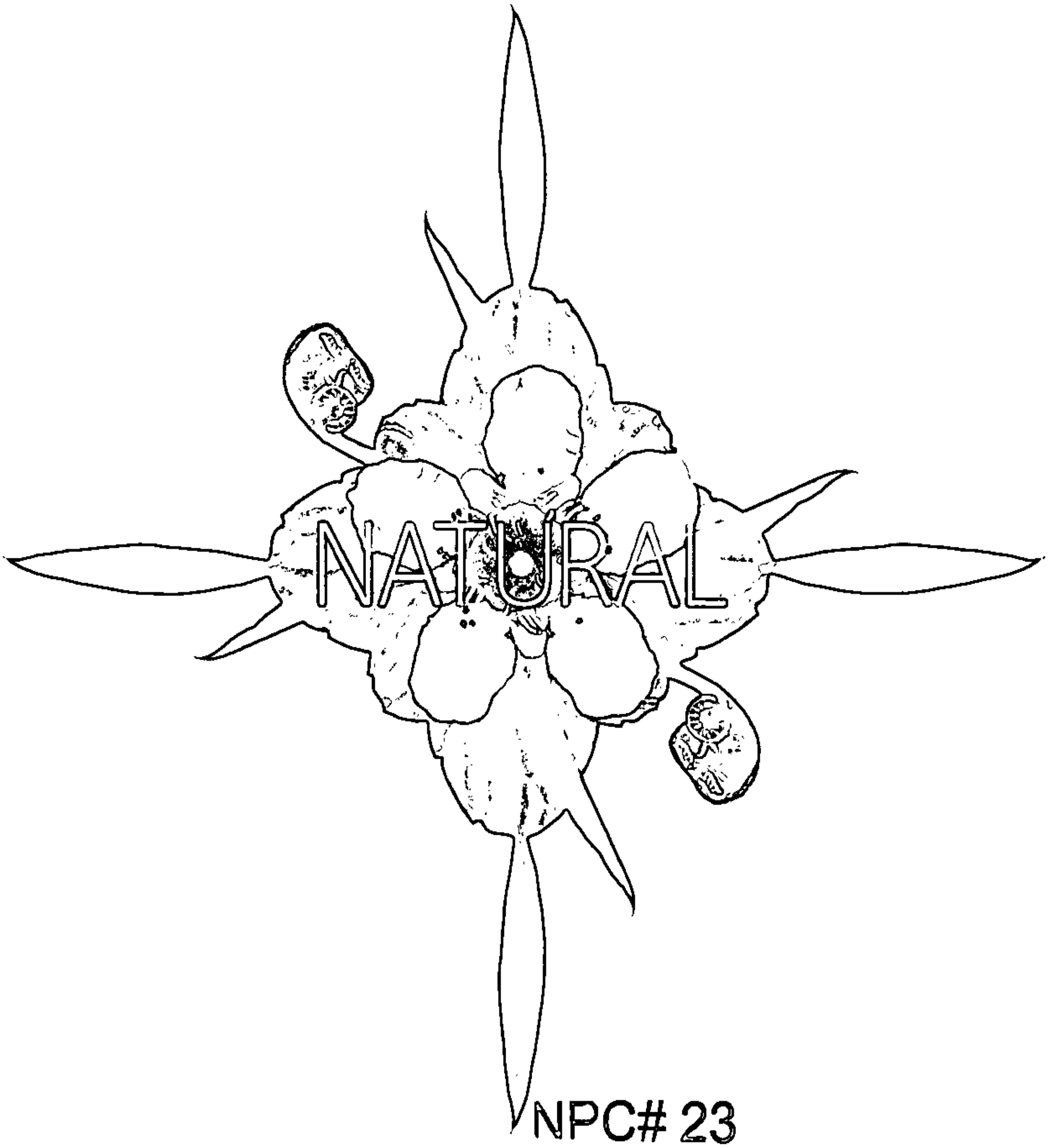

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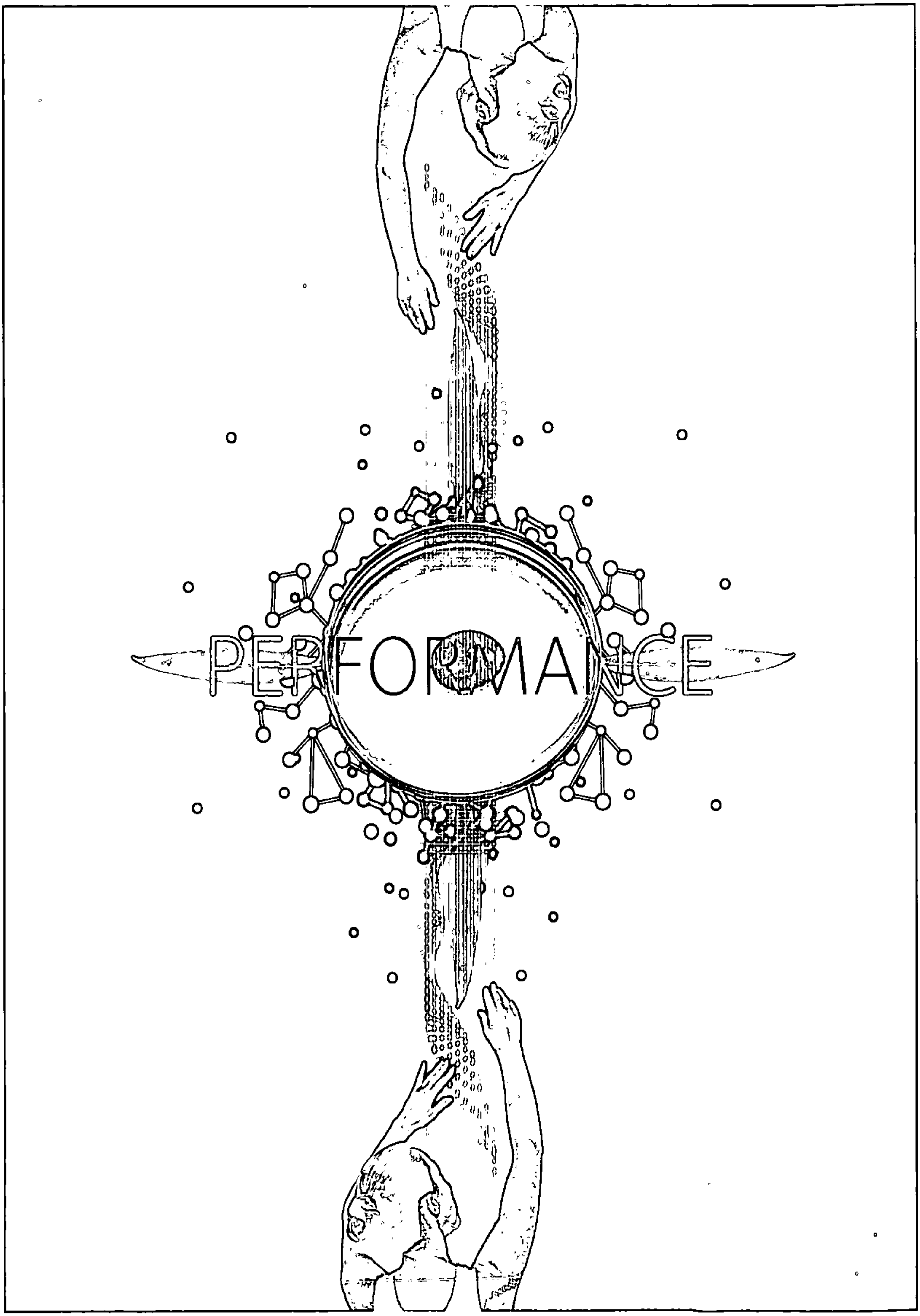
PERFORMANCE

FINANCIAL PERFORMANCE:

FOR COMVITA, 2006 HAS BEEN A YEAR OF CONSOLIDATION, WITH CONTINUING INVESTMENT IN INFRASTRUCTURE, PEOPLE, R&D AND KEY ACQUISITIONS. DESPITE AN EMPHASIS ON BUILDING A STRONG PLATFORM FOR INTERNATIONAL GROWTH, THE LAST FINANCIAL YEAR HAS SEEN A HEALTHY RISE IN PERFORMANCE: 14% GROWTH IN EBITDA, REVENUE UP 26% AND 20% FIVE-YEAR COMPOUND AVERAGE GROWTH RATE, SUPPORTED BY STRONG GROSS MARGINS. THIS IS THE PERFORMANCE OF A COMPANY BUILT AND READY TO HIT THE NEXT LEVEL.

