Promisia Integrative Limited

Independent Adviser's Report and Appraisal Report

In Respect of the Acquisition of Shares in 6 Aged Care Facilities Companies from the Brankin Family Trust

May 2020

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transactions considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

Index

Section **Page**

Appendix

1. Executive Summary

1.1 Background

Promisia Integrative Limited (**Promisia** or the **Company**) operated a natural remedy business that has now been wound down. Promisia developed and marketed therapeutic natural products. It offered *Arthrem*, a dietary supplement for joint health and *Artevite*, a dietary supplement for dogs.

On 15 February 2018, Medsafe, a division of the New Zealand Ministry of Health (the **Ministry**), issued an alert advising that there was a risk of harm to the liver from taking *Arthrem* (the **Medsafe Alert**). On 27 November 2018 Medsafe issue an updated alert.

On 7 February 2019, Promisia was served with a notice of prosecution by the Ministry for 9 alleged breaches of the Medicines Act 1981 (the **Medsafe Prosecution**). The Ministry alleged that the Company sold an unlicensed medicine and that certain advertising by Promisia was in breach of the Medicines Act. The Company has made 3 appearances in the District Court with little progress being made. Promisia is currently waiting for a hearing date in the District Court trial where it will contest the charges.

Most *Artherm* inventory was written off as at 30 June 2019 and the inventory retained has been sold. Sales of *Arthrem* in Australia have ceased with wholesale distribution in Australia now at an end. Sales in New Zealand have also ceased and Promisia has no intention to resume sales.

The Company's shares are listed on the main equities securities market (the **NZX Main Board**) operated by NZX Limited (**NZX**) with a market capitalisation of approximately $4.3 million as at 18 December 2019 (when its shares were suspended from quotation). Its audited total equity as at 31 December 2019 was approximately negative $1.4 million.

A profile of the Company is set out in section 4.

1.2 Acquisition of Aged Care Facilities

Brankin Facilities

On 17 December 2019, Promisia entered into the *Agreement for Sale and Purchase of Shares* (the **Purchase Agreement**) with Thomas Brankin and Michael Lay, as trustees of the Brankin Family Trust (the **Brankin Trust**), to acquire 100% of the shares in 5 companies that own the business and assets of 3 aged care facilities:

- Ranfurly Residential Care Centre (**Ranfurly RCC**), located in Fielding
- Nelson Residential Care Centre (**Nelson RCC**), located in Fielding
- Eileen Mary Residential Care Centre (**Eileen Mary RCC**), located in Dannevirke.

We refer to the 3 aged care facilities as the **Brankin Facilities**.

Aldwins Facility and Aldwins Option

A 6th company will be acquired from the Brankin Trust which holds a long term lease of a property at 62 Aldwins Road, Christchurch (the **Aldwins Facility**). It is intended to open the Aldwins Facility as a rest home / hospital in mid 2020.

The Aldwins Facility is owned by Teltower Limited (**Teltower**), which is owned by Ian Cassels and Patricia Taylor.

Promisia will also obtain the benefit of an option to purchase the land and buildings at the Aldwins Facility (the **Aldwins Option**) for $10,000,000 (plus GST) plus up to $1,000,000 to reimburse Teltower for the costs of certain improvements to the property (the **Aldwins Purchase Price**). The Aldwins Option can be exercised at any time before 31 May 2021 at Promisia's discretion.

We refer to the Brankin Facilities and the Aldwins Facility collectively as the **Facilities**.

Brankin Companies

The 6 companies that Promisia will acquire are:

- Ranfurly Manor Limited
- Ranfurly Manor No: 1 Limited
- Nelson Street Resthome Limited
- Eileen Mary Age Care Property Limited
- Eileen Mary Age Care Limited
- Aldwins House Limited.

We refer to the 6 companies as the **Brankin Companies** and the acquisition of the Brankin Companies as the **Acquisition**.

Acquisition Purchase Price

Promisia will acquire the Brankin Companies for an aggregate purchase price of $31,385,000 on a debt free basis (the **Acquisition Purchase Price**).

The Acquisition Purchase Price is payable:

- $23,385,000 in cash (the **Cash Payment**)
- $8,000,000 by way of the issue of 8,000,000,000 ordinary shares (the **Consideration Shares**) at an issue price of $0.001 per share (the **Brankin Allotment**).

Ranfurly Development

Under the Purchase Agreement, the Brankin Trust has agreed to fund and develop a further 32 new external units and 10 internal units as an expansion of the Ranfurly RCC (the **Ranfurly Development**).

A separate purchase price of $14,180,000 has been attributed to the Ranfurly Development (the **Ranfurly Development Purchase Price**). This amount will be treated as an interest free loan repayable to the Brankin Trust following completion. The sole recourse for repaying the loan will be from the proceeds of selling occupational rights agreements (**ORAs**) to those new units, once developed.

Completion Date

The expected completion date of the Acquisition is 5 days after the completion of all the conditions in the Purchase Agreement (the **Completion Date**).

Finance Facilities

Promisia proposes to finance the Acquisition Purchase Price through a mixture of debt and equity:

- new debt finance of approximately $17,780,000 (the **Bank Facilities**)
- $8,000,000 of Consideration Shares under the Brankin Allotment
- up to $8,000,000 from the issue of up to 8,000,000,000 ordinary shares (the **Wholesale Shares**) to a number of wholesale or eligible investors (the **Wholesale Shareholders**) at an issue price of $0.001 per share (the **Wholesale Allotment**).

As at the date of this report, Promisia has received indicative commitments to subscribe for over $5,000,000 of the Wholesale Allotment. This includes a binding subscription agreement with Ian Cassels (or his nominee) where Mr Cassels has agreed to subscribe for 1,700,000,000 Wholesale Shares for $1,700,000 (the **Cassels Allotment**), conditional on the completion of the Acquisition. Mr Cassels is a director and shareholder of Teltower.

Payment under the Cassels Allotment is due on 15 July 2020 (ie after the Completion Date). If payment has not been made by the time Promisia exercises the Aldwins Option, Promisia may retain $1,700,000 of cash of the Aldwins Purchase Price and issue an equivalent value in shares.

Furthermore, Promisia may partially satisfy the Aldwins Purchase Price by issuing up to a further 4,000,000,000 ordinary shares (the **Teltower Shares**) at an issue price of $0.001 per share to Teltower (the **Teltower Allotment**).

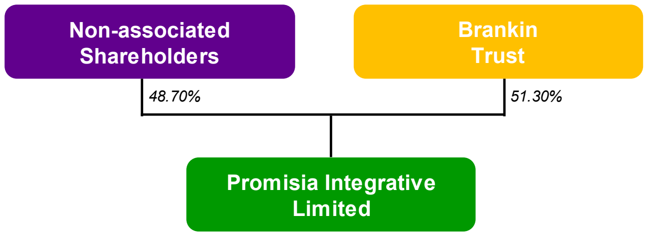
We refer to the Bank Facilities, the Brankin Allotment, the Wholesale Allotment (including the Cassels Allotment) and the Teltower Allotment collectively as the **Finance Facilities**.

Transactions

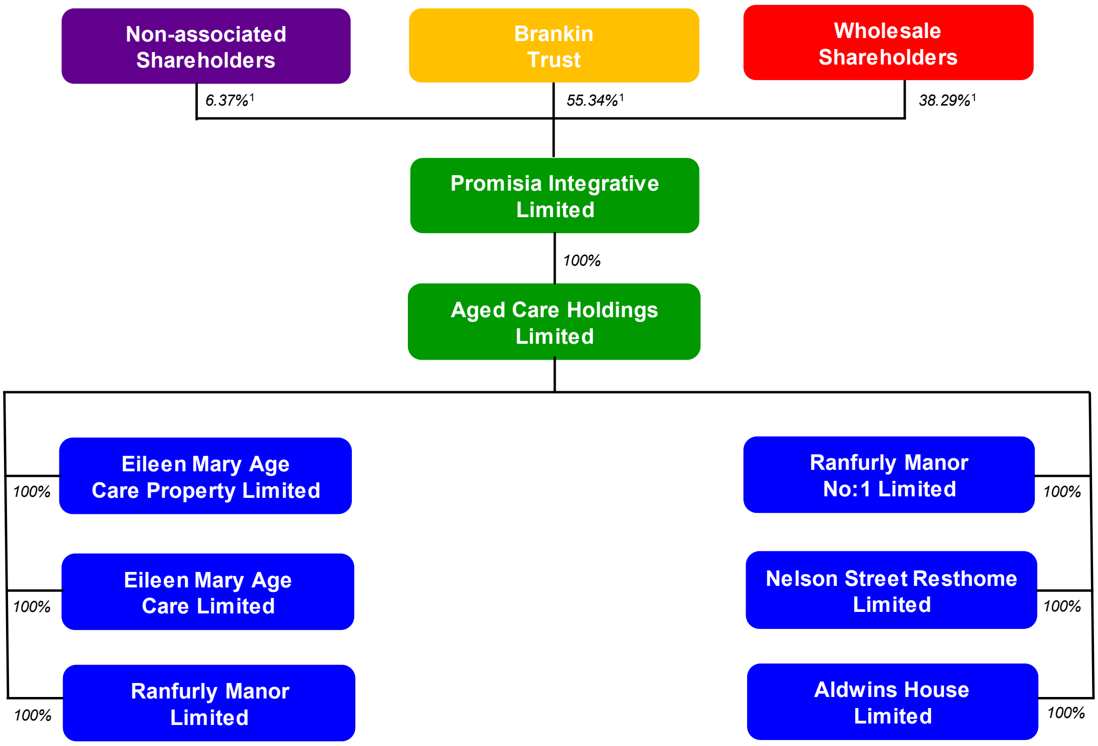
We refer to the Acquisition, the Ranfurly Development, the Aldwins Option and the Finance Facilities collectively as the **Transactions**.

The Transactions effectively represent a backdoor listing (or reverse acquisition) of the Brankin Companies through Promisia. Following the Transactions, the Brankin Companies will be wholly owned subsidiaries of Promisia (via its wholly owned subsidiary company Aged Care Holdings Limited (**ACHL**)).

Prior to the Transactions



Post the Transactions



1 Assumes the maximum number of Wholesale Shares other than the Cassels Allotment are issued under the Wholesale Allotment

1.3 Share Purchase Plan

Promisia also intends to offer all shareholders a share purchase plan later this year where shareholders will be able to acquire up to $15,000 of ordinary shares at an issue price of $0.001 per share (the **SPP**).

The maximum number of shares available under the SPP will be 5,000,000,000 shares, representing an aggregate value of $5,000,000.

The funds raised may be used to part fund the purchase price of the Aldwins Option.

The SPP offer is intended to be made in September 2020 after the Company's audited accounts for the 6 months ended 30 June 2020 have been released to market.

It is likely that at this time Promisia will also undertake a share consolidation and issue a notice requiring shareholders holding shares below a minimum holding level ($1,000 in aggregate) to increase their holding to the minimum level or the Company will acquire their shares.

1.4 Brankin Trust

Thomas Brankin and Michael Lay, as trustees of the Brankin Trust, are Promisia's largest shareholder, holding 1,103,804,210 ordinary shares. This represents 51.30% of the Company's ordinary shares currently on issue.

Mr Brankin is a New Plymouth based businessman. His commercial interests have included a hospital, rest homes and retirement villages throughout New Zealand. He owns iAgri Limited, which has developed a cloud-based farm management program. Mr Brankin has other interests in commercial and residential property.

Mr Brankin is a director of Promisia. He was the Company's acting chief executive officer in 2017 and has provided significant levels of additional funding for the Company as required:

- in 2018, the Brankin Trust underwrote $1.3 million of the Company's $1.67 million rights issue (the **2018 Rights Issue**)
- in 2019, the Brankin Trust subscribed for $0.25 million of new shares through the exercise of an option (the **2019 Option Exercise**)
- the Brankin Trust has provided approximately $0.8 million of loans to Promisia as at 31 December 2019 (the **Brankin Loan**).

1.5 Impact on Shareholding Levels

Post the Brankin Allotment and the Wholesale Allotment but Prior to the Cassels Allotment

Following the Brankin Allotment and depending on the number of shares issued under the Wholesale Allotment prior to the Cassels Allotment (and assuming there are no other changes to the Company's capital structure):

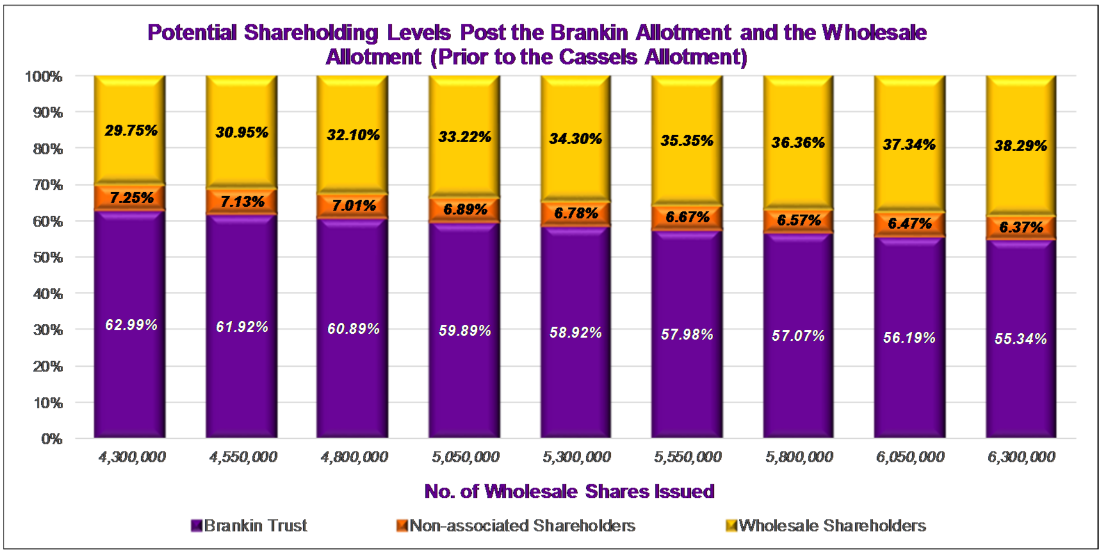
- the Brankin Trust will hold between 55.34% and 62.99% of the Company's ordinary shares on issue
- the Company's current shareholders who are not associated with the Brankin Trust (the **Non-associated Shareholders**) will collectively hold between 6.37% and 7.25% of the Company's ordinary shares on issue
- the Wholesale Shareholders will collectively hold between 29.75% and 38.29% of the Company's ordinary shares on issue.

Impact on Shareholding Levels

	Current	Brankin Allotment	Wholesale Allotment[1]	Post Brankin Allotment and Wholesale Allotment	
Brankin Trust	1,103,804,210	8,000,000,000	-	9,103,804,210	55.34%
Non-associated Shareholders	1,047,993,241	-	-	1,047,993,241	6.37%
Wholesale Shareholders	-	-	6,300,000,000	6,300,000,000	38.29%
Total	2,151,797,451	8,000,000,000	6,300,000,000	16,451,797,451	100.00%

1 Assumes the maximum number of Wholesale Shares other than the Cassels Allotment are issued under the Wholesale Allotment

The graph that follows shows the varying shareholding levels for the Brankin Trust, the Non-associated Shareholders and the Wholesale Shareholders depending on the number of shares issued under the Wholesale Allotment prior to the Cassels Allotment.



