

REPORT OF THE CHAIRMAN

On behalf of your directors I present the Annual Report of the directors for Promisia Integrative Limited and its subsidiaries ("the group") for the year ended 31 December 2019.

Group Results

The loss for the year of \$2,391,000 was similar to the loss of \$2,407,000 in the previous year. Two major factors in the loss were:

- An impairment of \$1,107,000 against all inventory,
- Legal and other fees of \$294,000 associated with the proposed entry into the aged care business

Total sales for the year were \$190,000 compared with \$727,000 in the previous year. This was a reduction of 74%.

Shareholders were advised earlier in the year that the company would not be expending any funds on advertising due to the uncertainties around the Ministry of Health prosecution. An inevitable outcome was that sales would suffer.

Medsafe Prosecution

In late January 2019 Medsafe commenced a prosecution of the company in the District Court alleging 9 breaches of the Medicines Act 1981.

Two of the charges relate to the alleged sale of an unlicensed medicine, being Arthrem. The company has always maintained that Arthrem is a dietary supplement, not a medicine. The remaining charges relate to the promotion of Arthrem on the company's websites and are based on the assumption that Arthrem is an unlicensed medicine. The company notes that all its marketing and advertising material was submitted for review to the Therapeutic Goods Advertising Pre-Vetting Service (TAPS) before being published and it received a TAPS Approval Number that is displayed on every item.

There have been three brief appearances in the District Court but little or no progress other than additional disclosure by the Ministry. The delays in getting this matter into Court are of considerable concern. The company has operated in an environment of uncertainty and it is the view of the Board that this matter is rapidly becoming a case where 'justice delayed is justice denied'.

New Zealand

Sales of Arthrem in New Zealand have been limited as the number of pharmacies selling the product reduced following the second Medsafe Alert in late 2018. Medsafe has made a recommendation to the Medicines Classification Committee that *Artemisia annua* be classified as a prescription medicine. The Committee has accepted this recommendation and it is likely that all sales of Arthrem in New Zealand will cease in early March 2020.

Australia

Sales in Australia were very disappointing following the first Medsafe Alert in 2018. Distribution costs in Australia were high and could not be justified. In August 2019 the company advised shareholders that distribution arrangements in Australia had been terminated and Arthrem was no longer available at the retail level. On withdrawal from the Australian market the company requested cessation of the registration of Arthrem as a complementary medicine in Australia. The company worked with the

Therapeutic Goods Administration in Australia and agreed to a voluntary retail recall of Arthrem from the few pharmacies holding stock.

The company notes that no adverse reactions to Arthrem have been reported in Australia.

Artevite

The stock of Artevite had a limited shelf life which expired in August 2019 and in mid-2019 was donated for use in promotional packages for pet shows. This action disposed of the product at very limited cost to the company.

Funding

All operating costs have been reduced as far as possible during the year. Operational funding has been provided by director Tom Brankin and his interests and, on behalf of the shareholders, the Directors express their thanks to Mr Brankin for his support of the company.

During the year Brankin interests exercised an option to subscribe for an additional 250,000,000 shares at \$0.001 per share. These shares were paid up progressively and issued as fully paid shares in November 2019.

Entry into the Aged Care Business

In light of the action by Medsafe and the Ministry of Health, the Directors were of the view that there was little, if any, future in the natural health products business. The directors considered a number of options for the company but settled on the aged care business. On 19 December 2019 the company announced that it had entered into a conditional agreement with Tom Brankin and his interests to acquire their aged care assets for a mixture of cash and equity.

These assets are profitable and provide the basis for the company to expand in the aged care sector. There is considerable demand for new and large facilities as a result of demographic pressure from New Zealand's ageing population.

This acquisition is effectively a backdoor NZX listing of the Brankin aged care assets and there is considerable regulatory compliance required to give effect to such a transaction. The company is preparing the documentation required by the Takeovers Panel, the Financial Markets Authority and NZX. It is a time consuming and expensive undertaking but good progress is being made.

It is expected that documents will be sent to shareholders in March for consideration and that a meeting of shareholders will be held in late March to vote on the proposed change of business and the Brankin transaction.

Share Suspension

On 19 December 2019 when the company announced a proposed change of business and conditional purchase of aged care assets, it also requested suspension of trading in the company's shares on the NZX. The reason for the suspension is to allow time for the necessary documentation to undertake the review and approval processes by the various regulatory authorities prior to being sent to shareholders.

It is intended that the trading suspension will be lifted when all documents have been sent to shareholders.

Summary

2019 was a very difficult but busy year for the company. Your directors consider that the proposed change of business is in the interests of all shareholders and provides considerable growth opportunities, particularly by way of acquisition.

The directors thank shareholders for their support during the year.

A handwritten signature in blue ink, appearing to read 'S Underwood', written in a cursive style.

Stephen Underwood
Chairman

28 February 2020