FINANCIAL STATEMENTS: AUDIT REPORT

THE DIRECTORS ARE PLEASED TO PRESENT THE ANNUAL REPORT, INCLUDING THE FINANCIAL STATEMENTS, OF COMVITA LIMITED AND THE COMVITA GROUP FOR THE YEAR ENDED 31 DECEMBER 2006.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS:

NEIL CRAIG: CHAIRMAN ROB TAIT DIRECTOR

Neil Craig. R Tait

DATE: 23 FEBRUARY 2007

KPMG

TO THE SHAREHOLDERS OF COMVITA LIMITED

We have audited the financial statements on pages 30 to 52. The financial statements provide information about the past financial performance and financial position of the Company and Group as at 31 December 2006. This information is stated in accordance with the accounting policies set out on pages 33 to 35.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company and Group as at 31 December 2006 and the results of their operations and cash flows for the year ended on that date.

AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the Company and certain of its subsidiaries in relation to taxation and general accounting services. 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 or any of its subsidiaries.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

IN OUR OPINION:

- proper accounting records have been kept by the Company as far as appears from our examination of those records;
- the financial statements on pages 30 to 52:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the Company and Group as at 31 December 2006 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 23 February 2007 and our unqualified opinion is expressed as at that date.

KPMG

Tauranga

FINANCIAL STATEMENTS: STATEMENT OF FINANCIAL PERFORMANCE / MOVEMENTS IN EQUITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2006	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Operating revenue	1	**39,353**	31,319	**5,103**	2,668
Operating expenses	2	**36,955**	28,724	**3,505**	2,365
Operating surplus before taxation		**2,398**	2,595	**1,598**	303
Taxation	3a	**(873)**	(1,005)	**(548)**	(151)
Net surplus for the year		**1,525**	1,590	**1,050**	152
Net surplus comprises:					
Parent interest		**1,525**	1,597	**1,050**	152
Minority interest		**-**	(7)	**-**	-
Earnings per share,					
ordinary		**10.87**	12.32		
diluted		**10.87**	12.32		

Earnings per share is calculated by dividing the net surplus for the year by the weighted average number of shares on issue (IAS33), being 14,031,667 shares (2005 – 12,899,753).

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Net surplus for the year		**1,525**	1,590	**1,050**	152
Foreign currency translation reserve movement	4b	**(121)**	(17)	**-**	-
Total recognised revenues and expenses		**1,404**	1,573	**1,050**	152
Shares issued – dividend reinvestment plan	4a	**141**	101	**141**	101
Shares issued – acquisitions	4a	**-**	122	**-**	122
Shares issued – asset purchases		**885**	-	**885**	-
Shares issued – subsequent public offerings		**11,464**	-	**11,464**	-
Shares issued – executive share scheme	18	**6**	-	**6**	-
Treasury stock acquired		**(54)**	-	**-**	-
Dividends paid		**(649)**	(529)	**(649)**	(529)
Total movements in equity for the year		**13,197**	1,267	**12,897**	(154)
Total equity at beginning of year		**16,911**	15,644	**14,541**	14,695
Total equity at end of year	4	**30,108**	16,911	**27,438**	14,541

The accompanying accounting polices and notes form part of these financial statements.

FINANCIAL STATEMENTS:
STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2006	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
EQUITY					
Attributable to shareholders of the Company		30,108	16,909	27,438	14,541
Attributable to minority shareholders of the Group		-	2	-	-
Total equity	4	30,108	16,911	27,438	14,541
CURRENT ASSETS					
Cash balances		657	851	12	11
Receivables	5	9,634	7,987	15,204	9,478
Inventories	6	20,587	11,525	-	-
Sundry debtors and prepayments		1,298	726	500	-
Tax receivable		147	-	159	53
Total current assets		32,323	21,089	15,875	9,542
NON-CURRENT ASSETS					
Fixed assets	7	7,724	5,534	4,869	3,462
Intangibles	8	8,181	4,232	4,432	214
Deferred tax	3b	198	138	(8)	1
Investments	9	4,252	193	14,666	10,571
Total non-current assets		20,355	10,097	23,959	14,248
Total assets		52,678	31,186	39,834	23,790
CURRENT LIABILITIES					
Bank overdraft	11	933	387	411	110
Creditors	12	7,889	3,883	1,421	339
Tax payable		-	175	-	-
Borrowings – current portion	13	5,684	3,030	2,500	2,000
Total current liabilities		14,506	7,475	4,332	2,449
NON-CURRENT LIABILITIES					
Borrowings – non current portion	13	7,000	6,800	7,000	6,800
Other payables	8b	1,064	-	1,064	-
Total non-current liabilities		8,064	6,800	8,064	6,800
Total liabilities		22,570	14,275	12,396	9,249
Total net assets		30,108	16,911	27,438	14,541

The accompanying accounting polices and notes form part of these financial statements.

FINANCIAL STATEMENTS:
STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2006	NOTE	GROUP 2006 $'000	 2005 $'000	COMPANY 2006 $'000	 2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
CASH WAS PROVIDED BY (APPLIED TO):					
Receipts from customers		37,622	29,644	4,150	271
Payments to suppliers and employees		(41,458)	(27,798)	(3,072)	(1,511)
Interest received		32	6	954	570
Interest paid		(1,051)	(553)	(863)	(485)
Income taxes paid		(1,255)	(1,130)	(645)	(160)
Net cash flow from / (used in) operating activities	14	(6,110)	169	524	(1,315)
CASH FLOWS FROM INVESTING ACTIVITIES					
CASH WAS PROVIDED BY (APPLIED TO):					
Cash acquired on acquisition of subsidiary	10	-	184	-	-
Acquisition of shares of subsidiaries		-	(2,718)	-	-
Acquisition of other non-current assets		(6,866)	(477)	(5,545)	(55)
Investment in subsidiaries		-	-	(36)	(1,178)
Loans advanced to subsidiaries		-	-	(5,726)	-
Purchase of intangibles		(1,543)	(157)	(1,179)	(103)
Net cash used in investing activities		(8,409)	(3,168)	(12,486)	(1,336)
CASH FLOWS FROM FINANCING ACTIVITIES					
CASH WAS PROVIDED BY (APPLIED TO):					
Proceeds from loans		2,854	4,168	700	3,300
Proceeds from shareholders – share capital		11,611	101	11,611	101
Repurchase of own shares		(54)	-	-	-
Payment of dividend		(649)	(529)	(649)	(529)
Repayments of loans		-	(18)	-	-
Net cash flow from financing activities		13,762	3,722	11,662	2,872
Net increase / (decrease) in cash held		(757)	723	(300)	221
Effect of exchange rate fluctuations on cash held		17	30	-	-
Total movements in cash balances		(740)	753	(300)	221
CASH BALANCES AT BEGINNING OF YEAR					
Cash balances		851	219	11	10
Bank overdraft		(387)	(508)	(110)	(330)
		464	(289)	(99)	(320)
CASH BALANCES AT END OF YEAR					
Cash balances		657	851	12	11
Bank overdraft		(933)	(387)	(411)	(110)
		(276)	464	(399)	(99)

FINANCIAL STATEMENTS: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION

Comvita Limited is registered under the Companies Act 1993. The financial statements presented are those for Comvita Limited (the Company) and the Group. The Group consists of the Company, its subsidiaries, and the Group's interest in associates.