Post the Brankin Allotment, the Wholesale Allotment, the Teltower Allotment and all Other Share Issues

Following the Brankin Allotment, depending on the number of shares issued under the Wholesale Allotment, following the Teltower Allotment and the other share issues associated with the Transactions (and assuming there are no other changes to the Company's capital structure):

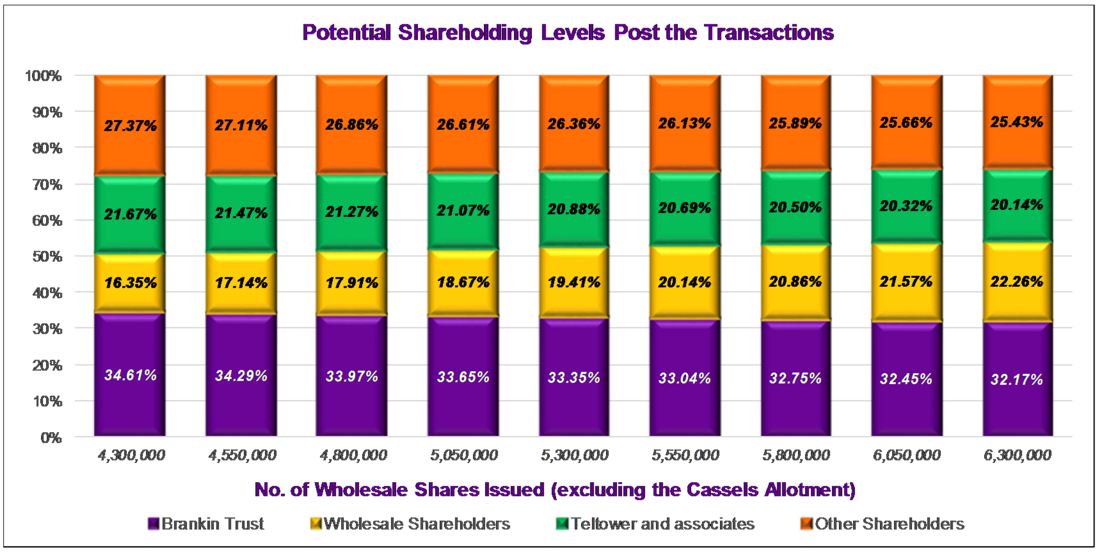
- the Brankin Trust will hold between 32.17% and 34.61% of the Company's ordinary shares on issue
- the Wholesale Shareholders (other than Mr Cassels) will collectively hold between 16.35% and 22.26% of the Company's ordinary shares on issue
- Teltower and its associates will theoretically hold between 20.14% and 21.67% of the Company's ordinary shares on issue
- the other shareholders in the Company (including the Non-associated Shareholders) will collectively hold between 25.43% and 27.37% of the Company's ordinary shares on issue.

Impact on Shareholding Levels Post the Transactions

	No. of Shares	%
Brankin Trust	9,103,804,210	32.17%
Wholesale Shareholders[1]	6,300,000,000	22.26%
Teltower and associates[2]	5,700,000,000	20.14%
Other shareholders[3]	7,197,993,241	25.43%
Total	28,301,797,451	100.00%

1 Assumes the maximum number of Wholesale Shares are issued under the Wholesale Allotment (excluding the Cassels Allotment)
2 Assumes the maximum number of Teltower Shares are issued under the Teltower Allotment (including the Cassels Allotment)
3 Assumes the maximum number of shares are issued under the SPP and to employees and directors

The graph that follows shows the varying shareholding levels for the Brankin Trust, the Wholesale Shareholders (other than Mr Cassels), Teltower and its associates and the other shareholders in the Company (including the Non-associated Shareholders) following the Transactions, depending on the number of shares issued under the Wholesale Allotment.



While Teltower and its associates could theoretically hold between 20.14% and 21.67% of the Company's ordinary shares on issue, we understand that this is not likely to occur because if the Aldwins Option were to be exercised, additional equity would need to be raised in order to fund the Aldwins Purchase Price and this would dilute the shareholding of Teltower and its associates to a level below 20%.

1.6 Summary of Opinion

Takeovers Code

Our evaluation of the merits of the Brankin Allotment as required under the Takeovers Code (the **Code**) is set out in section 2.

In our opinion, after having regard to all relevant factors, the positive aspects of the Transactions (including the Brankin Allotment) significantly outweigh the negative aspects from the perspective of the Non-associated Shareholders.

NZX Listing Rules

Our evaluation of the fairness of the Transactions as required under the NZX Listing Rules (the **Listing Rules**) is set out in section 3.

In our opinion, after having regard to all relevant factors, the terms and conditions of the Transactions are fair to the Non-associated Shareholders.

1.7 Impact of COVID-19 Pandemic

All retirement villages and aged care services have been classified as an essential service under the New Zealand government's COVID-19 criteria and will continue to operate through the pandemic.

We are advised that as at the date of this report, there are no known or suspected cases of COVID-19 at any of the Brankin Facilities.

The share prices for NZX Main Board listed companies (including the 5 retirement village operators) have been highly volatile. We cannot know where share prices will be when the Company's shareholders receive our report and then later when the Non-associated Shareholders vote on the Transactions. However, our valuation of the Brankin Companies is primarily based on the assessed values of the Brankin Facilities, which are to a large degree based on long term forecasts of cash flows and comparable sales values and are not directly impacted by short term share price movements.

1.8 Special Meeting

Promisia is holding a special meeting of shareholders by virtual means on 11 June 2020, where the Company will seek shareholder approval of 7 resolutions which cover the Transactions and associated matters (the **Transactions Resolutions**):

- resolution 1 – approval of the Transactions for the purposes of the Listing Rules, the Code and section 129 of the Companies Act 1993 (the **Co's Act**)
- resolution 2 – approval of the Wholesale Allotment for the purposes of the Listing Rules
- resolution 3 – approval of the Teltower Allotment for the purposes of the Listing Rules
- resolution 4 – approval of the SPP for the purposes of the Listing Rules
- resolution 5 – approval of an employee share scheme to issue up to 1,000,000,000 unpaid ordinary shares at an issue price of $0.001 per share (the **Employee Share Scheme**) for the purposes of the Listing Rules
- resolution 6 – approval of the issue of 150,000,000 unpaid ordinary shares at an issue price of $0.001 per share to Company chair Stephen Underwood (the **Director Share Scheme**) for the purposes of the Listing Rules
- resolution 7 – approval of an increase in directors' fees.

Shareholders will also vote on a resolution in respect of the revocation and adoption of a new constitution (resolution 8).

Resolutions 3 to 7 are dependent on resolutions 1 and 2 being passed by shareholders. If resolutions 1 and 2 are not passed, then those other resolutions put to the meeting will not be treated as having been passed. However, resolutions 1 and 2 are not dependent on resolutions 3 to 7 being passed.

Resolution 8 is not dependent on any other resolutions being passed.

Resolutions 2 to 7 are ordinary resolutions. An ordinary resolution is a resolution passed by a simple majority of votes of those shareholders entitled to vote and voting on the resolutions in person or by proxy.

Resolutions 1 and 8 are special resolutions. A special resolution is a resolution passed by a majority of 75% or more of the votes of those shareholders entitled to vote and voting on the resolution in person or by proxy.

If resolution 1 is passed, then any shareholder that has cast all of their votes against the resolution is entitled to require Promisia to purchase their shares in accordance with section 110 of the Co's Act. Appendix One of the notice of special meeting sets out the procedure for minority buy-out rights.

Voting Restrictions

In relation to resolution 1, Thomas Brankin, Michael Lay and their respective associated persons and associates are prohibited from voting any shares that they hold.

In relation to resolution 2, the Wholesale Shareholders and their associated persons are prohibited from voting any shares that they hold.

In relation to resolution 3, Teltower and its associated persons are prohibited from voting any shares that they hold.

In relation to resolution 4, each director (other than Thomas Brankin) and their respective associated persons are prohibited from voting any shares that they hold.

In relation to resolution 5, any employee of Promisia together with their associated persons are prohibited from voting any shares that they hold.

In relation to resolution 6, Stephen Underwood and his associated persons are prohibited from voting any shares that they hold.

In relation to resolution 7, the current directors of the Company and their respective associated persons are prohibited from voting any shares that they hold.

1.9 Regulatory Requirements

Takeovers Code

Promisia is a code company as it is listed on the NZX Main Board (and has financial products that confer voting rights) and is subject to the provisions of the Code.

Rule 6 of the Code prohibits:

- a person who holds or controls no voting rights or less than 20% of the voting rights in a code company from holding or controlling an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company
- a person who holds or controls 20% or more of the voting rights in a code company from holding or controlling an increased percentage of the voting rights in the code company

unless done in compliance with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(d) of the Code, enables a person to become a holder or controller of an increased percentage of voting rights by an allotment of voting securities in the code company if the allotment is approved by an ordinary resolution of the code company (on which neither that person, nor any of its associates, may vote).

The Brankin Allotment will result in the Brankin Trust increasing its holding or control of the voting rights in Promisia from 51.30% to a maximum level of 62.99%.

Accordingly, in accordance with the Code, the Non-associated Shareholders will vote at the Company's special meeting on an ordinary resolution in respect of the Brankin Allotment.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an allotment under Rule 7(d).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 16(h).

NZX Listing Rules

Guidance Note

Listing Rule 5.1.1 stipulates that an Issuer must not enter into a transaction to acquire assets where the transaction would significantly change the nature of the Issuer's business or involves a Gross Value above 50% of the Average Market Capitalisation of the Issuer unless the transaction is approved by way of an ordinary resolution.

The Acquisition will change the nature of Promisia's business and have a Gross Value above 50% of the Company's Average Market Capitalisation.

Listing Rule 7.3.1 (b) (iii) requires Promisia to provide a listing profile in respect of the Acquisition (the **Profile**).

NZX Guidance Note *Backdoor and Reverse Listing Transactions* dated 1 January 2019 (the **Guidance Note**) states that "NZX considers that a notice of meeting in relation to a backdoor or reverse transaction must include an independent appraisal report prepared in accordance with Rule 7.10".

Listing Rule 5.2.1

Listing Rule 5.2.1 stipulates that an Issuer must not enter into a Material Transaction if a Related Party is a party to the Material Transaction or to one of a related series of transactions of which the Material Transaction forms part unless the Material Transaction is approved by way of an ordinary resolution from shareholders not associated with the Related Party.

The Acquisition, the Brankin Allotment and the Ranfurly Development are Material Transactions as they each have an Aggregate Net Value in excess of 10% of Promisia's Average Market Capitalisation.

The Brankin Trust is a Related Party of the Company as it holds 51.30% of the Company's shares and Mr Brankin is a director of Promisia.

Listing Rule 7.8.8 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 5.2.1.

1.10 Purpose of the Report

The Company's directors not associated with Mr Brankin, being Helen Down, Duncan Priest and Stephen Underwood (the **Non-associated Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the allotment of shares under the Brankin Allotment in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 21 August 2019 to prepare the Independent Adviser's Report.

The Non-associated Directors have also engaged Simmons Corporate Finance to prepare an Appraisal Report on the fairness of the Acquisition in accordance with Listing Rule 7.8.8 (b).

Simmons Corporate Finance was approved by NZX Regulation on 20 August 2019 to prepare the Appraisal Report.

Simmons Corporate Finance issues this Independent Adviser's Report and Appraisal Report to the Non-associated Directors for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Transactions Resolutions.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Brankin Allotment and the fairness of the Transactions in relation to each shareholder. This report on the merits of the Brankin Allotment and the fairness of the Transactions is therefore necessarily general in nature.

The Independent Adviser's Report and Appraisal Report is not to be used for any other purpose without our prior written consent.

1.11 Listing Profile

A Profile as required under Listing Rules 1.11.1 and 7.3.1 accompanies the notice of special meeting provided by Promisia to the Non-associated Shareholders.

The Profile discloses particulars of the assets and business of Promisia if the Transactions are approved. The Profile also provides financial information in respect of the Transactions and identifies the key risk factors associated with the intended business.

This report should be read in conjunction with the Profile. In order to avoid unnecessary repetition, references are made to information contained in the Profile rather than being repeated in this report.

2. Evaluation of the Merits of the Transactions (including the Brankin Allotment)

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the allotment of shares to the Brankin Trust under the Brankin Allotment, having regard to the interests of the Non-associated Shareholders.

There is no legal definition of the term *merits* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers* dated 21 April 2020
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

The Brankin Allotment is a component of the Transactions. Therefore, when assessing the merits of the Brankin Allotment, an assessment of the merits of the Transactions also needs to be undertaken.

We are of the view that an assessment of the merits of the Transactions should focus on:

- the rationale for the Transactions
- the terms and conditions of the Transactions
- the alternatives to the Transactions
- the impact of the Transactions on Promisia's financial position
- the impact of the Transactions on the control of Promisia
- the impact of the Transactions on Promisia's share price
- the benefits and disadvantages to the Non-associated Shareholders and the Brankin Trust of the Transactions
- the implications if the Transactions Resolutions are not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Summary of the Evaluation of the Merits of the Transactions (Including the Brankin Allotment)

The Non-associated Shareholders currently hold shares in a company with total equity of approximately negative $1.4 million as at 31 December 2019 and whose business has been irreparably damaged by the Medsafe Alert and the Medsafe Prosecution.

The Transactions will change the essential nature of Promisia's business to one of owning and operating 3 aged care facilities in Fielding and Dannevirke and leasing a 4th aged care facility in Christchurch with an option to purchase the facility. Promisia has ceased operating its natural remedy business.

The Transactions consist of:

- acquiring the 6 Brankin Companies that own and operate the 3 Brankin Facilities and leases the Aldwins Facility from the Brankin Trust under the Acquisition. The Aldwins Option will enable the Company, at its discretion, to purchase the Aldwins Facility at any time before 31 May 2021
- issuing up to 16,000,000,000 new shares in the Company at an issue price of $0.001 per share to raise up to $16.0 million of capital under the Brankin Allotment and the Wholesale Allotment
- issuing up to 4,000,000,000 new shares in the Company at an issue price of $0.001 per share under the Teltower Allotment as part payment of the Aldwins Purchase Price if the Aldwins Option is exercised
- entering into the approximately $17,780,000 Bank Facilities to partially fund the Acquisition Purchase Price and provide working capital resources
- authorising the Company's board of directors (the **Board**) to give shareholders an opportunity to subscribe for shares under the SPP at the same issue price as under the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment
- authorising the Board to set new remuneration levels and offer equity incentives in respect of directors and employees that are commensurate with the scale of Promisia post the Transactions.

The Non-associated Shareholders are being asked to vote on 7 resolutions in respect of the Transactions. Resolution 1 (in respect of the Transactions) and resolution 2 (in respect of the Wholesale Allotment) must both be passed in order for the Transactions to proceed.

Accordingly, shareholders have 3 alternatives with regard to their voting:

- vote in favour of resolutions 1 and 2 (if not all of the Transactions Resolutions). In the event that all resolutions are passed, the Company will complete the Transactions and will transform into an owner and operator of aged care facilities, or
- vote against resolutions 1 and / or 2. In the event that either resolution 1 or 2 is not passed, then the Transactions will not be undertaken and Promisia will remain as an operator of a natural remedy business, albeit one with no perceivable future, or
- abstain from voting, in which case the voting of the other shareholders will determine the outcome.

Our evaluation of the merits of the Transactions is set out in detail in sections 2.3 to 2.14.

In our view, the key overriding factor in assessing the merits of the Transactions is that, in the absence of the proposed transactions, the Non-associated Shareholders' investment in the Company has negligible value at this point in time as Promisia has negative total equity, negligible cash on hand and its natural remedy business is no longer viable. The Non-associated Shareholders will potentially be in a more advantageous financial position post the Transactions, where they will collectively hold a 4.73% to 6.49% interest in the Brankin Companies. The degree to which the Non-associated Shareholders are financially better off will depend on the value of the Brankin Companies, which will be driven to a large degree by the Company's ability to successfully execute the Brankin Companies' business strategy and growth initiatives.

In summary, the positive aspects of the Transactions are:

- the rationale for the Transactions is sound. The Medsafe Alert and the Medsafe Prosecution have irreparably damaged the Company's natural remedy business. The Transactions will transform Promisia into the owner and operator of aged care facilities, provide opportunities to grow the business operations and ensure that the Company is adequately financed
- the terms of the Transactions are reasonable:
  - the Acquisition Purchase Price of $31,385,000 is reasonable. We assess the value of the Brankin Companies to be in the vicinity of $31.2 million
  - the Ranfurly Development Purchase Price of $14,180,000 is fair to the Non-associated Shareholders as it is based on the agreed initial ORA sale proceeds for the new units and will be treated as a non-recourse interest free loan from the Brankin Trust, repayable from the proceeds of selling the initial ORAs to the new units
  - the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment issue price of $0.001 per share is fair to the Non-associated Shareholders as it significantly exceeds the asset backing of the shares, even allowing for the value of the Company's NZX Main Board listing, and is in line with the most recent capital raising issue prices and the recent share prices for Promisia
  - the Consideration Shares are subject to escrow restrictions ranging between 6 months and 2 years
  - the conditions and warranties set out in the Purchase Agreement are in line with market practice for transactions of this nature and are not unreasonable
- the Transactions will have a positive impact on the Company's financial position, increasing its level of equity from approximately negative $1.4 million as at 31 December 2019 to approximately $18.4 million as at 31 March 2020 (on a pro forma basis prior to the equity raised under the Wholesale Allotment)
- the Company's shares may be re-rated by the market, which may improve the liquidity of the shares

- the implications of the Transactions Resolutions not being approved by the Non-associated Shareholders are significant. The Company's natural remedy business is not sustainable. In the absence of a capital raising in the near term, Promisia will be unable to repay its debts as they fall due and the Board will likely have no option but to place the Company into receivership or liquidation. Such an outcome is unlikely to result in any return to shareholders.

In summary, the negative aspects of the Transactions are:

- the risk profile of Promisia will change significantly from the risks associated with a relatively small natural remedy business to the wide range of risks associated with a much larger business operating in the aged care sector
- the dilutionary impact of the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment on the Non-associated Shareholders will result in their current collective interests in the Company reducing by between 85.1% and 92.4% (depending on the number of Wholesale Shares and Teltower Shares issued). However, the Non-associated Shareholders will be able to reduce the dilution of their interests to some degree by subscribing for shares under the SPP
- if the Teltower Shares are issued under the Teltower Allotment, Teltower and its associates may hold up to 21.67% of the Company's shares. This will enable Teltower and its associates to exert a degree of influence over shareholder voting, but not as significant as the Brankin Trust's level of influence.

In our view, the Transactions are unlikely to have any material impact on:

- the Brankin Trust's ability to exert influence over shareholder voting, the Board or the Company's operations
- the Company's share price in the near term
- the liquidity of the Company's shares in the near term
- the attraction of Promisia as a takeover target.

There are a number of positive and negative features associated with the Transactions. In our view, when the Non-associated Shareholders are evaluating the merits of the Transactions, they need to carefully consider whether the negative aspects of the Transactions, particularly the dilutionary impact, could justify voting against the Transactions Resolutions with the outcome that the Company will likely be placed into receivership or liquidation unless it can raise additional capital in the very near term.

In our opinion, after having regard to all relevant factors, the positive aspects of the Transactions (including the Brankin Allotment) significantly outweigh the negative aspects from the perspective of the Non-associated Shareholders.

2.3 The Rationale for the Transactions

The Medsafe Alert and the Medsafe Prosecution have irreparably damaged Promisia's natural remedy business and the Company has ceased operating the business.

Promisia is waiting for a hearing date in the District Court trial where it will contest charges that it breached the Medicines Act 1981. The maximum fine for these offences is $100,000 per offence but Promisia has stated that recent fines have been in the order of $1,000 per offence. The Board does not consider that the Medsafe Prosecution will have any material impact on any of Promisia's future transactions.

The Company currently has limited working capital and operates solely due to the support of the Brankin Trust.

The Board has advised us that it has explored a number of opportunities to introduce a business of suitable scale and resilience into the Company in order to leverage its listed status. The Transactions represent the most compelling opportunity evaluated by the Board.

The Transactions will transform Promisia into the owner and operator of 3 aged care facilities in Fielding and Dannevirke and the lessee of a 4th facility in Christchurch with an option to purchase the facility.

The Board considers the Transactions to be of significant benefit for Promisia, as they will:

- introduce into Promisia substantial and established business operations in the aged care sector
- provide growth opportunities through building on surplus land at the Brankin Facilities, including the Ranfurly Development
- allow the Company to establish a new residential care facility with minimal capital expenditure in central Christchurch at the Aldwins Facility
- provide additional growth opportunities through acquisition given that there are a number of independent, provincial aged care facilities operating throughout New Zealand.

If the Transactions proceed, the Non-associated Shareholders will be provided with the opportunity to acquire additional shares in Promisia by way of the SPP at the same issue price of $0.001 per share as offered under the Brankin Allotment and the Wholesale Allotment.

In our view, the rationale for the Transactions is compelling. The Medsafe Alert and the Medsafe Prosecution have severely disrupted Promisia's operations to the extent that the Company has ceased operating the natural remedy business. The Transactions offer the Company the opportunity to change its business direction, investing in the aged care sector and ensuring it is adequately financed.

2.4 Process Undertaken by Promisia

We are advised by the Non-associated Directors that the Company commenced discussions with Mr Brankin in respect of the Transactions in April 2019 following the issue of the Medsafe Alert and the notification of the Medsafe Prosecution.

Negotiations on behalf of Promisia were led by Stephen Underwood (chair) and René de Wit (chief executive officer).

The due diligence process undertaken by the Non-associated Directors and their advisers encompassed visits to each of the Brankin Facilities, interviews of key operational staff, commissioning independent valuations of the Brankin Facilities and reviews of the Brankin Companies' financial and legal matters.

The Non-associated Directors then negotiated and entered into the Purchase Agreement with the Brankin Trust on 17 December 2019.

2.5 Terms of the Transactions

Promisia has entered into the Purchase Agreement to acquire 100% of the shares in the 5 Brankin Companies that own and operate the Brankin Facilities:

- Ranfurly RCC, located at 6 Monmouth Street, Fielding
- Nelson RCC, located at 38 Nelson Street, Fielding
- Eileen Mary RCC, located at 44 Trafalgar Street, Dannevirke.

Under the Purchase Agreement, Promisia will also acquire 100% of the shares in the Brankin Company that leases Aldwins House, located at 62 Aldwins Road, Christchurch.

Further information about the Brankin Companies and the Facilities can be found in section 6 of this report and in section 1 of the Profile entitled *PIL And What It Will Do*.

The key terms of the Purchase Agreement are set out below.

Acquisition Purchase Price

The Acquisition Purchase Price is $31,385,000 on a debt free basis and is to be satisfied by:

- the $23,385,000 Cash Payment. This cash will be available to Promisia through the Bank Facilities and the proceeds from the Wholesale Allotment
- the Brankin Allotment, being 8,000,000,000 Consideration Shares issued at $0.001 per share, totalling $8,000,000.

The Acquisition Purchase Price may be adjusted within 2 months of the Completion Date through an adjustment amount (in respect of prepayments less reimbursements), which will be determined through the preparation of an adjustment statement for the Brankin Companies.

The Non-associated Directors have advised us that they negotiated the Acquisition Purchase Price on a commercial arms-length basis with Mr Brankin, based on independent valuations of the Brankin Facilities undertaken by CB Richard Ellis (**CBRE**) as at 31 March 2019 (which were the most current valuations at the time negotiations for the Acquisition commenced).

Set out in section 7 is our assessment of the value of the Brankin Companies. We assess the value of the Brankin Companies to be in the vicinity of $31.2 million.

The Acquisition Purchase Price is marginally higher than our valuation assessment (by 0.6%), which we do not consider to be significant. Accordingly, we are of the view that the Acquisition Purchase Price is reasonable.

Key inputs into our valuation assessment are independent valuations of the Brankin Facilities dated 11 February 2020. We note that since that date, the global COVID-19 pandemic has resulted in New Zealand entering into a period of lockdown and there have been significant changes in share prices for companies listed on the NZX Main Board.

Ranfurly Development Purchase Price

The Ranfurly Development Purchase Price of $14,180,000 was based on the level of initial ORA sale proceeds agreed between the Non-associated Directors and the Brankin Trust.

Ranfurly Development Initial ORA Sale Proceeds

Unit Type	No.	ORA Sale Proceeds / Unit $000	Total $000
Internal unit	10	190	1,900
1 bedroom villa	2	290	580
2 bedroom villa	30	390	11,700
	42		14,180

Source: Promisia

The Ranfurly Development Purchase Price will be treated as an interest free loan from the Brankin Trust. The loan will be repayable from the proceeds of selling the initial ORAs to the new units, once developed, and shall have no other recourse for repayment.

Promisia will be entitled to the full proceeds of each subsequent ORA for a unit in the Ranfurly Development.

Conditions

At the date of this report, the Acquisition is conditional on:

- Promisia obtaining the Non-associated Shareholders' approval of the Transactions Resolutions by 12 June 2020
- Promisia and the Brankin Trust obtaining any contractually required change of control consents for the Brankin Companies in respect of the Transactions
- a debt provider making the funds available under the Bank Facilities to allow completion of the Acquisition to occur
- Promisia holding legally binding commitments to take up shares under the Wholesale Allotment of at least $6,000,000.

The proposed date for satisfaction of the above conditions (other than the Non-associated Shareholders' approval of the Transactions Resolutions) is no later than 19 June 2020.

We are of the view that the conditions of the Acquisition are in line with market practice for transactions of this nature and are not unreasonable.

Warranties and Indemnities

Promisia has provided warranties in respect of Promisia's corporate structure and shares, proceedings and filings, information and material circumstances.

The Brankin Trust has provided warranties in respect of the Brankin Companies' shares, corporate structure, information and material circumstances, loans, business operations, property, assets, litigation / claims, employment and intellectual property.

Each party's liability under these warranties is limited to claims brought within 12 months of the Completion Date and to an aggregate amount limited to $5.0 million.

Promisia has given the Brankin Trust an indemnity in respect of its taxation compliance up until the Completion Date and the Brankin Trust has given Promisia an indemnity in respect of the taxation compliance of the Brankin Companies up until the Completion Date.

We are of the view that the warranties and indemnities provided under the Purchase Agreement are in line with market practice for transactions of this nature and are not unreasonable.

2.6 Financing of the Acquisition

Bank Facilities

The Transactions are conditional on the Bank Facilities being available for drawdown at the Completion Date.

At the date of this report, we understand that Promisia has agreed the following conditional key terms in respect of the Bank Facilities with a New Zealand registered bank (the **Lender**):

- a loan of approximately $17,780,000 for a term of 3 years
- facility amortisation of $1,000,000 per annum with quarterly reductions
- an interest rate based on the 3 month bank bill market rate plus a margin of 3.0%
- Promisia providing the following security:
  - the Company and each member of the guaranteeing group (being Promisia, each of the Brankin Companies and ACHL) entering into a first ranking general security agreement in favour of the Lender
  - an interlocking cross-guarantee between Promisia and each member of the guaranteeing group
  - a first ranking mortgage over each of the secured properties (being each of the Brankin Facilities)
  - a limited recourse share security over the shares in ACHL
  - Promisia agreeing to comply with financial covenants (including a debt service cover ratio, an interest cover ratio and a 55% loan to value ratio) and reporting covenants (including quarterly reporting, provision of accounts and budgets and annual registered valuations of the Facilities by a bank approved valuer).

At the date of this report, we understand that the Bank Facilities are under credit committee consideration with the Lender and a decision is expected towards the end of May 2020.

The Bank Facilities will be drawn down or made available at the Completion Date to part fund the Cash Payment component of the Acquisition Purchase Price.

Brankin Allotment, Wholesale Allotment and Teltower Allotment

Brankin Allotment

The 8,000,000,000 Consideration Shares issued under the Brankin Allotment at $0.001 per share will be fully paid ordinary shares ranking equally in all respects with all existing shares and will be placed in escrow over restricted periods ranging from 6 months to 2 years.

Wholesale Allotment

The Wholesale Allotment involves the issue of up to 8,000,000,000 Wholesale Shares at $0.001 per share. The shares will rank equally in all respects with all existing shares and are not subject to any lock-up or escrow arrangements.

We are advised by the Non-associated Directors that as at the date of this report, Promisia has:

- entered into a binding subscription agreement with Mr Cassels where he will subscribe for $1,700,000 of Wholesale Shares, conditional on the completion of the Acquisition (the Cassels Allotment)
- indicative, non-binding interest from approximately 12 wholesale investors to subscribe for approximately $4,000,000 of Wholesale Shares. None of these wholesale investors are anticipated to hold 5% or more of Promisia's shares immediately following the Transactions
- indicative, non-binding interest from 2 wholesale investors to advance up to $1,700,000 to Promisia should it be required to meet the condition that the Company raise $6 million in aggregate to part fund the Acquisition Purchase Price. This would be a short term arrangement that is essentially bridge financing of the Cassels Allotment to allow the completion of the Acquisition to occur. While the form of this bridge finance is still to be determined, it is likely to be in the form of short term convertible debt which would be repaid from the proceeds of the Cassels Allotment when received in July 2020. The terms of the short term debt may provide for the lenders to convert all or part of the amount advanced into shares (at their option) at $0.001 per share.

Payment for the Wholesale Shares issued under the Wholesale Allotment (excluding the Cassels Allotment) is due after the special meeting of shareholders but prior to the Completion Date so that Promisia is in funds at the Completion Date.

The Transactions are conditional on at least $6,000,000 of these funds being available at the Completion Date.

The Non-associated Directors have advised us that the Company will continue discussions with other wholesale investors regarding additional participation in the Wholesale Allotment following the Completion Date so that the Wholesale Allotment may reach up to $8,000,000 in aggregate. Any additional funds raised by Promisia under the Wholesale Allotment following the Completion Date will be used for future growth or reduction of debt.

Teltower Allotment

The Teltower Allotment involves the issue of up to 4,000,000,000 Teltower Shares at $0.001 per share to Teltower if Promisia exercises the Aldwins Option. The shares will rank equally in all respects with all existing shares and will not be subject to any lock-up or escrow arrangements.

Issue Price

We consider the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment issue price of $0.001 per share to be fair, from a financial point of view, to the Non-associated Shareholders:

- the issue price of $0.001 per share is equal to or slightly lower than the recent trading prices for Promisia's shares over the past 12 months up to the announcement of the Transactions on 19 December 2019. The issue price is:
  - the same price as the one month volume weighted average share price (**VWAP**) of $0.0010
  - a discount of 9% to the 3 months VWAP of $0.0011
  - a 44% discount to the 6 months and 12 months VWAP of $0.0018
- the Company's 2 most recent share issues in December 2018 and November 2019 were both at an issue price of $0.001 per share
- we assess the value of Promisia's shares prior to the Transactions to be negligible. Our valuation assessment is set out in section 8.

Escrow Restrictions

The Consideration Shares are subject to the following escrow restrictions:

- 8,000,000,000 shares (100%) cannot be sold within 6 months of the Completion Date
- 6,000,000,000 shares (75%) cannot be sold within 12 months of the Completion Date
- 4,000,000,000 shares (50%) cannot be sold within 18 months of the Completion Date
- 2,000,000,000 shares (25%) cannot be sold within 24 months of the Completion Date.

The escrow restrictions ensure that the Brankin Trust cannot sell the Consideration Shares in the near term. This alleviates the risk of there being an over-supply of shares on the market in the near term which could depress the Company's share price.

Share Purchase Plan

The purpose of the SPP is to offer Non-associated Shareholders the opportunity to acquire additional shares in Promisia at the same issue price of $0.001 per share that is offered under the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment and to allow Promisia to raise capital to further grow the Company and reduce debt.