The financial statements comply with the Financial Reporting Act 1993 and comprise statements of the following: significant accounting policies, financial performance, movements in equity, financial position, cash flows, as well as the notes to these statements contained on pages 36 to 52 of this annual report.

The financial statements are prepared on the basis of historical cost.

The accounting policies have been consistently applied by the Company and Group and are consistent with those of the previous year.

B. BASIS OF PREPARING GROUP FINANCIAL STATEMENTS

SUBSIDIARIES

Subsidiaries are those entities controlled, directly or indirectly, by the Group. The financial statements of subsidiaries are included in the Group financial statements using the purchase method of consolidation from the date of acquisition.

ASSOCIATES

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. The Group's share of net surplus of associates is recognised as a component of operating revenue in the statement of financial performance, after adjusting for the amortisation of goodwill arising on acquisition and differences between the accounting policies of the Group and associates. The Group's share of other gains and losses of associates is recognised as a component of total recognised revenues and expenses in the statement of movements in equity.

Dividends received from associates are credited to the carrying amount of the investment in associates.

INTRA-GROUP TRANSACTIONS

Intra-group balances, transactions and profits resulting from intra-group transactions are eliminated in preparing the Group financial statements.

ACQUISITIONS DURING THE YEAR

Where an entity becomes part of the Group during the year, the results of the entity are included in the consolidated results from the date that control or significant influence commenced. When an entity is acquired all identifiable assets and liabilities are recognised at their fair value at acquisition date. The fair value does not take into consideration any future intentions by the Group.

GOODWILL ARISING ON ACQUISITION

Goodwill arising on the acquisition of a business represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill is amortised to the statement of financial performance on a straight-line basis over the period during which benefits are expected to be derived - a period of no more than 10 years.

C. FOREIGN CURRENCY

TRANSACTIONS

Short term transactions covered by forward exchange contracts are translated at the exchange rates specified in those contracts. Other foreign currency transactions are translated to New Zealand currency at the exchange rates ruling at the date of the transactions.

Monetary assets and liabilities in foreign currencies at balance date not covered by forward exchange contracts are translated at the exchange rates ruling at balance date. Exchange differences arising on the translation of monetary assets and liabilities in foreign currencies are recognised in the statement of financial performance, except as detailed below.

Monetary assets and liabilities in foreign currencies at balance date covered by forward exchange contracts are translated at the exchange rates specified in those contracts ruling at balance date.

TRANSLATION OF FOREIGN GROUP ENTITIES

The assets and liabilities of Group entities incorporated overseas, being independent foreign operations, are translated at the rates of exchange ruling at balance date. The revenues and expenses of these entities are translated at rates approximating the exchange rates ruling at the dates of the transactions. Exchange differences arising on translation are recognised directly in the foreign currency translation reserve.

D. FIXED ASSETS

OWNED ASSETS

Fixed assets are initially stated at cost and depreciated as outlined below. Where appropriate, the cost of fixed assets includes site preparation costs, installation costs, unrecovered operating costs incurred during planned commissioning, and the cost of obtaining resource consents.

DISPOSAL OF FIXED ASSETS

Where a fixed asset is disposed of, the profit or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying value of the fixed asset.

DEPRECIATION

Depreciation is calculated on a straight line basis to allocate the cost of an asset, less any residual value, over its useful life.

The following useful lives have been applied.

· Land	Indefinite
· Buildings	Up to 50 years
· Plant and machinery	5 to 15 years
· Vehicles	5 to 10 years
· Office equipment, furniture & fittings	5 to 10 years

E. INVENTORY

Inventories are stated at the lower of cost and net realisable value. The estimated costs of marketing, selling and distribution are deducted in calculating net realisable value.

Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads. Fixed overhead costs are allocated on the basis of normal operating capacity.

F. BRANDS, PATENTS AND TRADEMARKS

Brands, patents and trademarks are stated at cost and amortised to the statement of financial performance on a straight line basis over their estimated useful lives. The estimated useful lives of brands, patents and trademarks are generally 10 years

G. RESEARCH AND DEVELOPMENT EXPENDITURE

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development expenditure is expenditure on the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials or products.

All research expenditure is recognised in the statement of financial performance as incurred. Development expenditure is recognised as an asset when it can be demonstrated that the commercial production of the material or product will commence.

Development expenditure recognised as an asset is stated at cost and amortised over the period of expected benefits, not exceeding five years. Amortisation begins at the time that commercial production commences.

All other development expenditure is recognised in the statement of financial performance as incurred.

H. TAXATION

Income tax expense is recognised on the surplus before taxation adjusted for permanent differences between taxable and accounting income. Deferred tax is calculated using the comprehensive basis under the liability method. The tax effect of all timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the statement of financial position as a future tax benefit or a provision for deferred tax. The future tax benefit or provision for deferred tax is stated at the income tax rates prevailing at balance date.

Future tax benefits are not recognised unless realisation of the asset is virtually certain.

Future tax benefits and provisions for deferred tax are not offset if they arise in different tax jurisdictions.

I. LEASES

FINANCE LEASES

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The interest expense component of the finance lease payments is recognised in the statement of financial performance using the effective interest rate method

OPERATING LEASES

Payments made under operating leases are recognised in the statement of financial performance on a basis representative of the pattern of benefits expected to be derived from the leased asset.

J. EMPLOYEE ENTITLEMENTS

A liability for annual leave accruing to employees is recognised in the statement of financial position. Employee benefits include salaries, wages, annual leave and performance bonuses The liability is stated at the value of the estimated future cash outflows to be incurred resulting from employees' services provided up to balance date.

K. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash comprises cash balances (net of bank overdrafts) and demand deposits.

L. SHARE ISSUE COSTS

Share issue costs arising on shares recognised as equity are deducted from the proceeds of the shares issued.

M. DIVIDENDS

Dividends are recognised in the period that they are authorised and declared.

N. COMPARATIVES

Certain comparatives have been amended to conform with current year presentation.

FINANCIAL STATEMENTS: NOTES TO THE FINANCIAL STATEMENTS

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
1. OPERATING REVENUE					
Operating revenue comprises:					
Sales revenue		39,295	31,313	4,149	2,098
Equity accounted earnings of associate	9a(ii)	26	-	-	-
Interest income		32	6	954	570
		39,353	31,319	5,103	2,668
2. OPERATING EXPENSES					
Operating expenses include:					
Amortisation of intangible assets					
Goodwill	8a	453	304	9	9
Trademarks & patents	8b	76	52	55	34
Product development	8c	30	32	-	-
Auditors' remuneration:					
to KPMG for audit services		54	48	54	48
to KPMG for other services		36	21	36	21
Bad debts written off		15	10	-	-
Movement in doubtful debts provision		12	1	-	-
Depreciation of fixed assets:					
Buildings		231	238	105	104
Plant & machinery		262	165	-	-
Vehicles		6	4	-	-
Office equipment, furniture & fittings		135	155	-	-
Directors' fees		204	207	204	207
Directors – other remuneration		87	54	87	54
Donations		3	4	-	-
Equity accounted deficit of associate	9a(ii)	-	30	-	-
Write (up) / down of investment in Extracts NZ Limited	9a(i)	-	-	(26)	30
Interest expense		1,062	547	874	485
Net foreign exchange loss / (gain)		(136)	(168)	(173)	34
Operating lease expenses		132	107	-	-
Rent expense		373	249	-	-
Research and development expenditure		1,065	705	170	243

NOTES TO THE FINANCIAL STATEMENTS CONTINUED	NOTE	GROUP		COMPANY	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
3. TAXATION					
3a. Income tax expense					
Net surplus before tax		2,398	2,595	1,598	303
PERMANENT DIFFERENCES:					
Equity accounted (profit) / loss from associate	9a(ii)	(26)	30	-	-
Write (up) / down of investment	9a(i)	-	-	(26)	30
Non-deductible expenses		594	380	89	82
Foreign currency translation adjustment		13	9	-	-
Recognition of tax losses not previously recognised		(79)	(177)	-	-
Current year tax losses not recognised		-	76	-	-
		502	318	63	112
Taxable income		2,900	2,913	1,661	415
Tax expense calculated at 33%		957	961	548	137
Under / (over) provision in prior year		(20)	50	-	14
Difference in tax rates		(64)	(6)	-	-
Total income tax expense		873	1,005	548	151
Total income tax expense is made up of:					
Current taxation		933	1,089	539	150
Deferred taxation	3b	(60)	(84)	9	1
		873	1,005	548	151
3b. Deferred tax					
Balance at beginning of year		138	54	1	2
Current year movement	3a	60	84	(9)	(1)
Balance at end of year		198	138	(8)	1
3c. Tax Losses					
Unrecognised tax losses available for set off against future assessable income:					
Tax losses		-	79	-	-
Tax saving thereon		-	25	-	-

The ability to utilise these tax losses depends on the generation of sufficient assessable income in the respective tax jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED	NOTE	GROUP		COMPANY	
		2006	2005	2006	2005
		$'000	$'000	$'000	$'000
3d. Imputation credits					
Balance at beginning of year				**307**	407
Taxation paid				**645**	160
Imputation credits attached to dividends paid				**(318)**	(260)
Balance at end of year				**634**	307
The imputation credits are available to shareholders of the parent company:					
through the parent company		**634**	307		
through subsidiaries		**1,993**	1,472		
		2,627	1,779		
4. EQUITY					
Share capital	4a	**25,861**	13,419	**25,915**	13,419
Retained earnings		**4,550**	3,674	**1,523**	1,122
Foreign currency translation reserve	4b	**(303)**	(182)	-	-
Total equity		**30,108**	16,911	**27,438**	14,541

	NOTE	2006		2005	
		No'000	$'000	No'000	$'000
4a. Share capital					
Paid in share capital comprises:					
Ordinary shares:					
Balance at beginning of year		**12,970**	**13,419**	12,871	13,196
Shares issued under dividend reinvestment plan		**54**	**141**	46	101
Shares issued during acquisitions	10	-	-	53	122
Shares issued during purchase of assets		**251**	**885**	-	-
Shares issued to executive share scheme	18	**625**	**6**	-	-
Subsequent public offering		**3,924**	**11,464**	-	-
Treasury stock acquired		**(16)**	**(54)**	-	-
Balance at end of year		**17,808**	**25,861**	12,970	13,419

NOTES TO THE FINANCIAL STATEMENTS CONTINUED	GROUP		COMPANY	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
4b. Foreign currency translation reserve				
Balance at beginning of year	(182)	(165)	-	-
Difference arising on translation of independent foreign operations	(121)	(17)	-	-
Balance at end of year	(303)	(182)	-	-
5. RECEIVABLES				
Trade debtors	9,518	8,011	-	-
Provision for doubtful debts	(36)	(24)	-	-
Inter company debtors	-	-	15,204	9,478
Amounts due from related parties	152	-	-	-
	9,634	7,987	15,204	9,478
6. INVENTORIES				
INVENTORIES CONSIST OF THE FOLLOWING:				
Raw materials	14,401	8,735	-	-
Finished goods	6,405	2,980	-	-
Less provision for obsolescence	(219)	(190)	-	-
	20,587	11,525	-	-
7. FIXED ASSETS				
FREEHOLD LAND				
At cost	131	131	131	131
BUILDINGS				
At cost	5,968	4,456	5,525	4,013
Accumulated depreciation	(1,134)	(896)	(787)	(682)
	4,834	3,560	4,738	3,331
OWNED PLANT AND MACHINERY				
At cost	2,966	2,246	-	-
Accumulated depreciation	(1,330)	(1,067)	-	-
	1,636	1,179	-	-
VEHICLES				
At cost	117	115	-	-
Accumulated depreciation	(91)	(85)	-	-
	26	30	-	-
OFFICE EQUIPMENT, FURNITURE & FITTINGS				
At cost	2,173	1,575	-	-
Accumulated depreciation	(1,076)	(941)	-	-
	1,097	634	-	-
Total net book value	7,724	5,534	4,869	3,462

The fair values of land & buildings are not materially different from their carrying values.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
8. INTANGIBLE ASSETS					
Goodwill - at cost		4,466	4,315	51	51
Accumulated amortisation		(1,106)	(648)	(47)	(38)
	8a	3,360	3,667	4	13
Brands, patents and trademarks - at cost		4,712	399	4,493	254
Accumulated amortisation		(148)	(76)	(108)	(53)
	8b	4,564	323	4,385	201
Product development costs - at cost		348	304	43	-
Accumulated amortisation		(91)	(62)	-	-
	8c	257	242	43	-
Total intangibles		8,181	4,232	4,432	214
8a. Goodwill					
Balance at beginning of year		3,667	2,612	13	22
Goodwill on acquisition	10	-	1,408	-	-
Amortisation		(453)	(304)	(9)	(9)
Foreign currency translation adjustment		146	(49)	-	-
Balance at end of year		3,360	3,667	4	13
8b. Brands, patents and trademarks					
Balance at beginning of year		323	224	201	132
Acquired during the year		4,317	151	4,239	103
Amortisation		(76)	(52)	(55)	(34)
Balance at end of year		4,564	323	4,385	201

On 6 December 2006 Comvita Limited acquired from the University of Waikato (Waikatolink) a number of new patents around the antibacterial and other properties of Manuka honey and also secured exclusive intellectual property rights for future product development related to the processing, extraction and application of Manuka honey's unique active compound for the use in wound care and skin care fields. The acquisition price was $3,718,127 and was settled by a combination of the issue of 206,134 Comvita shares ($750,000), cash $750,000 with the remaining balance deferred in two instalments over two years. $1,064,000 is included in term liabilities as 'Other Payables' and $1,154,127 is included in 'Creditors' (see note 12). The remaining balance can be settled in either cash or Comvita shares.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED	NOTE	GROUP		COMPANY	
		2006	2005	2006	2005
		$'000	$'000	$'000	$'000
8c. Product development costs					
Balance at beginning of year		242	268	-	-
Acquired during the year		45	6	43	-
Amortisation		(30)	(32)	-	-
Balance at end of year		257	242	43	-

Product development costs primarily relate to Apimed Medical Honey Limited developing systems to procure and produce woundcare products into the medical market.

9. INVESTMENTS

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Non-current investments					
Investment in subsidiaries		-	-	10,414	10,378
Investment in associates	9a	219	193	219	193
Shares in listed companies		4,033	-	4,033	-
Total Investments		4,252	193	14,666	10,571

During 2006 Comvita Limited purchased 3,666,664 shares in Derma Sciences, Inc for $4,032,679. The Comvita shareholding in Derma Sciences, Inc is 14.79% (including 416,666 warrants at US$1.00 each exercisable on 13 April 2011). This shareholding will reduce to 10.002% if all third party exercisable warrants and options are included. The market value of the shareholding was $4,369,973 on 31 December 2006.