Promisia plans to undertake the SPP in 2020. The exact offer opening date of the SPP will depend on the release of Promisia's interim financial results after the Completion Date. In connection with the Transactions, Promisia is proposing to change its balance date from 31 December to 31 March. Promisia would then release interim financial results for the period to 30 September 2020 in late November 2020.

As part of undertaking the SPP, the Board has advised us that it intends to take 2 other steps to rationalise its share register:

- undertake a share consolidation to proportionately reduce the number of shares on issue
- issue a notice under the Listing Rules and the new constitution requiring shareholders holding shares below a minimum holding level ($1,000 in aggregate) to increase their holding to the minimum holding level or Promisia will acquire the relevant shares back (with no brokerage costs incurred).

2.7 Limited Likelihood of Alternative Transactions

The carrying value of Promisia's equity was approximately negative $1.4 million as at 31 December 2019. It had $21,000 of cash and cash equivalents and owed $855,000 under the Brankin Loan.

The Medsafe Alert and the Medsafe Prosecution have had a disastrous impact on Promisia's business. In the event the Transactions do not proceed, the Company's natural remedy business will remain the only business of Promisia, but will not have a trading future.

Promisia will have insufficient working capital to continue operations as a listed entity unless it undertakes a capital raising in the near term. If the Company is unable to repay its debts as they fall due, the Board will have no option but to place the Company into receivership or liquidation. Such an outcome is unlikely to result in any return to shareholders.

The Board has confirmed to us that it is not evaluating any other acquisitions / backdoor listing opportunities. Accordingly, we consider the likelihood of an alternative transaction in the near term to be limited.

2.8 Impact on Financial Position

A summary of Promisia's recent financial position is set out in section 4.7.

Promisia's total equity as at 31 December 2019 was approximately negative $1.4 million. The Company had negligible cash on hand and interest bearing debt of approximately $0.8 million as at that date.

The Transactions will significantly strengthen Promisia's financial position. As set out in section 6.7, Promisia's consolidated pro forma financial position as at 31 March 2020 shows total equity of approximately $18.4 million (prior to the equity raised from the Wholesale Allotment) and total assets of approximately $54.0 million.

2.9 Impact on Control

Share Capital and Shareholders

Promisia currently has 2,151,797,451 fully paid ordinary shares on issue held by 1,439 shareholders. The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 15 May 2020 are set out in section 4.4.

Shareholding Levels

The Brankin Trust currently holds 51.30% of the Company's shares.

Following the Transactions, the Brankin Trust's maximum shareholding level will be 62.99% (based on 4,300,000,000 Wholesale Shares being issued) and no other shares being issued under the Cassels Allotment, the Teltower Allotment, the SPP, the Employee Share Scheme or the Director Share Scheme.

As set out in section 1.5, it is possible that the Brankin Trust's shareholding level following the Transactions will be diluted down to between 32.17% and 34.61% following the Cassels Allotment, the Teltower Allotment, the SPP, the Employee Share Scheme and the Director Share Scheme.

Shareholding Voting

The Brankin Trust's current level of voting rights of 51.30% enables it to:

- singlehandedly determine the outcome of ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders)
- block special resolutions (which require the approval of 75% of the votes cast by shareholders).

However, it cannot singlehandedly pass special resolutions.

Following the Transactions, the Brankin Trust's ability to influence the outcome of shareholder voting will not increase to any significant level and may in fact reduce. Its level of voting rights will only increase by 11.69% at most.

Following the Transactions, Teltower and its associates will not be able to singlehandedly block special resolutions or determine the outcome of ordinary resolutions.

The ability for any shareholder to influence the outcome of voting on the Company's ordinary resolutions or special resolutions may be reduced by external factors such as the Company's constitution, the Code, the Listing Rules and the Co's Act 1993 (eg if the shareholder is precluded from voting on the resolution because it is a party to the transaction which the resolution relates to).

Given the above, we are of the view that the Transactions will not increase the Brankin Trust's ability to exert control over shareholder voting to any significant degree.

As stated in section 1.5, while Teltower and its associates could theoretically hold between 20.14% and 21.67% of the Company's ordinary shares on issue post the Transactions, we understand that this is not likely to occur because if the Aldwins Option were to be exercised, additional equity would need to be raised in order to fund the Aldwins Purchase Price and this would dilute the shareholding of Teltower and its associates to a level below 20%.

Ability to Creep

The Brankin Trust is currently able to utilise the *creep provisions* of Rule 7(e) of the Code. The *creep provisions* enable entities that hold or control more than 50% and less than 90% of the voting securities in a code company to acquire up to a further 5% of the code company's shares in any 12 month period without the need for shareholder approval.

Following the Transactions, the Brankin Trust may be able to continue to utilise the *creep provisions* commencing 12 months after the date of the Brankin Allotment if it continues to hold or control more than 50% of the Company's shares.

Board Control

As set out in section 4.3, the Company currently has 4 directors on the Board, one of whom is associated with the Brankin Trust (Thomas Brankin).

The other 3 directors are Non-associated Directors. Company chair Stephen Underwood is Promisia's 4th largest shareholder, holding 2.82% of the Company's shares and director Duncan Priest is the Company's 10th largest shareholder, holding 1.25% of the Company's shares.

We are advised by the Non-associated Directors that following the Transactions, 2 directors with aged care sector expertise will be appointed to the Board to replace Duncan Priest and Helen Down.

Resumes of the current directors are set out in section 1 of the Profile entitled *PIL And What It Will Do*.

Operations

We are advised by the Non-associated Directors that the Brankin Trust currently does not have any influence over the Company's operations other than through Mr Brankin's role as a director.

The Non-associated Directors do not envisage that the Brankin Trust's influence over the Company's operations will change following the Transactions. However, Mr Brankin's knowledge of the Brankin Companies, the Brankin Facilities and the aged care sector in general will be extremely useful to the Company's operations. It is expected that Mr Brankin's contributions to the Company's operations will be through his role as a director of the Company.

Following the Acquisition, Virginia Dyall-Kalidas will join the Company's senior management team. Ms Dyall-Kalidas is currently the general manager of the Brankin Facilities and will continue in that role.

2.10 Dilutionary Impact

The Brankin Allotment, the Wholesale Allotment and the Teltower Allotment will result in the Non-associated Shareholders' shareholdings in the Company being diluted. Furthermore, any shares issued under the SPP, the Employee Share Scheme and the Director Share Scheme will further dilute the Non-associated Shareholders' shareholdings if they do not participate in the share issues.

The dilutionary impact on Non-associated Shareholders will be between:

- 85.1% (assuming only 4,300,000,000 Wholesale Shares are issued) and
- 92.4% (assuming the maximum number of shares are issued under the Transactions).

While the dilutionary impact is very significant, we are of the view that the Non-associated Shareholders' main focus should be on whether there is any dilutionary impact on the value of their respective shareholdings rather than on their level of voting rights. As stated in section 2.5, we are of the view that the Transactions are fair to the Non-associated Shareholders from a financial point of view and therefore do not dilute the value of their respective shareholdings.

Furthermore, Non-associated Shareholders will have the opportunity to reduce the dilutionary impact of the share issues to some degree by subscribing for shares in the SPP.

2.11 Impact on Share Price and Liquidity

A summary of Promisia's daily closing share price and monthly volume of shares traded from 5 January 2016 is set out in section 4.9.

In the year up to 18 December 2019 (immediately prior to the announcement of the Transactions), 2.1% of the Company's shares traded at a VWAP of $0.0018.

More recently:

- the 3 months VWAP was $0.0011
- the one month VWAP was $0.0010
- the closing share price on 18 December 2019 was $0.0020.

The Company's shares were suspended from trading following the announcement of the Transactions in accordance with NZX practice.

Given that the Consideration Shares, the Wholesale Shares and the Teltower Shares issue price of $0.001 per share is in line with the one month and 3 months VWAP, the Company's share price is (in theory) unlikely to change immediately after the Transactions.

Re-rating of Promisia Shares

The completion of the Transactions may lead to a re-rating of the Company's shares. The transformation of the Company to an owner and operator of aged care facilities may lead to greater demand for the Company's shares which in turn may lead to higher prices for the shares. However, Non-associated Shareholders should also bear in mind that any re-rating of the Company's shares may increase the variability in the share prices and this may result in the Company's share price either increasing or decreasing.

Liquidity

Trading in the Company's shares is extremely thin, reflecting that the top 10 shareholders collectively hold 71.26% of the shares.

Non-associated Shareholders currently have very limited opportunities to sell their shares. Only 2.1% of the Company's shares traded in the year up to 18 December 2019.

The Transactions will not necessarily improve the liquidity of the Company's shares in the near term as the number of shares held by the Non-associated Shareholders will not change and the Consideration Shares issued to the Brankin Trust are subject to escrow restrictions which range from 6 months to 2 years.

Should the Brankin Trust and / or the Wholesale Shareholders seek to dispose of some of their Promisia shares (following the completion of the escrow restrictions in the case of the Brankin Trust), this may result in increased trading in the Company's shares, thereby improving liquidity.

While we would expect increased demand for the Company's shares post the Transactions, we note that the relatively small free float means that there will be a limited number of shares available for sale and this may restrict the level of trading in the Company's shares.

2.12 Main Advantage to the Non-associated Shareholders of the Transactions

Following the Transactions, the Non-associated Shareholders (assuming they do not participate in the SPP) will collectively hold between 3.70% and 3.98% of the shares in a company that owns and operates aged care facilities and has total equity of at least approximately $18.4 million.

Currently they hold 48.70% of the shares in a company whose business has ceased to operate, which had total equity of approximately negative $1.4 million as at 31 December 2019 and whose shares are thinly traded on the NZX Main Board.

2.13 Main Disadvantage to the Non-associated Shareholders of the Transactions

The main disadvantage to the Non-associated Shareholders of the Transactions is that the shares issued under the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment will significantly dilute their interests in the Company. Their collective shareholding will be diluted by between 85.1% and 92.4% from their collective shareholding of 48.70% at present to between 3.70% and 3.98% (assuming they do not participate in the SPP).

In our view, the positive aspects of the transformation of the Company (as set out in section 2.2) significantly outweigh the dilutionary impact of the Transactions.

2.14 Other Issues for the Non-associated Shareholders to Consider

Key Benefit to the Brankin Trust

The Transactions provide the Brankin Trust with the opportunity to sell the Brankin Companies for $31,385,000, receive the Cash Payment of $23,385,000 and possibly increase its shareholding in Promisia from its current level of 51.30% to a maximum level of 62.99%.

Benefits to Promisia of the Brankin Trust as a Cornerstone Shareholder

The Brankin Allotment will enhance the Brankin Trust's position as an important cornerstone strategic investor in the Company and further signals its confidence in the future prospects of Promisia.

Change in Business Risk

A summary of the risks associated with Promisia's natural remedy business is set out in section 4.5.

A detailed analysis of the risks associated with an investment in Promisia post the Transactions is set out in section 4 of the Profile entitled *Risks To PIL's Business And Plans* and is summarised in section 6.4 of this report.

The analysis highlights the significant change in the nature of risk associated with an investment in the Company post the Transactions and the Non-associated Shareholders need to be cognisant of the change in the risk profile of their investment in the Company.

Future Requirements for Capital

Section 1 of the Profile entitled *PIL And What It Will Do* briefly discusses the Company's longer term acquisition strategy and how it will fund the acquisitions.

It is likely that the Company will need to raise additional equity capital in the medium to long term to fund the Company's growth initiatives. Accordingly, Non-associated Shareholders should be cognisant that any equity raisings by the Company in the future in which they do not participate will lead to further dilution of their proportionate interests in the Company.

Transactions Costs

The total transaction costs associated with the Transactions are estimated to be in the vicinity of $0.6 million. The costs include legal fees, financial advisory fees, capital raising fees, Takeovers Panel fees, NZX Regulation fees, shareholder meeting costs and the cost of this report.

Promisia will fund the majority of these costs (other than the capital raising fees) through the Bank Facilities, which will be drawn down at the Completion Date.

Attraction of Promisia as a Takeover Target is Unlikely to Change

Following the Brankin Allotment, the Brankin Trust will not be able to increase the level of its shareholding unless it complies with the provisions of the Code and the Listing Rules. It will only be able to acquire more shares in the Company if:

- it makes a full or partial takeover offer
- the acquisition is approved by way of an ordinary resolution of the Non-associated Shareholders
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of the Non-associated Shareholders
- the Company undertakes a share buyback that is approved by the Company's shareholders and the Brankin Trust does not accept the offer of the buyback
- it utilises the *creep provisions* of Rule 7(e) of the Code as discussed in section 2.9
- the Company makes an allotment of shares on or before 31 October 2020 in compliance with the temporary class exemptions from the Code introduced on 10 April 2020 to address the impact of COVID-19.

We are of the view that a change in the Brankin Trust's shareholding from 51.30% to a maximum level of 62.99% will not impact on the likelihood (if any) of a takeover offer for the Company from the Brankin Trust as the potential increase in the Brankin Trust's shareholding level does not significantly change its control over Promisia.

We are also of the view that the Brankin Trust's potential increased shareholding is unlikely to reduce the attraction of Promisia as a takeover target to other parties, as any bidder looking to fully or partially take over the Company would need to ensure that the Brankin Trust would accept its offer, irrespective of whether it held 51.30% or up to 62.99% of the Company's shares.

Non-associated Shareholders Approval is Required

Pursuant to Rule 7(d) of the Code, the Non-associated Shareholders must approve by ordinary resolution the Brankin Allotment.

The Transactions will not proceed unless the Non-associated Shareholders approve resolution 1 (in respect of the Transactions) and resolution 2 (in respect of the Wholesale Allotment).

2.15 Likelihood of the Transactions Resolutions Being Approved

The Brankin Trust is not permitted to vote on resolution 1 but is permitted to vote on the other Transactions Resolutions. The outcome of resolution 1 will therefore be determined by the voting of the Non-associated Shareholders, who collectively hold 48.70% of the Company's shares.

The Non-associated Directors have unanimously recommended the approval of the Transactions Resolutions. Non-associated Directors Helen Down, Duncan Priest and Stephen Underwood collectively control 4.62% of the Company's shares (representing 9.49% of the maximum number of shares that can vote on resolution 1), which we assume will be voted in favour of the Transactions Resolutions.

The Company's top 10 shareholders other than the Brankin Trust collectively hold 19.96% of the Company's shares. This includes Non-associated Directors Stephen Underwood and Duncan Priest. We are not aware of how these major shareholders will vote in respect of the Transactions Resolutions (other than assuming the 2 Non-associated Directors will vote in favour of the resolutions). The votes of the major shareholders will significantly influence the outcome of the voting on the Transactions Resolutions.

2.16 Implications of the Transactions Resolutions not Being Approved

If resolutions 1 and 2 are not approved, then the Transactions cannot proceed. The implications of the Transactions not proceeding are discussed in section 2.7 and will potentially result in the Board having to place the Company into receivership or liquidation if it cannot raise sufficient capital in the near term. Such an outcome is unlikely to result in any return to shareholders.

2.17 Options for Shareholders who do not Wish to Retain Their Investment in Promisia

Sell On-market

Those Non-associated Shareholders who do not wish to remain shareholders in the Company after the Transactions are completed could possibly sell their shares on market. However, given that the Company's shares are infrequently traded on the NZX Main Board, that option may not be readily available.

Minority Buy-out Rights Under the Co's Act

If the Transactions Resolutions are passed, those Non-associated Shareholders who voted all of their shares against special resolution 1 will be entitled to require the Company to buy their shares in accordance with the provisions of the Co's Act.

A detailed explanation of the minority buy-out rights is set out in Appendix One of the notice of special meeting.

2.18 Voting For or Against the Transactions Resolutions

Voting for or against the Transactions Resolutions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Evaluation of the Fairness of the Transactions

3.1 Basis of Evaluation

Listing Rule 7.10.2 requires an Appraisal Report to consider whether the terms and conditions of the Transactions are *fair* to the Non-associated Shareholders.