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
9a. Investments in associates					
i) Carrying amount of associates					
Carrying amount at beginning of year		193	223	193	223
Equity accounted earnings of associates	9a(ii)	26	(30)	-	-
Write up /(down) in investment of Extracts NZ Limited		-	-	26	(30)
Carrying amount at end of year		219	193	219	193
ii) Equity accounted earnings of associates					
Equity accounted earnings comprise:					
Surplus (deficit) before income tax		26	(30)		
Income tax		-	-		
Total recognised revenues and expenses		26	(30)		

The Company owns 33.3% of the share capital of Extracts NZ Limited. Extracts NZ Limited is a herb and propolis extracting operation. The balance date is 31 March. The interim financial statements of Extracts NZ Limited were used to equity account the 2006 earnings. The financial results of Extracts NZ Limited are unaudited.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. ACQUISITION OF SUBSIDIARIES

On 29 September 2006 Comvita New Zealand Limited acquired the assets of NZ Vitalife Limited. NZ Vitalife Limited is a manufacturer and distributor of natural health products. The issue was settled in part by the issue to the vendors of 45,000 Comvita shares.

On 1 December 2005 Comvita Limited acquired 100% of the shares in New Zealand Natural Foods Limited, a company based in London, United Kingdom, which distributes Comvita products and other New Zealand honeys throughout the United Kingdom. The purchase consideration for New Zealand Natural Foods Limited (renamed Comvita UK Limited) included a deferred settlement of $64,015 paid on 31 March 2006, which was included as a creditor in the 31 December 2005 Statement of Financial Position. The acquisition was settled in part by the issue to the vendors of 53,121 Comvita shares.

The acquisitions were accounted for using the purchase method with the resulting goodwill being amortised in accordance with the Group's policy.

The acquisitions had the following effect on the Group financial position:

	2006 $'000	2005 $'000
Current assets		
Cash balances	-	184
Receivables	-	1,095
Inventories	81	1,561
	81	2,840
Non-current assets		
Fixed assets	-	4
Brands, patents & trademarks	141	-
Total assets	222	2,844
Current liabilities		
Trade creditors	-	1,166
Tax payable	-	181
Total liabilities	-	1,347
Net assets	222	1,497
Total purchase consideration (cash & shares)	222	2,905
Goodwill on acquisition	-	1,408

11. BANK OVERDRAFT

The Company has an overdraft facility of $1,000,000 with Westpac. It is secured by way of a general security agreement over the Company's assets. The interest rate is currently 8.6% (2005: 9.8%).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED	NOTE	GROUP		COMPANY	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
12. CREDITORS					
Trade creditors and accruals		6,351	3,236	217	137
Due to directors		-	3	-	3
Employee entitlements	12a	336	561	50	199
Amounts due to related parties		48	19	-	-
New Zealand Natural Food Ltd settlement	10	-	64	-	-
Waikatolink settlement	8b	1,154	-	1,154	-
		7,889	3,883	1,421	339

12a. Provision for employee entitlements

The provision for employee entitlements relates to employees benefits such as accrued annual leave and bonuses. Most of the liability is expected to be incurred over the next year.

	NOTE	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
13. BORROWINGS					
Bank loan – Westpac	a	-	1,100	-	1,100
Bank loan – Westpac	a	-	1,100	-	1,100
Bank loan – Westpac	a	2,000	2,000	2,000	2,000
Bank loan – Westpac	a	1,300	1,300	1,300	1,300
Bank loan – Westpac	a	1,300	1,300	1,300	1,300
Bank loan – Westpac	a	2,400	-	2,400	-
Multi option credit line – Westpac	b	2,500	2,000	2,500	2,000
Trade finance line – Westpac	c	1,660	1,007	-	-
Foreign currency overdraft – GB Pounds	d	1,142	-	-	-
Foreign currency overdraft – Japanese Yen	e	369	-	-	-
UDC loan	f	13	22	-	-
Hire purchase loans		-	1	-	-
Total borrowings		12,684	9,830	9,500	8,800
Less current portion of borrowings		(5,684)	(3,030)	(2,500)	(2,000)
Borrowings – non current		7,000	6,800	7,000	6,800

a. Bank loans with Westpac vary in term and interest rate. The effective interest rates range from 8.6 % to 8.9% (2005: 8.5% to 9.0%). The rates are fixed with maturities of February 2007, March 2007 and May 2007. All the Group's banking facilities with Westpac are secured by way of a general security agreement over the Company's assets and a mortgage over the Company's land and buildings at Paengaroa.

b. The Multi Option Credit Line facility is $2.5m, and is used to fund working capital requirements. The loan carries an effective interest rate of 8.7% (2005: 8.7%), and is based upon the wholesale money market rates.

c. The Trade Finance Facility with Westpac was increased during December 2005, and enables the Company to borrow funds in foreign currencies based upon actual export sales invoices. The maximum facility is NZ$2,000,000. The effective interest rates range from 6.55% to 8.82% (2005: 5.6%).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

d. The Foreign Currency Overdraft – GB Pounds with Westpac was established in May 2006 and enables the Group to borrow funds in GB Pounds. The maximum facility is GBP1,100,000, and carries an effective interest rate of 6.3%.

e. The Foreign Currency Overdraft – Japanese Yen with Westpac was established in May 2006 and enables the Group to borrow funds in Japanese Yen. The maximum facility is JPY37,500,000, and carries an effective interest rate of 1.6%.

f. The UDC loan has an effective interest rate of 9.55% (2005: 9.55%) is floating, and is secured by instruments over specific items of plant and equipment, which have a cost of $43,100 and accumulated depreciation of $17,283 (2005: net book value of $29,359).

14. NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES

The following is a reconciliation between the surplus after taxation shown in the statement of financial performance and the net cash flow from / (used in) operating activities.

	GROUP		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Operating surplus after taxation	1,525	1,590	1,050	152
Add / (less) non-cash items:				
Depreciation	643	562	105	104
Amortisation of intangibles	559	389	64	43
Equity accounted earnings of associate	(26)	30	-	-
Write (up) / down of investment	-	-	(26)	30
Deferred taxation	(60)	(84)	9	1
Add / (less) movement in working capital:				
Inventories	(9,062)	(240)	-	-
Trade debtors and other receivables	(2,219)	(2,152)	(500)	(1,815)
Trade creditors and other payables	2,852	115	(72)	179
Tax payable	(322)	(41)	(106)	(9)
Net cash from / (used in) operating activities	(6,110)	169	524	(1,315)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 FINANCIAL INSTRUMENTS

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates.

a. Foreign currency risk

Foreign currency risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk as a result of transactions that are denominated in a currency other than the respective Group's functional currency Such transactions which would typically expose the Group to foreign currency risk include exported sales and imported purchases, which include subsidiaries. The currencies giving rise to currency risk, in which the Group primarily deals are Japanese yen, Australian dollars, British pounds, US dollars and Taiwanese dollars.

The Group uses financial instruments within predetermined policies and limits in order to reduce its exposure to fluctuations in foreign currency exchange rates (see note 15e).

Assets and liabilities denominated in foreign currencies recognised in the financial statements are:

	EXCHANGE RATE	ASSETS NZ$000	LIABILITIES NZ$000	NET OPEN POSITION
Group				
AS AT 31 DECEMBER 2006				
Australian Dollar	0.9014	2,076	81	1,995
US Dollar	0.7132	788	-	788
Japanese Yen	84.94	195	369	(174)
British Pound	0.3630	4,606	1,456	3,150
Taiwanese Dollar	22.95	87	-	87
There are no assets and liabilities denominated in foreign currencies in the parent company.				
Group				
AS AT 31 DECEMBER 2005				
Australian Dollar	0.9386	1,680	30	1,650
US Dollar	0.6895	1,690	-	1,690
Japanese Yen	81.42	250	-	250
British Pound	0.3999	1,009	-	1,009
Taiwanese Dollar	22.44	81	-	81

b. Interest rate risk

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances and advances, bank overdraft and borrowings, and finance leases. The Group's policy to mitigate risk is to fix the interest rate on the portion of long term debt for 1 to 2 year periods.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

c. Credit risk

The Group is exposed to credit risk through the normal trade credit cycle, advances to third parties and through the use of derivative financial instruments. No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

d. Market risk

Market risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market prices. These changes may be caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to market risk through its investments in unlisted companies.