There is no legal definition of the term *fair* in either the Listing Rules or in any statute dealing with securities or commercial law in New Zealand.

In our opinion, the Transactions will be fair to the Non-associated Shareholders if:

- they are likely to be at least no worse off if the Transactions proceed than if they do not. In other words, we consider that the Transactions will be fair if there is no value transfer from the Non-associated Shareholders to the Brankin Trust, and
- the terms and conditions of the Transactions are in line with market terms and conditions.

We have evaluated the fairness of the Transactions by reference to:

- the rationale for the Transactions
- the terms and conditions of the Transactions
- the alternatives to the Transactions
- the impact of the Transactions on Promisia's financial position
- the impact of the Transactions on the control of Promisia
- the impact of the Transactions on Promisia's share price
- the benefits and disadvantages to the Non-associated Shareholders of the Transactions
- the benefits and disadvantages to the Brankin Trust of the Transactions
- the implications if the Transactions Resolutions are not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

3.2 Evaluation of the Fairness of the Transactions for the Purposes of Listing Rule 7.10.2

In our opinion, after having regard to all relevant factors, the terms and conditions of the Transactions are fair to the Non-associated Shareholders.

The basis for our opinion is set out in detail in sections 2.3 to 2.14. In summary, the key factors leading to our opinion are:

- the rationale for the Transactions is sound
- the terms of the Transactions are reasonable:
  - the Acquisition Purchase Price is reasonable
  - the Ranfurly Development Purchase Price is fair

  - the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment issue price is fair
  - the conditions and warranties set out in the Purchase Agreement are in line with market practice
- the Transactions will have a positive impact on the Company's financial position
- the Company's shares may be re-rated by the market
- the Brankin Trust's level of voting rights will increase to a maximum level of 62.99% following the Brankin Allotment. This will not increase the Brankin Trust's ability to influence the outcome of shareholding voting to any significant degree
- Teltower and its associates' level of voting rights will increase to a maximum level of 21.67% following the Teltower Allotment and the Cassels Allotment. This will enable Teltower and its associates to exert a degree of influence over shareholder voting, but not as significant as the Brankin Trust's level of influence
- the dilutionary impact of the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment on the Non-associated Shareholders will result in their current collective interests in the Company reducing by between 85.1% and 92.4%
- the Transactions are unlikely to have any material impact on:
  - the Company's share price in the near term
  - the liquidity of the Company's shares in the near term
  - the attraction of Promisia as a takeover target
- the implications of the Transactions Resolutions not being approved by the Non-associated Shareholders are significant. Promisia will be unable to repay its debts as they fall due and the Board will likely have no option but to place the Company into receivership or liquidation unless it can raise additional capital in the very near term.

3.3 Alternative Courses for Promisia

As stated in section 2.7, the likelihood of an alternative transaction in the near term is limited. The Board is not evaluating any other potential transactions. The costs incurred in evaluating the Transactions and seeking shareholder approval will reduce the Company's cash reserves.

3.4 Voting For or Against the Transactions Resolutions

Voting for or against the Transactions Resolutions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

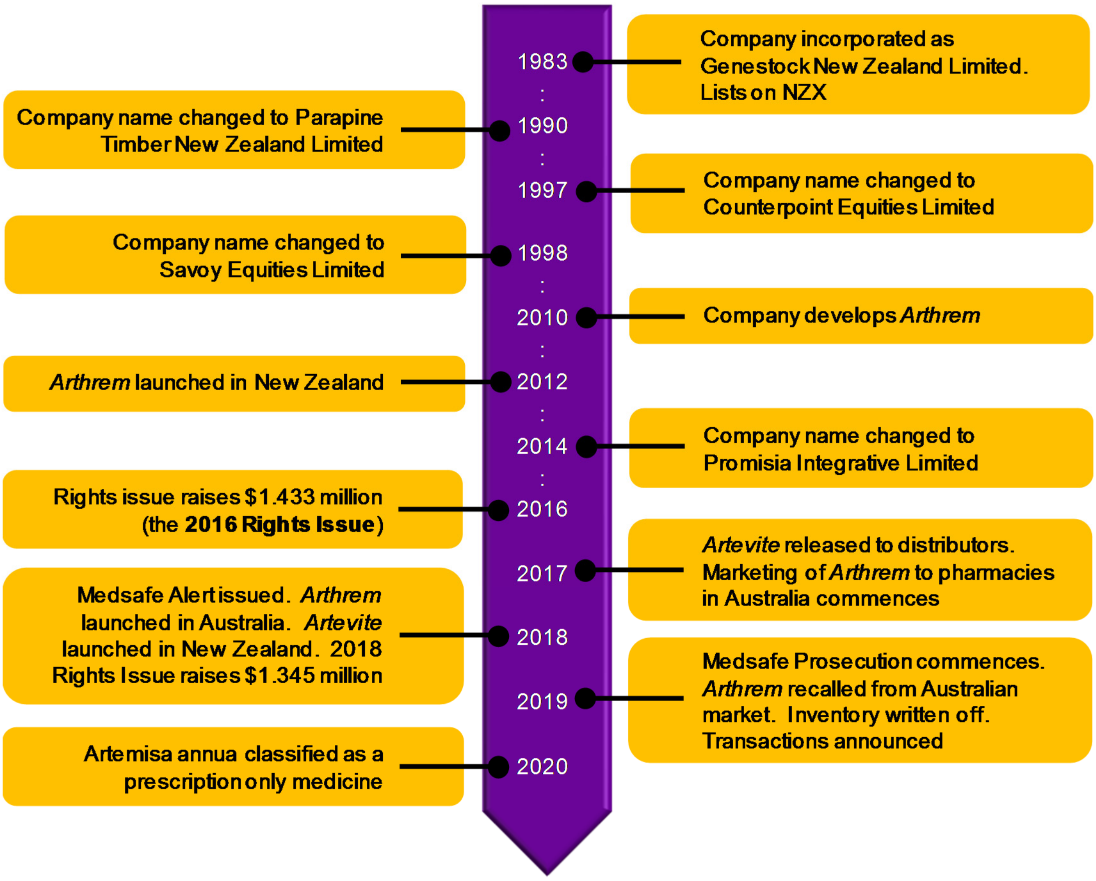
4. Profile of Promisia

4.1 Background

The Company was incorporated on 2 August 1983 as Genestock New Zealand Limited. It subsequently changed its name to:

- Parapine Timber New Zealand Limited on 5 January 1990
- Counterpoint Equities Limited on 22 August 1997
- Savoy Equities Limited on 22 October 1998
- Promisia Integrative Limited on 13 January 2014.

The Company's key events are set out below.



4.2 Nature of Current Operations

Prior to the severe disruption arising from the Medsafe Alert and the Medsafe Prosecution, Promisia operated a natural remedy business that developed and distributed premium quality natural products. It marketed its products through pharmacies and online.

The Company had 2 products:

- *Arthrem* was its main source of revenue. *Arthrem* was a dietary supplement for joint health containing a supercritical extract of the plant Artemisia annua. This herb, also known as sweet wormwood or qinghaosu, has been used in Chinese medicine for more than 2,000 years. The Artemisia annua seed was sourced in Switzerland, grown and harvested by hand in Tanzania, then extracted and manufactured into the *Arthrem* product in New Zealand
- *Artevite* was a dietary supplement for dogs. The key ingredient to *Artevite* was the same as for *Arthrem*. The plant extract was combined with other ingredients to make a chewable tablet.

Medsafe issued the Medsafe Alert on 15 February 2018 and issued an updated alert on 27 November 2018. On 7 February 2019, Medsafe commenced the Medsafe Prosecution. The Company has made 3 appearances in the District Court with little progress being made. Promisia is currently waiting for a hearing date in the District Court trial where it will contest the charges that it breached the Medicines Act.

4.3 Directors and Senior Management

The directors of Promisia are:

- Thomas Brankin – non-executive director
- Helen Down – non-executive independent director
- Duncan Priest – non-executive independent director
- Stephen Underwood – chair and non-executive independent director.

The Promisia senior management team is:

- René de Wit – chief executive officer
- Sarah Wah – finance manager.

4.4 Capital Structure and Shareholders

Promisia currently has 2,151,797,451 fully paid ordinary shares on issue held by 1,439 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 15 May 2020 are set out below.

Promisia's 10 Largest Shareholders

Shareholder	No. of Shares	%
Thomas Brankin and Michael Lay (the Brankin Trust)	1,103,804,210	51.30%
Stephen Ward, Julie Ward and James Ward	74,391,081	3.46%
Jillian O'Brien	73,929,066	3.44%
Stephen Underwood	60,775,560	2.82%
Eoin Johnson	48,818,720	2.27%
Eoin Johnson and Kathleen Johnson	44,570,320	2.07%
George Royal	43,508,830	2.02%
Philip McVeigh	28,589,017	1.33%
Tirol Nominees Limited	28,083,413	1.31%
Duncan Priest	26,836,315	1.25%
Top 10 shareholders	1,533,306,532	71.26%
Others (1,429 shareholders)	618,490,919	28.74%
Total	2,151,797,451	100.00%

Source: NZX Company Research

Under a put option deed between Garry Wells (the former chair of the Company) and Wells Investments Limited (together **Wells**) and Mr Brankin dated October 2018, Wells holds an option to sell up to 39,027,368 ordinary shares to the Brankin Trust on 30 September 2020 at a price of $0.009 per share (the **Wells Put Option**).

In conjunction with the Wells Put Option, a debt of $798,175 owed by the Company to Wells was assigned to the Brankin Trust.

4.5 Key Issues Affecting Promisia

The main industry and specific business factors and risks that Promisia faced when operating its natural remedy business included:

- Promisia was dependent upon meeting the regulatory standards for its products. The Medsafe Alert and Medsafe Prosecution highlight the risks of not meeting these standards
- as *Artevite* was a relatively new product for Promisia, it needed to establish its presence in the market with new and potential customers
- the reliance on pharmacies and distributors to sell its products
- fluctuations in foreign exchange rates could adversely affect earnings from sales in Australia and other overseas markets
- the ability to finance the Company's operations.

4.6 Financial Performance

A summary of Promisia's recent financial performance is set out below.

Summary of Promisia Financial Performance				
	Year to 31 Dec 16 (Audited) $000	Year to 31 Dec 17 (Audited) $000	Year to 31 Dec 18 (Audited) $000	Year to 31 Dec 19 (Audited) $000
Revenue	2,665	2,332	727	190
Operating loss	(415)	(817)	(2,371)	(2,350)
Loss before income tax	(459)	(859)	(2,412)	(2,401)
Net loss for the period	(459)	(859)	(2,412)	(2,401)

Source: Promisia audited financial statements

Promisia's revenue increased by 553% from $0.4 million in the 2015 financial year to $2.7 million in the 2016 financial year due to a significant increase in the sale of *Arthrem*.

The Company reported a net loss of $0.5 million in the 2016 financial year, down from a loss of $0.9 million in the previous year. Promisia's total expenses in the 2016 financial year totalled $3.1 million, up from $1.4 million in the 2015 financial year. Its main expenses were marketing costs and cost of goods sold.

Promisia's revenue decreased by 13% to $2.3 million in the 2017 financial year, following a change in marketing representatives and increased competition.

The Company reported a net loss of $0.9 million in the 2017 financial year. Total expenses remained relatively steady at $3.2 million, including $0.2 million of pre-launch costs for *Artevite*.

Promisia's revenue decreased by 69% to $0.7 million in the 2018 financial year, due largely to the Medsafe Alert which caused an immediate collapse of *Arthrem* sales and had a negative impact on the launch of *Artevite*.

The Company reported a loss of $2.4 million in the 2018 financial year, reflecting the significant reduction in revenue to $0.7 million while incurring $3.1 million of costs, including a $0.3 million impairment in respect of inventory.

Promisia reported a loss of $2.4 million in the 2019 financial year, reflecting negligible revenue, a $1.1 million impairment in respect of inventory and $0.3 million of legal fees incurred in respect of the Transactions.

4.7 Financial Position

A summary of Promisia's recent financial position is set out below.

Summary of Promisia Financial Position				
	As at 31 Dec 16 (Audited) $000	As at 31 Dec 17 (Audited) $000	As at 31 Dec 18 (Audited) $000	As at 31 Dec 19 (Audited) $000
Current assets	2,985	2,088	1,730	62
Non current assets	207	207	121	23
Total assets	3,192	2,295	1,851	85
Current liabilities	(588)	(837)	(1,053)	(1,439)
Non current liabilities	(919)	(439)	-	-
Total liabilities	(1,507)	(1,276)	(1,053)	(1,439)
Total equity	1,685	1,019	798	(1,354)

Source: Promisia audited financial statements

Promisia's main current assets as at 31 December 2019 comprised cash and receivables. $1.1 million of inventory was impaired and written off in the 2019 financial year.

Non current assets as at 31 December 2019 comprised mainly the Company's NZX listing bond.

Liabilities as at 31 December 2019 comprised mainly:

- trade and other payables – $0.5 million
- the Brankin Loan – $0.8 million. The loan bears interest at rates of between 6.5% and 8.0% per annum and is secured by way of a general security agreement over Promisia's assets.

The Company had equity of negative $1.4 million as at 31 December 2019, comprising:

- share capital – $58.5 million
- reserves – negative $59.9 million.

4.8 Cash Flows

A summary of Promisia's recent cash flows is set out below.

Summary of Promisia Cash Flows				
	Year to 31 Dec 16 (Audited) $000	Year to 31 Dec 17 (Audited) $000	Year to 31 Dec 18 (Audited) $000	Year to 31 Dec 19 (Audited) $000
Net cash (outflow) from operating activities	(664)	(1,526)	(1,799)	(868)
Net cash inflow / (outflow) from investing activities	(40)	(24)	(47)	73
Net cash inflow from financing activities	1,510	47	2,034	304
Net increase / (decrease) in cash held	806	(1,503)	188	(491)
Opening cash balance	1,021	1,827	324	512
Closing cash balance	1,827	324	512	21

Source: Promisia audited financial statements

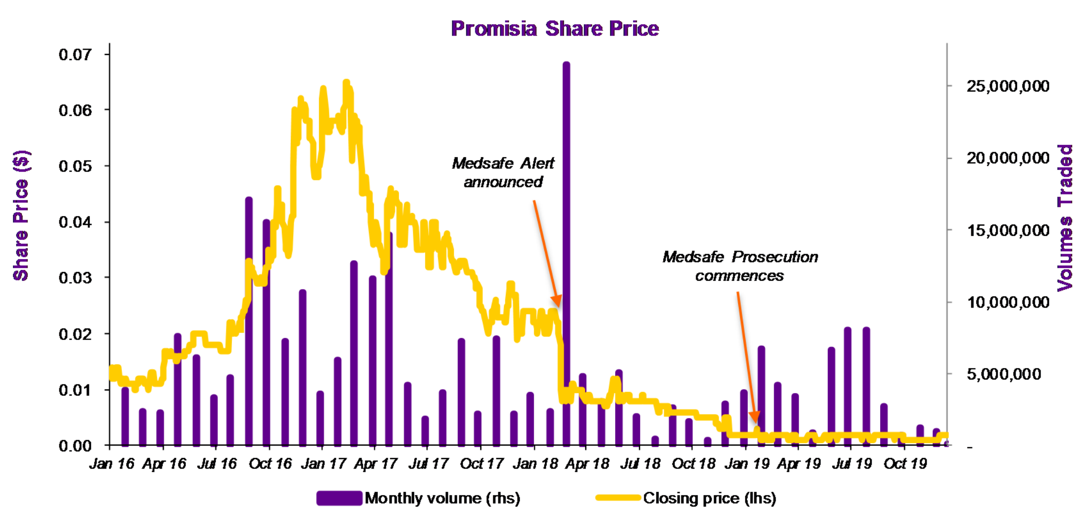
Promisia has incurred cash losses from its operations over the past 4 years.