It is not the Group's policy to hedge its exposure to market risk. The Group's policy is to lessen market risk by diversifying products and markets. The Group has specific policies for identifying and evaluating investment opportunities and internal limits for investment exposures have been put in place.

e. Fair values

The fair values of financial instruments approximate their carrying values shown in the statement of financial position. The fair value of derivative financial instruments not recognised in the financial statements is based on the quoted market prices of comparable financial instruments.

	DENOMINATED VALUE		FAIR VALUE	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
GROUP FOREIGN EXCHANGE CONTRACTS TO SELL				
US Dollar	**1,524**	1,547	**1,402**	1,523
Japanese Yen	**316**	574	**271**	553
Australian Dollar	**696**	1,002	**666**	980
British Pound	**2,954**	2,485	**2,755**	2,440

There were no other principal or contract amounts of derivative financial instruments outstanding at balance date.

16. RELATED PARTIES

a. A group company sells raw materials to Extracts NZ Limited. These raw materials are processed by Extracts NZ Limited and then repurchased by the group These sales and purchases are based on normal trading terms. The amount sold during 2006 was $334,668 (2005: $1,462). The amount purchased during 2006 was $571,658 (2005: $192,928). As at 31 December 2006 Extracts NZ Ltd owed the group $126,964 (2005: $328). As at 31 December 2006, Extracts NZ Limited was owed $48,428 (2005: $19,337).

b. The Group sells finished goods to Derma Sciences, Inc on normal trading terms. The amount sold during 2006 was $24,779 (2005: Nil). As at 31 December 2006 the Group was owed $24,779 (2005: Nil).

c. There were no related party debts forgiven during the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED	GROUP		COMPANY	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
17. COMMITMENTS				
a. Operating lease commitments				
NON-CANCELLABLE OPERATING LEASE RENTALS ARE PAYABLE AS FOLLOWS:				
Not later than 1 year	512	337	-	-
Later than 1 year but not later than 2 years	260	303	-	-
Later than 2 years but not later than 5 years	110	276	-	-
	882	916	-	-
b. Finance lease commitments				
FINANCE LEASES ARE REPAYABLE AS FOLLOWS:				
Not later than 1 year	9	12	-	-
Later than 1 year but not later than 2 years	5	11	-	-
Later than 2 years but not later than 5 years	-	3	-	-
	14	26	-	-

18. REDEEMABLE SHARE OPTIONS GRANTED (OPTIONS)

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 redeemable ordinary shares to key employees. The issue price of the shares will be the weighted average price of Comvita shares on the NZX for the 10 trading days prior to the Issue Date.
- 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 of the issue prices paid up on the shares.
- Shares 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

  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 the 5th anniversary date, the employee will not be able to pay up the balance of the released shares and they will receive back the initial payment.

Although the options were granted to certain members of the executive in the 2006 financial year, other senior employees may become eligible to receive options.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

During the 2006 financial year options to subscribe for shares were issued to the following executive employees of the Company.

EXECUTIVE	FINAL EXPIRY DATE (5th Anniversary)	ISSUE PRICE $	AMOUNT PAID UP $	NUMBER OF OPTIONS 2006	2005
Brett Hewlett	31 May 2011	2.87	0.01	**250,000**	-
Scott Coulter	31 May 2011	2.87	0.01	**125,000**	-
Ralf Schlothauer	31 May 2011	2.87	0.01	**125,000**	-
Grant Young*	31 May 2011	2.87	0.01	**125,000**	-

* Grant Young resigned from Comvita in November 2006 but maintains an ongoing relationship with the Group. Subsequent to his resignation the Comvita Board of Directors resolved that 25,000 options to subscribe for shares will remain with Grant Young and that these options will be released from transfer restrictions on the third anniversary of the issue date The balance of 100,000 options to subscribe for shares will be transferred to treasury stock.

	2006		2005	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding at beginning of year	-	-	-	-
Options granted during the period	625,000	2.87	-	-
Options outstanding at end of year	625,000	2.87	-	-

The exercise price of options outstanding at year end is $2.87. The options are expected to be exercised soon after each anniversary date (expected life), though they may be exercised at the end of 5 years (contractual life).

19 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 governs the operation of the scheme. Employees, excluding Executive Directors, 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 DF7 of the Income Tax Act 1994, and received IRD approval

Employees who subscribe for shares pay for them over a 3 year period. An interest free loan is advanced by the Company. The issue price was established at market price at the time of the offer, by way of an independent valuation of the Company.

There is a restrictive period of 3 years in respect of all shares purchased under the scheme. During the 3 year restrictive period, the shares are held by the trustees of the scheme on behalf of the participant.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Employees that leave the Company within 3 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 balance date the Trustees were William Bracks (Director) and Grant Young.
The number of shares held by the Trust at balance date is 20,377, representing 0.11% of the share capital. Of this number, 731 shares remain unallocated at balance date. The market value of shares at balance date is $81,508.

20. GROUP INVESTMENTS	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST HELD %	BALANCE DATE	PRINCIPAL ACTIVITY
Subsidiaries				
Comvita New Zealand Limited	New Zealand	100	31 December	Manufacturing and marketing
Comvita Japan Co Limited	Japan	100	31 December	Selling and distribution
Comvita Health Pty Limited	Australia	100	31 December	Sales activities
Comvita Asia Limited	New Zealand	100	31 December	Sales activities
Comvita Taiwan Limited	New Zealand	100	31 December	Sales activities
Bee & Herbal New Zealand Limited	New Zealand	100	31 December	IP ownership
Apimed Medical Honey Limited	New Zealand	100	31 December	IP ownership
Apimed Limited	New Zealand	100	31 March	Not trading
Apimed Honey Research Limited	New Zealand	100	31 March	Not trading
NZ Colostrum Gold Limited *	New Zealand	100	31 March	IP ownership
Comvita Holdings UK Limited	United Kingdom	100	31 December	Holding company
Comvita UK Limited	United Kingdom	100	31 December	Selling and distribution
New Zealand Natural Foods Limited (new company)	United Kingdom	100	31 December	Not trading
Jonno Developments Limited	New Zealand	100	31 December	Research and development
Comvita Share Scheme Trustee Limited	New Zealand	Management Control	31 December	Executive employee share scheme
Associates				
Extracts NZ Limited	New Zealand	33.3	31 March	Propolis and herb extraction

* On 29 September 2006 Comvita Limited purchased the remaining 49% of Colostrum Gold Limited for $30,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. SEGMENTAL INFORMATION

The Group operates predominantly in one industry, that being the manufacture, distribution and marketing of naturally derived healthcare products.

Geographical Segments	New Zealand		Asia		Australia		North America		UK & Europe		Eliminations		Consolidated	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Revenue derived from outside the Group	13,400	12,652	7,434	6,566	5,674	4,053	433	416	12,412	7,632	-	-	39,353	31,319
Inter-segment revenue	4,201	6,598	849	1,142	-	-	-	-	8,001	-	(13,051)	(7,740)	-	-
Total revenue	17,601	19,250	8,283	7,708	5,674	4,053	433	416	20,413	7,632	(13,051)	(7,740)	39,353	31,319
Segment net surplus before tax	547	1,623	(83)	314	521	247	41	47	1,372	364	-	-	2,398	2,595
Segment assets	63,451	41,666	789	1,190	181	276	-	-	8,637	3,286	(20,380)	(15,232)	52,678	31,186

The pricing technique adopted for sales between Group companies is that comparable to an arms length distributor.

22. CONTINGENCIES

There were no contingencies at balance date (2005: Nil).

23. CAPITAL COMMITMENTS

Capital commitments at balance date were $751,156 (2005. Nil).

24. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZIFRS)

In accordance with the announcement by the Accounting Standards Review Board in December 2002, the pronouncements that make up New Zealand Generally Accepted Accounting Practice (NZGAAP) will be replaced by the New Zealand Equivalents to International Financial Reporting Standards (NZIFRS). This note outlines the expected impact of the change from previous NZGAAP to NZIFRS will have on the financial statements of the Group.
The Group's first full NZIFRS financial statements will be prepared as at, and for the year ended, 31 December 2007. To comply with NZIFRS for the first time the Group will be required to prepare an opening balance sheet as at 1 January 2006.
The purpose of the following disclosures is to highlight the expected impact as a result of transitioning to NZIFRS The Group has completed the initial stages of its project to manage the transition. The adjustments highlighted in the opening equity reconciliation set out on page 51 are the adjustments that have been highlighted in the analysis performed to-date that are expected to impact the Group's opening NZIFRS balance sheet. The analysis is based on the expected NZIFRS requirements as at 31 December 2007 - the date the Group will first report fully under NZIFRS As a result, it is possible that future developments will change the nature of the adjustments required by the time that reporting date occurs.

RECONCILATION OF PREVIOUS NZ GAAP TO NZ IFRS AS AT 1 JANUARY 2006	NOTE	GROUP NZ GAAP $'000	GROUP Effect of transition to NZ IFRS $'000	GROUP NZ IFRS $'000	COMPANY NZ GAAP $'000	COMPANY Effect of transition to NZ IFRS $'000	COMPANY NZ IFRS $'000
Assets							
Property, plant & equipment	a	5,534	-	5,534	3,462	(3,462)	-
Intangible assets	b	4,232	(243)	3,989	214	-	214
Investments		193	-	193	10,571	-	10,571
Deferred tax	f	138	27	165	1	3	4
Total non-current assets		10,097	(216)	9,881	14,248	(3,459)	10,789
Property held for sale	a	-	-	-	-	3,462	3,462
Inventory		11,525	-	11,525	-	-	-
Tax receivable		-	-	-	53	-	53
Sundry debtors & prepayments		726	-	726	-	-	-
Receivables	c	7,987	(90)	7,897	9,478	-	9,478
Cash and cash equivalents		851	-	851	11	-	11
Total current assets		21,089	(306)	20,999	9,542	3,462	13,004
Total assets		31,186	(306)	30,880	23,790	3	23,793
Equity							
Issued capital		(13,419)	-	(13,419)	(13,419)	-	(13,419)
Foreign currency translation reserve	d	182	(182)	-	-	-	-
Retained earnings	g	(3,672)	534	(3,138)	(1,122)	7	(1,115)
Other comprehensive income	c	-	15	15	-	-	-
Minority interest		(2)	-	(2)	-	-	-
Total equity		(16,911)	367	(16,544)	(14,541)	7	(14,534)
Liabilities							
Employee benefits	e	-	(30)	(30)	-	(10)	(10)
Interest bearing borrowings		(6,800)	-	(6,800)	(6,800)	-	(6,800)
Total non-current liabilities		(6,800)	(30)	(6,830)	(6,800)	(10)	(6,810)
Bank overdraft		(387)	-	(387)	(110)	-	(110)
Interest bearing borrowings		(3,030)	-	(3,030)	(2,000)	-	(2,000)
Tax payable		(175)	-	(175)	-	-	-
Other payables	c	(3,322)	(31)	(3,353)	(140)	-	(140)
Employee benefits		(561)	-	(561)	(199)	-	(199)
Total current liabilities		(7,475)	(31)	(7,506)	(2,449)	-	(2,449)
Total liabilities		(14,275)	(61)	(14,336)	(9,249)	(10)	(9,259)
Total equity and liabilities		(31,186)	306	(30,880)	(23,790)	3	(23,793)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

a. Property held for sale

Comvita Limited holds land and buildings to house the Group's operations. As at 1 January 2006, the directors had resolved to transfer the land and buildings to another group company. These assets have been reclassified, in the Parent, as non-current assets held for sale under NZIFRS and carried at the lower of its carrying amount and fair value less costs to sell. As the intended sale is not outside of the Group, the land and buildings are reclassified as property, plant and equipment in the Group.

b. Internally generated intangibles

Under previous NZGAAP, the Group capitalised certain internal costs as separately identifiable intangible assets. As these costs do not meet the recognition criteria of an intangible asset under NZIFRS, the carrying value has been written off to retained earnings on transition.

c. Foreign currency hedging

At 1 January 2006 the Group held forward rate agreements and foreign currency options. Under previous NZGAAP, the value of these contracts was either reflected in the value of the hedged item (i.e. the foreign denominated receivable or payable) or not recognised in the financial statements if it related to forecast sales or purchases. In accordance with NZIFRS, all derivative financial statements have been recognised as assets or liabilities at fair value The effective portion of the movement in fair value of cash flow hedges is taken to an equity reserve until the underlying hedged item is recognised, at which point the fair value movement is transferred to the underlying hedged item. All fair value movements on derivatives that do not relate to the effective portions of designated hedges are recognised in the income statement. At 1 January 2006, the fair value of foreign exchange contracts was a liability of $31,000 of which $15,000 related to effective cash flow hedges of forecast transactions. Foreign denominated trade receivables have been retranslated at year end rate rather than at the contract rates, resulting in a decrease of $90,000.

d. Foreign currency translation reserve

As permitted under NZIFRS-1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, the Group has elected to reset the balance of the foreign currency translation reserve to zero, by transferring the balance to retained earnings at the date of transition to NZIFRS.

e. Long service leave

Employees of the Group are entitled to long service leave after certain periods of service. Under previous NZGAAP the cost of long service leave was recognised as incurred. Under NZIFRS a provision must be established for each eligible employee from commencement of service.

f. Deferred tax

The majority of adjustments on transition to NZIFRS result in a deferred tax impact.

g. Retained earnings

The movement in retained earnings is a result of the other transition adjustments identified above.

h. Additional NZIFRS differences

In addition to the adjustments to the opening balance sheet, there are other potential differences between previous NZGAAP and NZIFRS. These include:

Goodwill will no longer be amortised, but will be subject to an annual impairment test.

The measurement of deferred tax will follow the 'balance sheet approach' as apposed to the 'income statement approach' required under previous NZGAAP.

Accounting for future business combinations will be subject to different rules than previous NZGAAP.

There are a number of additional disclosures required under NZIFRS.

25. SUBSEQUENT EVENTS

On 23 February 2007, the directors approved the payment of a fully imputed final dividend of $516,441 (3.0 cents per share) to be paid on 20 April 2007. As the dividend was declared after balance date, it has not been recognised as a liability in these financial statements.

STATUTORY INFORMATION

PRINCIPAL ACTIVITY

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

DIVIDEND

A final dividend for 2005 was paid during March 2006 of 3.0 cents per share on 12,970,062 shares. An interim dividend for 2006 was paid during August 2006 of 2.0 cents per share on 13,631,759 shares. A final dividend for 2006 will be paid out during April 2007.

DIRECTORS

In accordance with the constitution, all directors will continue in office, until the 2007 Annual Meeting, when two directors will retire by rotation.

DIRECTORS' REMUNERATION	FEE $'000	OTHER $'000	TOTAL $'000
A.J Bougen	29	7	36
W.J Bracks	29	24	53
N.J Craig (Chairman)	50	-	50
T.D.C Cullwick	29	7	36
R.B Tait	32	49	81
J.K Williams	35	-	35
Total	204	87	291

No amount was paid to an overseas director of Comvita Japan Co Limited during 2006. (2005: $2,000).

INDEPENDENT DIRECTORS

At 31 December 2006 Neil Craig and David Cullwick were independent directors. For technical reasons relating to arrangements for payment of director's remuneration Rob Tait, Jeff Williams and Bill Bracks were not independent at that date. More than 50% of the directors have been independent since 1 January 2007.

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 – Bee & Herbal New Zealand Limited
Director – Apimed Medical Honey Limited
Director – New Zealand Colostrum Gold Limited
Director – True North Marketing Limited

W.J Bracks

Director – Comvita Limited
Director – Comvita New Zealand Limited
Director – Comvita Health Pty Limited
Director – Comvita Asia Limited
Director – Comvita Taiwan Limited
Director – Apimed Limited
Director – Comvita Japan Co Limited
Director – Apimed Honey Research Limited
Director – Apimed Medical Honey Limited
Director – Extracts New Zealand Limited
Director – Tagar Holdings Limited

N.J Craig

Director & Chairman – ABN AMRO Craigs Limited
Director & Chairman – Comvita Limited
Director – Comvita New Zealand Limited
Director – Apimed Medical Honey Limited
Director – Bee & Herbal New Zealand Limited
Director – Custodial Services Limited
Director – Hendry Nominees Limited

T.D.C Cullwick

Director – Comvita Limited
Director – Innomarc Consulting Limited

R.B Tait

Director – Comvita Limited
Director – Comvita New Zealand Limited
Director – Bee & Herbal New Zealand Limited
Director – Apimed Medical Honey Limited
Director – Tait Fleming Consulting Limited

J.K Williams

Director – Comvita Limited
Director – Comvita New Zealand Limited
Director – Bee & Herbal New Zealand Limited
Director – Apimed Medical Honey Limited
Director – WEL Networks Limited
Director – Ethic Consulting Limited

Directors of Group Companies other than shown on page 53:

Comvita Health Pty Limited
M T Haywood

Comvita Japan Co Limited
S P Coulter *
Toshio Harada *

Comvita UK Limited
B D Hewlett *
A J Wortman *

Comvita Holdings UK Limited
B D Hewlett *
A J Wortman *

New Zealand Natural Foods Limited
B D Hewlett *
A J Wortman *

New Zealand Colostrum Gold Limited
B D Hewlett *
A J Wortman *

Comvita Share Scheme Trustee Limited
T J McManaway*

Jonno Develpments Limited
B D Hewlett *
G M Young

* denotes an executive of a Group company

SHARE DEALINGS OF DIRECTORS	NUMBER OF SHARES SOLD	VALUE OF SHARES SOLD $	NUMBER OF SHARES ISSUED	VALUE OF SHARES ISSUED $
Director				
A.J Bougen	-	-	299,074	897,222
W.J Bracks	-	-	12,500	37,500
T.D.C Cullwick	-	-	21,250	60,755
N.J Craig	-	-	99,545	291,456
J.K Williams	-	-	8,336	23,059
R.B Tait	-	-	148,913	418,227

DIRECTORS' SHAREHOLDING

Directors, or entities associated with directors, held the following shareholding in Comvita Limited at 31st December 2006

A.J Bougen	3,015,369
W.J. Bracks	62,500
N.J. Craig	345,369
T.D.C. Cullwick	31,250
R.B. Tait	325,000
J.K. Williams	20,509

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 indemnified its directors for any liabilities.

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	2
$110,000 to $120,000	2
$120,000 to $130,000	1
$130,000 to $140,000	2
$150,000 to $160,000	1
$160,000 to $170,000	1
$170,000 to $180,000	1
$190,000 to $200,000	1
$200,000 to $210,000	1

DONATIONS

During the year the Group made donations of $3,000 (2005 : $4,000)

SHAREHOLDER ANALYSIS

ANALYSIS OF SHAREHOLDERS BY SIZE AT 18 FEBRUARY 2007	NO OF SHAREHOLDERS	SHARES HELD	PERCENTAGE OF SHAREHOLDERS	PERCENTAGE OF SHARES
CATEGORY				
Up to 1,000 shares	168	105,664	17.0%	0.6%
1,001 - 5,000 shares	538	1,361,783	54.4 %	7.7%
5,001 - 10,000 shares	140	976,208	14.1%	5.5%
10,001 - 100,000 shares	122	2,770,221	12.3%	15:5%
100,001 shares or more	22	12,609,852	2.2%	70.7%
Total	990	17,823,728	100.0%	100.0%

TOP 20 SHAREHOLDERS AS AT 18 FEBRUARY 2007	SHARES HELD	% OF SHARES
A Bougen & L Bougen & G Elvin	3,015,369	16.9
New Zealand Central Securities Depository Limited	2,418,060	13.6
Custodial Services Limited - Account 3	1,170,653	6.6
Maori Investments Limited	938,414	5.3
Comvita Share Scheme Trustee Limited*	641,161	3.6
Development Enterprises Limited	600,000	3.4
RECT Funds Management Limited	528,606	3.0
Hubbard Churcher Trust Management Limited	465,501	2.6
Kezza Properties Limited	450,000	2.5
R Tait & J Tait & I Craig	325,000	1.8
Hendry Nominees Limited - Account 4	296,854	1.7
Custodial Services Limited - Account 2	240,799	1.3
Waipaoa Station Limited	213,408	1.2
Waikatolink Limited	206,134	1.2
NZ Guardian Trust Company Limited	177,954	1.0
Custodial Services Limited - Account 4	175,755	1.0
SKPR Holdings Limited	149,235	0.8
H & L Zingel	139,534	0.8
L Christie	128,544	0.7
R & S Huebner	117,809	0.6
Other	5,424,938	30.4
Total	17,823,728	100.0

* Includes 625,000 partly paid redeemable share options as detailed in note 18 of the Annual Accounts.

SUBSTANTIAL SECURITY HOLDERS AS AT 18 FEBRUARY 2007	SHARES HELD	% OF SHARES
Maori Investments Limited	938,414	5.3
Custodial Services Limited - Account 3	1,170,653	6.6
New Zealand Central Securities Depository Limited	2,418,060	13.6
A Bougen & L Bougen & G Elvin	3,015,369	16.9

CORPORATE PROFILE: COMPANY DIRECTORY

ANNUAL MEETING:

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF COMVITA LIMITED WILL BE HELD AT 2.00PM ON FRIDAY 20 APRIL 2007 AT COMVITA WELLNESS CENTRE, WILSON ROAD SOUTH, PAENGAROA, BAY OF PLENTY. (10 MINUTES SOUTH OF TE PUKE ON SH2.)

DIRECTORS	Alan Bougen William (Bill) Bracks Neil Craig (Chairman) David Cullwick Robert (Rob) Tait Jeffrey (Jeff) Williams
REGISTERED OFFICE	**Comvita Limited** Wilson Road South, Paengaroa Private Bag 1 Te Puke www.comvita.com
BANKERS	**Westpac Banking Corporation** Tauranga Branch 2 Devonport Road P O Box 13 215 Tauranga
SOLICITOR	**Sharp Tudhope** Level 3 35 Grey Street Private Bag TG12020 Tauranga
AUDITORS	**KPMG** Level 5 35 Grey Street P O Box 110 Tauranga
SHARE REGISTRY	**Link Market Services Ltd** P O Box 314 Ashburton
NEW ZEALAND AND AUSTRALIA	**Comvita New Zealand Ltd** Private Bag 1, Te Puke New Zealand Tel: +64 7 533 1426 Fax:+64 7 533 1118 Australia freephone: 1800 466 392
JAPAN	**Comvita Japan Co Ltd** Swans Building 3F-A 5-1-48 Utsukushiga-oka Aoba-ku, Yokohama-shi Kanagawa-ken, Japan Tel: +81 459 055 125 Fax: +81 459 055 126
TAIWAN	**Comvita Taiwan Ltd** 3rd F, No. 67 Sung Chiang Road Taipei, Taiwan Tel: +886 2 2504 3855 Fax: +886 2 2504 4002
UNITED KINGDOM	**Comvita UK Ltd** Unit 3, 55-57 Park Royal Road London NW10 7LP United Kingdom Tel: +44 208 961 4410 Fax: +44 208 961 9420
HONG KONG	**Comvita Asia Ltd** Room 1110, 11F, Kodak House 2 39 Healthy Street East North Point Hong Kong Tel: +852 2579 1228 Fax: +852 2579 1966