The Company has historically funded its operating losses and capital expenditure by raising equity capital, including:

- $1.4 million in December 2016 through the 2016 Rights Issue
- $1.0 million in January 2018 through a share placement
- $1.35 million in December 2018 through the 2018 Rights Issue
- $0.25 million in December 2019 through the 2019 Option Exercise.

4.9 Share Price History

Set out below is a summary of Promisia's daily closing share price and monthly volumes of shares traded from 5 January 2016 to 18 December 2019 (when the quotation of the shares was suspended).



Source: NZX Company Research

During the period, Promisia's shares have traded between $0.001 and $0.065 at a VWAP of $0.0236.

Promisia's share price dropped 44% on 20 February 2018 from $0.018 to $0.010 following the announcement of the Medsafe Alert. Over 18 million shares were traded on that day.

Since then, the Company's share price steadily decreased to between $0.001 and $0.002 up until the suspension of its quotation on 18 December 2019.

An analysis of Promisia's recent VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to 18 December 2019 is set out below.

Share Trading up to 18 December 2019

Period	Low ($)	High ($)	VWAP ($)	Volume Traded (000)	Liquidity
1 month	0.001	0.002	0.0010	979	0.0%
3 months	0.001	0.002	0.0011	2,521	0.1%
6 months	0.001	0.002	0.0018	15,045	0.7%
12 months	0.001	0.003	0.0018	44,275	2.1%

Source: NZX Company Research

The analysis highlights the extremely thin trading in the Company’s shares, due largely to:

- the relatively small free float, with over 70% of the shares held by the Company’s top 10 shareholders
- the lack of demand for the shares given the uncertainty of Promisia’s operations following the Medsafe Alert and the Medsafe Prosecution.

5. Overview of the Retirement Village and Aged Care Sector

5.1 Sector Overview

There are approximately 400 retirement villages and more than 40,000 village residents in New Zealand.

The 5 largest retirement village operators are NZX Main Board listed companies:

- Arvida Limited (**Arvida**)
- Oceania Healthcare Limited (**Oceania**)
- Metlifecare Limited (**Metlifecare**)
- Ryman Healthcare Limited (**Ryman**)
- Summerset Group Holdings Limited (**Summerset**).

Together, the 5 operators make up approximately 57% of the New Zealand retirement village market.

5.2 Accommodation and Care Options

New Zealand retirement village and aged care operators offer a mix of accommodation and care services. While there is a full continuum of options available to meet the needs of residents, operators generally differentiate their products into 4 categories:

- independent living units (**ILU**)
- serviced apartments (**SA**)
- age related residential care services in apartments
- residential aged care homes (**RCH**).

Independent Living Units

ILUs are designed for residents who are still active, self-sufficient and want to live independently. The units vary in size, typically compromising one, 2 and 3 bedroom villas, townhouse and apartments. Residents are able to live independently in their own home while enjoying the security, social aspects, convenience and facilities offered by the village community.

Serviced Apartments

SAs are designed for residents who require extra assistance in their day-to-day life while maintaining independence within their own home. SAs are typically smaller than ILUs and offer a broader array of additional services such as meals, cleaning and laundry services.

Age Related Residential Care Services

Care apartments or suites provide certified residential aged care services – eg rest home care delivered into a resident’s apartment. This enables a resident to stay in their own apartment while also receiving high level care services.

Residential Aged Care Homes

RCHs offer residents 24 hour-a-day certified hospital, dementia or rest home care services. Staff, including qualified nurses, provide residents with assistance to support all activities of daily living as well as providing complex nursing care.

Retirement village operators and other operators of aged care services work closely with one another to provide a continuum of care to meet the varying needs of older adults. Approximately half of the aged care industry's bed count is located within retirement villages.

Entry into a RCH is usually prompted by either deteriorating health or family support no longer being able to meet the required level of care. To enter a RCH, a resident requires an independent assessment by a District Health Board (**DHB**) Needs Assessor. Residents can access a RCH from either the retirement village or directly from the community.

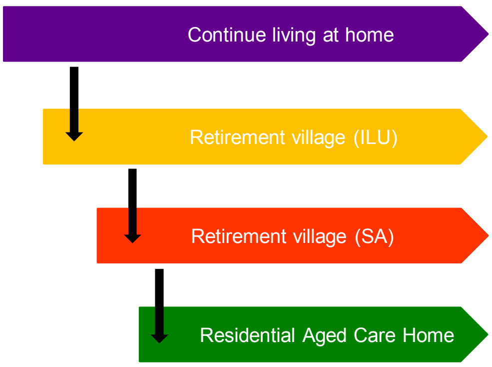
Work and Income New Zealand provides means tested subsidies to support RCH residents with care fees. The subsidies are paid directly to the RCH operator and typically covers accommodation, meals, pharmaceuticals and medical supplies.

Residents who do not qualify for the subsidies privately fund their accommodation and care.

Continuum of Accommodation and Care

The industry average entry age of a resident moving into an ILU is currently around 79 years and 85 years for a resident moving into a SA.

The typical movement of a resident through the retirement village environment as they age and greater assistance is needed is depicted below.



5.3 Key Industry Drivers

Aging Population

Statistics New Zealand estimates that the New Zealand population aged 75+ years will experience strong annualised growth of 3.9% over the next 20 years, growing from approximately 340,000 to approximately 736,000 by 2040.

People aged 75+ years currently represent 7% of New Zealand's population and this is expected to increase to 13% by 2040.

(*Source:* Statistics New Zealand *National population projections, by age and sex, 2016(base)-2068*)

Penetration Rates

Industry research indicates that people's views towards retirement villages have become more favourable, driven by:

- increased familiarity and acceptance of the retirement village concept
- a shift in accommodation mix towards 'lifestyle resort' villages
- higher quality facilities and services offered by operators
- increased awareness of isolation and loneliness within the elderly community
- operators' increased efforts to engage with the local community.

Residential Housing Prices

Retirement village operators' generally price their units closely in line with the prevailing house prices in the area surrounding a village. Under the ORA ownership model, if house prices in the area appreciate, operators will generally capture the capital gains for the units. Because of this, residential house prices heavily influence the industry's financial performance.

Over the last 10 years, New Zealand residential property prices have experienced strong growth. The Housing Price Index (**HPI**), which is a measure of property values in New Zealand, has increased by 78% over this period.

The growth in house prices has been driven by:

- significant population growth as a result of both natural population growth and strong net migration
- the construction of new homes has lagged the demand for housing. High construction costs and shortages of skilled labour have impacted development both in terms of timing and profitability, leading to an undersupply in housing stock
- the low interest rate environment has lowered the cost of capital, allowing homeowners to borrow more when purchasing property.

Liquidity of the Property Market

New residents often rely on selling their family home as the main source of capital to fund their entry into a retirement village. It will often take potential new residents longer to sell their homes at a value they expect when liquidity is low and the property market is slow moving. This can delay potential new residents' entry into a village, which impacts on operators' turnover of units and cash flows.

Demographics and Location

The main catchment area for a retirement village in urban environments is often considered to be within an 8 to 10 kilometre radius. As such, competition in the retirement village sector is generally localised.

Staffing

The retirement village and aged care sector is a major employer across New Zealand. Retirement villages employ over 19,000 people in their day-to-day operations and require a variety of skillsets and roles including onsite carers, registered nurses, kitchen staff, activity coordinators, cleaners, village managers and administrators.

Industry surveys have identified higher wage demands and the difficulty of finding the right staff as key concerns of operators.

Development

The development and sale of new retirement villages represent the main growth opportunity for operators. Although not all operators own material land banks or undeveloped facilities, this is a significant driver of value and a key part of the economic model for the larger corporate operators.

5.4 Ownership Model

There are a variety of ownership models offered by retirement village operators. The key components of the typical ownership model are an ORA (which typically includes a deferred management fee (**DMF**)) and weekly village, services and care fees.

Occupational Rights Agreement

Most retirement village operators in New Zealand have adopted the ORA as the arrangement allowing individuals to take up residence.

Under the terms of an ORA, an incoming resident enters into an arrangement in which the village operator retains the freehold title of the unit. The resident pays an entry contribution to secure the ORA, which in turn secures their right to occupy their unit. The price paid for the ORA is generally equal to the market value of the unit, which varies based on the village and its facilities, the size and location of the unit and the residential housing prices in the area. Given the upfront capital sum required to secure an ORA, incoming residents often rely on selling their family home as the main source of capital to fund their entry into a retirement village. The entry contribution is paid back to the resident (less a DMF) when they leave the village and the operator is able to settle an ORA with a new resident.

The market value of the ORA often changes during the term of a resident's occupancy. When a resident moves out of the village, the difference in price between their original entry contribution and the entry contribution paid by the unit's new resident is generally retained by the village operator – ie the village operator keeps any capital gains. In limited instances, capital gains (and losses) are shared with the resident.

As operators are legally obliged to return the entry contribution to an outgoing resident, the entry contribution is treated as an interest free loan to the operator.

Operators do not realise (in a cash sense) the appreciation in value of property until a resident moves out of a unit and a new resident signs and pays for a new ORA. However, operators generally revalue their property assets regularly and accrue any capital gain in their income statement.

Deferred Management Fee

The DMF is typically capped at between 20% to 30% of the price paid for a unit and accrues contractually over the first 3 to 5 years of a resident's occupancy. This fee is usually deducted from the ORA returned to the resident when the resident moves out and the operator resells the unit to a new resident.

The DMF is generally designed to cover long-term maintenance costs in villages together with costs associated with refurbishing and reselling the unit at the end of a resident's occupancy, with any surplus retained by the operator.

DMF income increases when there is a higher turnover of residents. Increasing life expectancies could lengthen the average occupancy periods for retirement village residents, assuming the entry age of residents remains relatively constant. Accordingly, this could negatively impact the DMF revenue stream of operators over time unless operators maintain discipline around age-of-entry. Conversely, lowering age-of-entry levels broadens the market for operators' current product and future developments.

Village Fees

Village fees cover the day-to-day maintenance and operating costs of the village. These fees, paid periodically, cover expenses such as rates, building insurance, maintenance of community amenities, staff costs and the cost of maintaining and managing the village as a whole. Residents are generally responsible for their own expenses such as internal maintenance, power and communications. Some providers offer these village fees at a fixed rate for the length of the tenancy.

Village fees vary by village and by resident based on the facilities, activities, level of care and incremental support services offered by operators.

5.5 Industry Regulation

Health and Disability Services (Safety) Act 2001

The purpose of the Health and Disability Services (Safety) Act 2001 (the **HDSS Act**) is to:

- promote the safe provision of health and disability services
- enable consistent and reasonable standards for providing such services
- encourage providers to take responsibility for providing such services safely to the public
- encourage the providers of health and disability services to continuously improve the quality of those services.

Under the HDSS Act, all rest home and aged care facilities are required to be certified and audited to ensure that the facilities provide safe and appropriate care for residents and meet the standards set out in the HDSS Act.

Certification audits are carried out every one to 4 years, before the expiry of a facility's current notice of certification. The length of certification is dependent on the results of the audits and the attainment levels achieved. Aged care providers that achieve higher attainment levels will inherently receive a longer certification period.

Retirement Villages Act 2003

The rapid development of the retirement village sector in the late 1990's led to the introduction of the Retirement Villages Act 2003 (the **RV Act**). The aim of the RV Act, which is administered by the Ministry of Housing, is to standardise and regulate the retirement village industry, thereby protecting the interests of retirement village residents.

Among other obligations, the RV Act requires retirement village operators to:

- register the village on the Retirement Villages Register, which is maintained by the Companies Office
- make annual returns to the Registrar
- appoint an approved statutory supervisor (statutory supervisors are appointed under a deed of supervision and provide the role of safeguarding the interests of residents)
- provide a disclosure statement to every potential resident
- have a clear and unambiguous ORA
- ensure intending residents receive independent legal advice
- provide intending residents with a minimum 15 working days "cooling off" period (ie a period which allows residents to change their mind about becoming a resident after signing an ORA and receive a refund of any deposit that may already have been paid).

5.6 Taxation

Under New Zealand's income tax rules, the income earned through the revaluation of an operator's property assets is not included in its taxable income. Accordingly, retirement village operators typically pay relatively low levels of income tax.

The basis for this is that the underlying land and buildings are rarely if ever legally sold. Under the widely adopted ORA ownership model, the change in valuation stems from the present value of the expected cash flow from future ORA entry contributions. Pursuant to the ORA financial arrangement, operators are legally obliged to return the entry contribution to an outgoing resident. Accordingly, any income arising on receipt of the entry contribution is immediately offset by an equal deduction for its future repayment. As such, the entry contribution is treated as an advance or interest free loan for tax purposes and is therefore not considered taxable income. Therefore, the economic gain of retirement village operators through capital gains does not give rise to net income for tax purposes.

While income tax paid by operators is low, dividends paid to shareholders are generally unimputed. This means that the tax is borne by shareholders rather than the operators.

6. Profile of the Brankin Companies and the Facilities

6.1 Ownership Structure

The Brankin Trust wholly owns each of the Brankin Companies.

The Brankin Facilities are owned and operated by 5 companies:

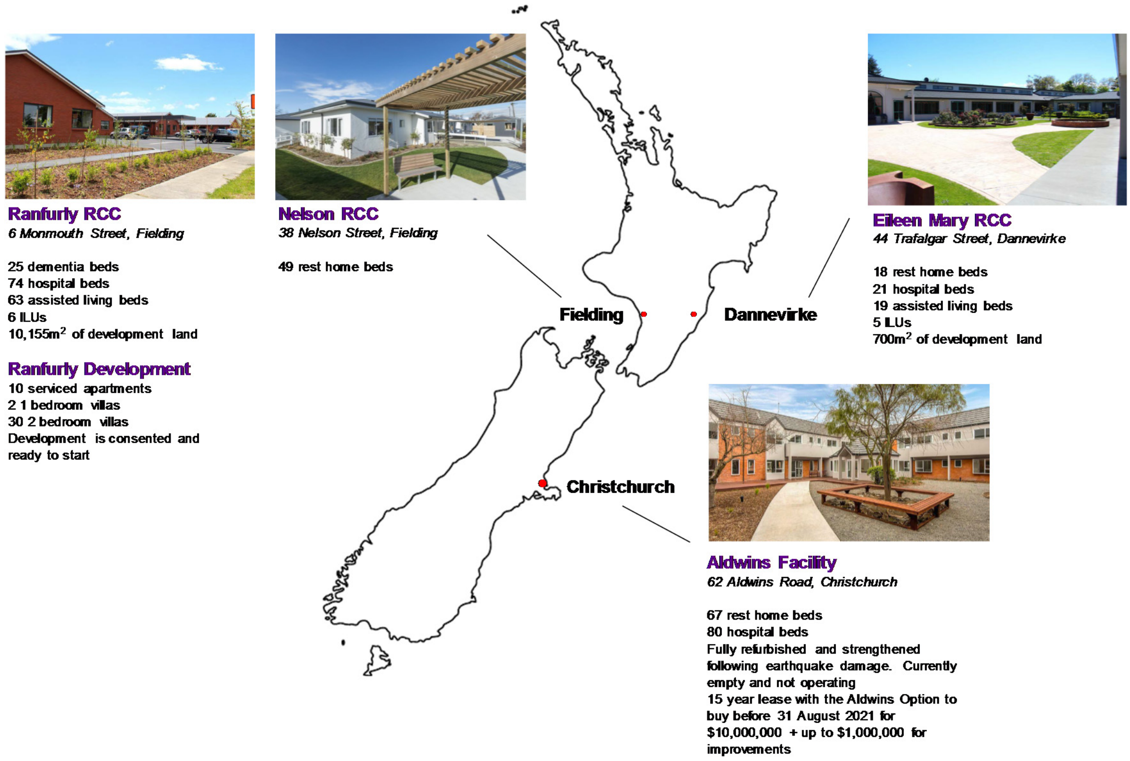
- Ranfurly Manor Limited – operates the Ranfurly RCC and the Nelson RCC
- Ranfurly Manor No: 1 Limited – owns the Ranfurly RCC and the Ranfurly Development
- Nelson Street Resthome Limited – owns the Nelson RCC
- Eileen Mary Age Care Property Limited – owns the Eileen Mary RCC
- Eileen Mary Age Care Limited – operates the Eileen Mary RCC.

Aldwins House Limited leases the Aldwins Facility and holds the Aldwins Option.

6.2 Overview of the Facilities

Section 1 of the Profile entitled *PIL And What It Will Do* provides a comprehensive overview of the Brankin Companies and the Facilities.

A summary of the Facilities is set out below.



Brankin Facilities

The Brankin Facilities consist of 2 aged care facilities located in Fielding and one in Dannevirke, offering a total of 269 beds and 11 ILUs.

The Brankin Facilities include:

- rest home and hospital care
- dementia care
- retirement villages.

Ranfurly RCC and Eileen Mary RCC offer a full range of aged care services for independent and assisted living, including ILUs, rest home studios and facilities for accommodating and caring for dementia patients.

Nelson RCC provides care for those assessed as requiring rest home level care.

Key Brankin Facilities Statistics

	Ranfurly RCC	Nelson RCC	Eileen Mary RCC	Total
Age	6 years	3 years[1]	22 years	
Beds				
Assisted living beds	63	-	19	82
Rest home beds	-	49	18	67
Hospital beds	74	-	21	95
Dementia beds	25	-	-	25
Total beds	162	49	58	269
ILUs	6	-	5	11
Employees				
Full time	68	5	16	89
Part time	100	27	42	169
Total	168	32	58	258
Occupancy (March 2020)	80%	59%	83%	77%
Current Certification				
Years	3	3	4	
End date	2 Dec 2021	27 Feb 2021	14 Aug 2022	

1 Originally dating from circa 1940s, significant refurbishment was completed in 2017

Source: Promisia and CBRE Valuations

Ranfurly Development

The Ranfurly Development involves the construction of up to 32 new external units (30 detached 2 bedroom units and 2 detached one bedroom units with no garage) and 10 new internal units (assisted living beds) on bare land that adjoins the Ranfurly RCC.

The Ranfurly Development will be undertaken in 3 stages:

- stage 1 – 10 internal units and 10 external units
- stage 2 – 10 external units
- stage 3 – 12 external units.

One existing internal unit will be removed to connect the 10 new internal units to the existing Ranfurly RCC.

The Ranfurly Development will be undertaken by Design Care Limited, a company owned by the Brankin Trust. Resource and building consents have already been granted for the Ranfurly Development. Development is expected to commence in late 2020.

Aldwins Facility

The Aldwins Facility is located in central Christchurch. It was previously used as an aged care facility and is currently unoccupied having recently undergone extensive renovations and strengthening works. A Code Compliance Certificate (**CCC**) for those works was issued on 15 April 2020. The Aldwins Facility will then open to new residents as a rest home and hospital care facility for up to 147 residents with 67 rest home beds and 80 hospital beds.

The Aldwins Facility is leased by Aldwins House Limited on a 15 year lease at an annual rental of $1,060,000. The lease commenced on 1 March 2020.

The Aldwins Option will enable Promisia, at its discretion, to purchase the land and buildings of the Aldwins Facility for up to $11,000,000 (plus GST) at any time before 31 May 2021.

6.3 CBRE Valuations

CBRE has ascribed a value of $32.72 million to the Brankin Facilities as at 11 February 2020 (the **CBRE Valuations**), representing the sum of:

- the aged care facilities
- the Brankin Companies' interest in ORAs
- unsold units
- development land.

Summary of the CBRE Valuations

	Ranfurly RCC $000	Nelson RCC $000	Eileen Mary RCC $000	Total $000
Aged care facilities	15,550	3,200	4,800	23,550
ORAs	4,460	-	1,470	5,930
Unsold units	680	-	-	680
Development land	2,450	-	100	2,550
Rounding	10	-	-	10
Total	23,150	3,200	6,370	32,720

Source: CBRE Valuations

The values ascribed to the aged care facilities are based on the capitalised forecast earnings of the facilities and comparable sales values, assuming a freehold going concern.

The aged care facilities represent 72% of the total value of the Brankin Facilities.

The values ascribed to the Brankin Companies' interests in ORAs are based on an assessment of the net present value of projected net future cash flows that the Brankin Companies can reasonably expect to receive from future resales of the ILU ORAs.

The Brankin Companies' interests in ORAs represent 18% of the total value of the Brankin Facilities.

The values ascribed to unsold units are based on their current selling prices less disposal costs and represent 2% of the total value of the Brankin Facilities.

The values ascribed to development land are based on comparable sales values and the residual value of the land, having regard to the costs and risks associated with development and potential for profit.

The development land represents 8% of the total value of the Brankin Facilities.

CBRE is the pre-eminent valuer of aged care facilities and retirement villages in New Zealand. The valuation approaches it has adopted for the Brankin Facilities are consistent with those applied to its valuations of numerous other aged care facilities and retirement villages in New Zealand.

The CBRE Valuations are as at 11 February 2020 and have not been updated since then. The valuations predate the fluctuations in capital markets values which have occurred as a result of the global COVID-19 pandemic and New Zealand entering into various levels of lockdown on 25 March 2020. We note that between 11 February 2020 and 20 May 2020, the S&P/NZX 50 Index decreased by 8.8%.

While it is not possible to definitively assess the impact of the COVID-19 pandemic on the CBRE Valuations, we consider the impact will not necessarily be significant for the following reasons:

- the majority of the value of the Brankin Facilities (72%) is represented by its aged care facilities (ie rest home and hospital care beds and dementia care beds). The value of the aged care facilities is based on the capitalised forecast earnings of the facilities and comparable sales values, assuming a freehold going concern. The earnings of the aged care facilities are largely a function of occupancy levels and government funding policy. Neither of these key value drivers are likely to be negatively impacted by the COVID-19 pandemic to any significant degree
- the valuations are to a large degree based on long term forecasts of cash flows (especially in respect of the interest in ORAs) and comparable sales values, neither of which are directly impacted by short term share price movements
- while there is a risk that property values (in particular the sale price of ORAs) could fall or demand for ORAs could decline in the near term, economic forecasts by the Reserve Bank of New Zealand and trading banks are for property values to recover in the medium to long term.

Pages 6 to 9 of the Profile provide further analysis of the potential impact of the COVID-19 pandemic on:

- the Brankin Facilities' property values
- the Brankin Companies' operations
- the financing of the Transactions.

We strongly recommend that Non-associated Shareholders read the analysis in conjunction with this report.

6.4 Key Business Risks

Section 4 of the Profile entitled *Risks To PIL's Business And Plans* sets out in detail the key business risks faced by the Brankin Companies and the Facilities and stresses that the global COVID-19 pandemic may have a material adverse effect on the Brankin Companies and the Facilities.

In summary, the key business risks are:

- the loss of government funding – the Brankin Facilities will receive residential care subsidy funding from local DHBs which may be subject to change. Any loss in aged care facility funding will have a material adverse effect on financial performance
- regulatory risk – aged care providers need to meet standards set by the HDSS Act and all facilities that provide independent living also need to comply with the RV Act. Significant changes to certification standards and requirements of retirement village operators may create additional obligations and costs on aged care operators. Any such additional obligations and costs may have a material adverse effect on the Company's financial performance
- labour availability, cost and turnover – aged care facilities rely on the staffing of care and non-care positions. These positions are paid at the lower end of pay scales. Labour availability and costs make attracting staff to the aged care sector difficult
- establishment of the Aldwins Facility – Promisia must attract sufficient residents to reach occupancy rates that will allow the Company to at least cover the cost of operating the Aldwins Facility
- demand and occupancy risk – the occupancy rate of the Facilities determines revenue received from residents. Any reduction in occupancy and demand for aged care services will directly reduce Promisia's profitability
- changes to key personnel – the loss of key personnel may have a substantial adverse impact on the operation of the Facilities and existing commercial relationships
- sector competition – existing and newly established aged care facilities within close proximity to the Facilities may result in a loss of residents for the Company and directly impact Promisia's profitability.

6.5 Pro Forma Financial Information

Promisia has prepared pro forma financial information in respect of the Transactions which consolidates Promisia's and the Brankin Companies' historic results for the years ended 31 March, 2018 to 2020.

The basis of how the pro forma financial information was compiled is set out in section 3 of the Profile entitled *PIL's Financial Information*, along with summaries of the pro forma financial information.

The Promisia financial information excludes the natural remedy business. Accordingly, the pro forma financial information reflects the financial information of the Promisia business that will exist following the completion of the Transactions.

The detailed pro forma financial information is set out in the document entitled *Reconciliation of non-GAAP to GAAP information, and supplementary financial information* (the **Supplementary Financial Information**), which is available on Promisia's website www.promisia.com.

There is no prospective financial information (**PFI**) in this Profile. Section 3 of the Profile entitled *PIL's Financial Information* states:

"The Board has, following careful consideration and after due enquiry, concluded that the provision of PFI for accounting periods subsequent to 31 March 2020, may be misleading for potential investors with regard to particulars that are material to the Proposed Transaction. The Directors believe that it is not practicable to formulate reasonable assumptions on which to base prospective financial statements.

The Board's reasons for this opinion are as follows:

- *The uncertainty of the economic and financial environment associated with the COVID-19 pandemic renders any forecasts unreliable. Please see the risks and key information summary sections of this Profile and specifically the risk in respect of COVID-19.*
- *PIL's immediate growth strategy includes the establishment of the Aldwins Facility. On the commencement of businesses operations, PIL will start to incur operational expenses as it seeks to attract residents. While PIL considers there will be resident demand for Aldwins House, there is uncertainty (including from COVID-19) as to how soon the facility may be populated;*
- *PIL's key growth strategy also includes the acquisition and development of other aged care facilities in New Zealand. These acquisitions will not only create transaction costs but will also incorporate the financial positions of newly acquired businesses into the group structure which would substantially alter the PFI.*

Given the inability to reliably determine reasonable assumptions for the periods that would be covered by the PFI, the Board is of the view that prospective financial statements may be misleading for potential investors in a material manner because actual operating revenue or expenditure for that period could be materially different from that forecast."

6.6 Financial Performance

A summary of the historic pro forma financial performance for the 2018 to 2020 financial years is set out below.

Summary of Pro Forma Financial Performance

	Year to 31 Mar 18 (Historic) $000	Year to 31 Mar 19 (Historic) $000	Year to 31 Mar 20 (Historic) $000
Revenue	13,242	12,149	13,012
Gross profit	3,858	2,937	3,439
EBITDA	2,845	1,322	1,335
NPAT	1,389	(224)	(238)

EBITDA: Earnings before interest, tax, depreciation and amortisation
NPAT: Net profit after tax

Source: Supplementary Financial Information

Revenue is derived mainly from:

- rest home and hospital charges
- care and other fees paid by ORA occupants
- provision of dementia care.

These 3 categories accounted for 92% of pro forma revenue in the 2020 financial year.

Gross profit is after direct costs, which consist mainly of wages.

Administration expenses in the 2020 financial year included approximately $1.0 million of operating expenses attributable to the Promisia listed entity.

Explanations in respect of the changes in pro forma financial performance are set out in section 3 of the Profile entitled *PIL's Financial Information*.

6.7 Financial Position

A summary of the historic pro forma financial position as at 31 March 2020 is set out below.

Summary of Pro Forma Financial Position	
	As at 31 Mar 20 (Historic) $000
Current assets	413
Non current assets	53,635
Total assets	54,048
Current liabilities	(14,482)
Non current liabilities	(21,204)
Total liabilities	(35,686)
Total equity	18,362

Source: Supplementary Financial Information

The pro forma financial position as at 31 March 2020 is prior to the debt and equity capital raisings under the Transactions.

Assets as at 31 March 2020 consisted mainly of property, plant and equipment (ie the Brankin Facilities plus associated fixed assets such as furniture and fittings and plant and equipment) of $41.9 million and the Aldwins Facility right to use asset of $11.7 million.

Current liabilities as at 31 March 2020 consisted mainly of:

- the Aldwins Facility lease liability - $11.7 million
- trade and other creditors - $1.0 million
- revenue in advance - $0.9 million.

Non current liabilities as at 31 March 2020 consisted of:

- refundable ORA - $9.6 million
- term debt - $11.6 million (being $10.8 million owing by the Brankin Companies and the $0.8 million Brankin Loan owing by Promisia).

6.8 Cash Flows

A summary of the historic pro forma cash flows for the 2020 financial year is set out below.

Summary of Pro Forma Cash Flows	
	Year to 31 Mar 20 (Historic) $000
Net cash inflow from operating activities	1,204
Net cash (outflow) from investing activities	(263)
Net cash inflow from financing activities	(912)
Net increase in cash held	29
Opening cash balance	(799)
Closing cash balance	(770)

Source: Supplementary Financial Information

7. Valuation of the Brankin Companies

7.1 Impact of COVID-19

We refer to the comments in section 1.7 as to the impact of the global COVID-19 pandemic on the aged care sector. Non-associated Shareholders should consider the valuation assessment in combination with Promisia's analysis of the potential impact of the COVID-19 pandemic on the Company set out in pages 6 to 8 of the Profile.

7.2 Standard of Value

We have assessed the fair market value of 100% of the shares in the Brankin Companies.

Fair market value is defined as the price that a willing but not anxious buyer, with access to all relevant information and acting on an arm's length basis, would be prepared to pay to a willing but not anxious seller in an open, unrestricted and stable market.

7.3 Basis of Valuation

In general terms it is recognised that the value of a share represents the present value of the net cash flows expected therefrom. Cash flows can be in the form of either dividends and share sale proceeds or a residual sum derived from the liquidation of the business.

There are a number of methodologies used in valuing shares and businesses. The most commonly applied methodologies include:

- discounted cash flow (**DCF**)
- capitalisation of earnings
- net assets or estimated proceeds from an orderly realisation of assets.

Each of these valuation methodologies is applicable in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

The DCF method is the fundamental valuation approach used to assess the present value of future cash flows, recognising the time value of money and risk. The value of an investment is equal to the value of future free cash flows (**FCF**) arising from the investment, discounted at the investor's required rate of return.

The capitalisation of earnings method is an adaptation of the DCF method. It requires an assessment of the maintainable earnings of the business and a selection of a capitalisation rate (or earnings multiple) appropriate to that particular business for the purpose of capitalising the earnings figure.

An assets based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them. A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and / or there is some indication that an orderly realisation is contemplated.

7.4 Valuation Approach

Our preferred valuation approach is the DCF method. However, in the absence of robust long term financial forecasts that have been approved by the Board, it is not possible to undertake a meaningful DCF analysis of the Brankin Companies.

We have therefore assessed the value of the Brankin Companies using the sum of the parts (**SOTP**) valuation methodology.

We have assessed the reasonableness of the valuation outcome by comparing the implied valuation multiples with the observed multiples for comparable companies.

7.5 SOTP Valuation Assessment

Methodology

The SOTP approach assumes that the Brankin Companies can and will continue as a going concern. It involves assessing:

- the current market value of all of the Brankin Companies' assets
- the current market value of all of the Brankin Companies' liabilities (both on and off balance sheet)
- the net present value (**NPV**) of the Brankin Companies' obligations not reflected in the assets or liabilities (e.g. its ongoing management costs not taken into account in the asset valuations).

The SOTP approach is an adaption of the DCF approach. It is premised on the basis that:

- the current market values of the Brankin Companies' assets are the NPV of the assets' FCF
- the current market values of the Brankin Companies' liabilities are the NPV of the FCF associated with those liabilities and obligations.

We have assessed the underlying value of the Brankin Companies' shares by aggregating the values of the Company's component assets and liabilities as follows:

- the Brankin Facilities based upon the CBRE Valuations
- the Aldwins Facility based upon the NPV of the lease obligations
- the value of the Brankin Companies' other assets and liabilities based upon their carrying values as at 31 March 2020
- the Brankin Companies' maintainable ongoing level of corporate overheads not taken into account in the asset valuations (if any) have been capitalised at an appropriate multiple to arrive at the NPV for the head office function.

Brankin Facilities

We have adopted the CBRE Valuations as set out in section 6.3 as the basis for assessing the value of the Brankin Facilities.

Aldwins Facility

Promisia has calculated the NPV of the Aldwins Facility lease obligations to be approximately $11.7 million.

Other Assets and Liabilities

We have adopted the carrying values for the Brankin Companies' other assets and liabilities as at 31 March 2020, other than:

- we have assumed the deferred tax asset (which arises from revenue in advance) will not be realised as our valuation is predicated on a going concern basis and revenue in advance will continue (effectively into perpetuity)
- the CBRE Valuations include the owner's net interest in ORAs and therefore the refundable ORA liability is effectively taken into account in the CBRE Valuations
- the Acquisition is on a debt free basis and therefore Promisia will not assume the obligation in respect of the Brankin Companies' bank debt.

Corporate Overheads

The CBRE Valuations take into account all corporate overheads of the Brankin Companies in the DCF and capitalisation of earnings calculations. Accordingly, no further allowance is required in the SOTP valuation for capitalised corporate overheads.

Valuation Assessment

Based on the above, we assess the value of 100% of the shares in the Brankin Companies' to be in the vicinity of $31.2 million as at the present date using the SOTP approach.

SOTP Valuation Assessment

	As at 31 Mar 20 $000	*Basis*	SOTP Value $000
Receivables	153	*100%*	153
Brankin Facilities	41,890	*1*	32,720
Aldwins Facility	11,742	*2*	11,742
Deferred tax	184	*0%*	-
Total assets	53,969		44,615
Overdraft	(791)	*100%*	(791)
Revenue in advance	(871)	*100%*	(871)
Refundable ORA	(9,625)	*1*	-
Bank debt	(10,739)	*3*	-
Lease liability	(11,742)	*2*	(11,742)
Total liabilities	(33,768)		(13,404)
Total equity	20,201		31,211
Capitalised corporate costs			-
Value of 100% of shares			31,211

1 CBRE Valuations, which represent the owner's net interest in ORAs
2 NPV of Aldwins Facility lease obligations
3 Acquisition is on a debt free basis

Source: Supplementary Financial Information

Implied NTA Multiple

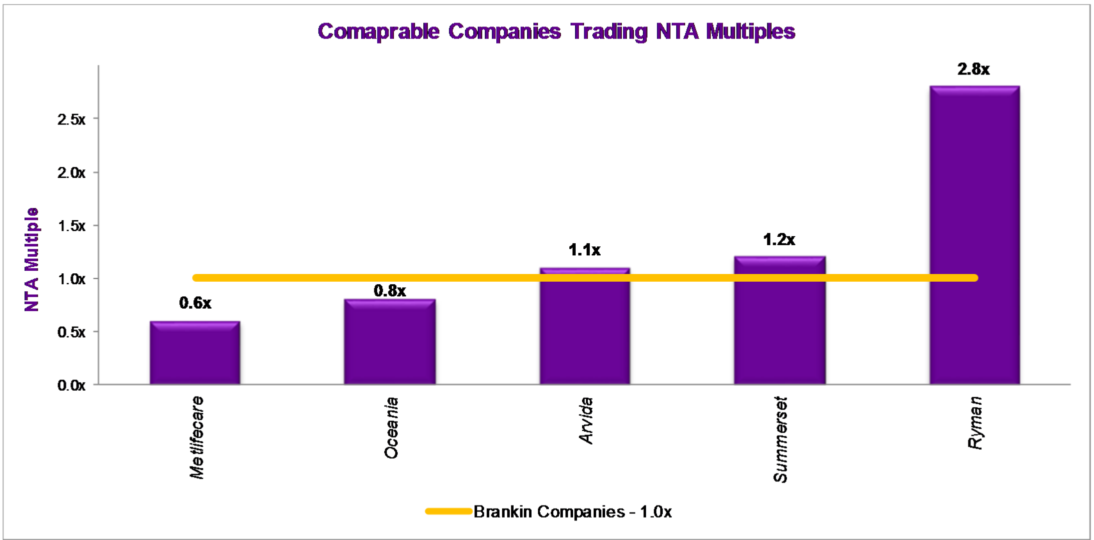
The assessed value of $31.2 million implies a net tangible assets (**NTA**) multiple of 1.0x, based on the Brankin Companies' NTA as at 31 March 2020, adjusted for debt which is not being assumed by Promisia under the Acquisition.

Set out at Appendix I is an analysis of historic and prospective price earnings (**PE**) multiples and historic NTA multiples as at 20 May 2020 for the 5 retirement village operators listed on the NZX Main Board.

The observed PE and NTA multiples are based on trading prices for minority parcels and as such do not include any premium for control.

The 5 listed companies are considerably larger than the Brankin Companies and have more diverse operations, with a much greater focus on retirement villages as opposed to the Brankin Companies' focus on aged care facilities.

A significant proportion of the 5 listed companies' earnings are derived from development profits and unrealised gains on the values of their retirement villages. The Brankin Companies did not derive any earnings from these sources in the 2020 financial year. Accordingly, we do not consider a comparison of PE multiples to be meaningful in this instance.



Source: S&P Capital IQ, data as at 20 May 2020

The NTA multiples range from 0.6x to 2.8x at an average of 1.3x.

We note that the share prices for the 5 listed companies have been highly volatile over the past few weeks and have decreased as a result of concerns associated with the global COVID-19 pandemic.

By way of example, as at 11 February 2020 (the date of the CBRE Valuations):

- the average historic PE multiple was 18.9x (36% higher than at 20 May 2020)
- the average prospective PE multiple was 18.6x (26% higher than at 20 May 2020)
- the average historic NTA multiple was 1.8x (38% higher than at 20 May 2020).

Given:

- the current volatility in the capital markets due to the uncertainty associated with the global COVID-19 pandemic
- the comparative size of the Brankin Companies to the comparable companies
- the much stronger weighting of the Brankin Companies towards aged care facilities rather than retirement villages compared with the comparable companies
- and taking into account that we are valuing 100% of the Company, whereas the observed multiples are based on trading prices for minority parcels

we consider the implied NTA multiple to be reasonable.

7.6 Conclusion

We assess the fair market value of 100% of the shares in the Brankin Companies to be in the vicinity of $31.2 million as at the present date.

The valuation represents the full underlying standalone value of the Brankin Companies based on their current strategic and operational initiatives.

The assessed value in the vicinity of $31.2 million is marginally lower than the Acquisition Purchase Price of $31.385 million. The value of the Brankin Facilities as assessed in the CBRE Valuations would need to increase by approximately 0.5% in order for our assessed value of 100% of the shares in the Brankin Companies to equate to the Acquisition Purchase Price.

8. Reasonableness of the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment Issue Price

8.1 Basis of Setting the Issue Price

The Brankin Allotment involves the issue of 8,000,000,000 Consideration Shares, the Wholesale Allotment involves the issue of up to 8,000,000,000 Wholesale Shares and the Teltower Allotment involves the issue of up to 4,000,000,000 Teltower Shares, all at $0.001 per share.

We are advised by the Non-associated Directors that the issue price of $0.001 was based on a negotiated value with the Brankin Trust and, in the Non-associated Directors' view, fairly reflects the value of Promisia as a NZX listed shell company.

8.2 Assessment of the Reasonableness of the Issue Price

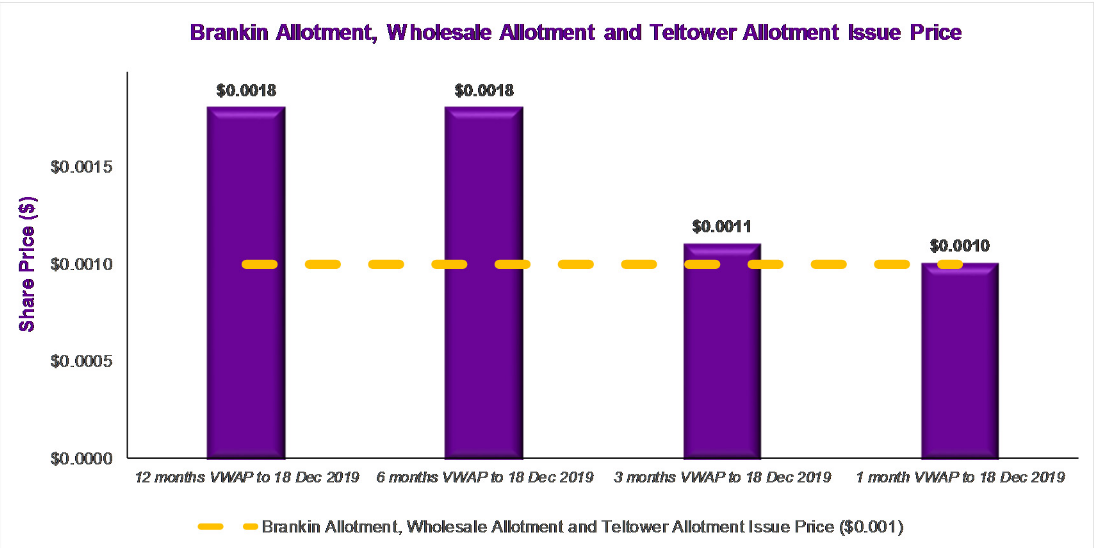
We have assessed the reasonableness of the issue price of $0.001 per share by reference to:

- the prices at which the Company's shares have recently traded on the NZX Main Board prior to the announcement of the Transactions
- the prices at which the Company has recently issued shares
- the asset backing of the shares.

8.3 Share Price History

A summary of Promisia's daily closing share price and monthly volumes of shares traded since 5 January 2016 is set out in section 4.9.

The issue price of $0.001 per share is equal to or slightly lower than the trading prices for Promisia's shares over the past 12 months up to the announcement of the Transactions on 19 December 2019.



The issue price of $0.001 per share is:

- the same price as the 1 month VWAP of $0.0010
- a discount of 9% to the 3 months VWAP of $0.0011
- a 44% discount to the 6 months and 12 months VWAP of $0.0018.

In our view, limited reliance can be placed on the observed share prices as an indication of the fair value of the Promisia shares given the very thin trading in the shares. Only 0.7% of the Company's shares traded in the last 6 months and 2.1% traded in the last 12 months. Furthermore, $0.001 is the lowest price that shares may trade at on the NZX Main Board.

8.4 Share Issues

Promisia's most recent share issues were:

- the issue of 1,345,088,480 ordinary shares on 31 December 2018 at $0.001 per share under the 2018 Rights Issue
- the issue of 250,000,000 ordinary shares on 12 December 2019 at $0.001 per share to the Brankin Trust under the 2019 Option Exercise.

Both share issues were at the same price as the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment issue price of $0.001 per share.

8.5 Net Assets per Share

Promisia's total equity amounted to approximately negative $1.4 million as at 31 December 2019, equating to net assets of negative $0.0006 per share.

The nature of the Company's assets (predominantly cash, receivables and a NZX bond) is such that their carrying values represent reasonable proxies of their market values.

As a listed shell company, Promisia's only material intangible asset is likely to be its NZX Main Board listing. In general terms, the value ascribed to a NZX Main Board listing is a function of the costs saved by a company undertaking a backdoor listing or reverse listing rather than undergoing an initial public offering (**IPO**) or compliance listing.

The costs of an IPO (when a company seeks to raise capital at the time of its listing) can be significant due to brokerage fees as well as other expenses such as share registry expenses, legal fees, accounting fees, advertising costs, printing costs and postage costs associated with preparing a product disclosure statement. However, the costs associated with a compliance listing, where a company's shares are listed but no new capital is raised, are considerably lower.

Recent backdoor listings and reverse listings on the NZX Main Board have ascribed values in the range of $200,000 to $500,000 to the NZX Main Board listings.

We consider a reasonable value for Promisia's NZX Main Board listing to be in the range of $200,000 to $500,000.

Based on the above, we are of view that the value of Promisia shares prior to the Transactions, and in the absence of any alternative transaction, is negligible.

Value of Promisia Shares Prior to the Transactions				
	Total		Per Share	
	Low $000	High $000	Low $	High $
Net assets as at 31 December 2019	(1,345)	(1,345)	(0.0006)	(0.0006)
Value of NZX Main Board listing	200	500	0.0001	0.0002
Value of Promisia shares	(1,145)	(845)	(0.0005)	(0.0004)

A value of $0.001 per Promisia share implies a value of approximately $3.5 million for Promisia's NZX Main Board listing. We consider this implied value to be significantly higher than the market value of a NZX Main Board listing and therefore is extremely favourable to the Non-associated Shareholders.

8.6 Conclusion

We consider the issue price of $0.001 per share under the Brankin Allotment, the Wholesale Allotment and the Teltower Allotment to be reasonable from the perspective of the Non-associated Shareholders as it significantly exceeds the asset backing of the shares, even allowing for the value of the Company's NZX Main Board listing, and it is in line with the most recent capital raising issue prices and the recent share prices for Promisia.

9. Sources of Information, Reliance on Information, Disclaimer and Indemnity

9.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of special meeting
- the draft Profile
- the Purchase Agreement
- the Promisia annual reports for the years ended 31 December, 2016 to 2019
- data in respect of the Brankin Companies and the Facilities
- the Brankin Companies' annual reports for the years ended 31 March, 2019 and 2020
- the Supplementary Financial Information
- the CBRE Valuations
- publicly available information on the New Zealand retirement village and aged care sector
- data in respect of Promisia and companies operating in the retirement village and aged care sector from NZX Company Research and S&P Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Non-associated Directors, the Company's senior management and Promisia's legal advisers.

The Non-associated Directors have confirmed that we have been provided for the purpose of this Independent Adviser's Report and Appraisal Report with all information relevant to the Transactions that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report and Appraisal Report.

In our opinion, the information to be provided by Promisia to the Company's shareholders is sufficient to enable the Non-associated Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Transactions.

9.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Promisia and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Promisia or the Brankin Companies. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

9.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Promisia or the Brankin Companies will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Promisia and the Brankin Companies and their directors and management teams. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the notice of special meeting or the Profile issued by Promisia and have not verified or approved the contents of the notice of special meeting or the Profile. We do not accept any responsibility for the contents of the notice of special meeting except for this report.

9.4 Indemnity

Promisia has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Promisia has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

10. Qualifications and Expertise, Independence, Declarations and Consents

10.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

10.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Promisia, the Brankin Trust, Teltower or Mr Cassels or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Transactions.

Simmons Corporate Finance has not had any part in the formulation of the Transactions or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Transactions Resolutions. We will receive no other benefit from the preparation of this report.

10.3 Declarations

An advance draft of this report was provided to the Non-associated Directors for their comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

10.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of special meeting to be sent to the Non-associated Shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

Peter Simmons
Director
Simmons Corporate Finance Limited
22 May 2020

Appendix I

Retirement Village and Aged Care Companies' Trading Multiples

Trading Multiples					
Company	Market Capitalisation ($m)	Enterprise Value ($m)	PE Multiples		NTA Multiple
			Historic	Prospective	
Arvida	748	1,026	8.5x	12.9x	1.1x
Metlifecare	928	1,235	23.6x	11.1x	0.6x
Oceania	473	766	11.5x	9.6x	0.8x
Ryman	6,202	7,739	18.1x	24.8x	2.8x
Summerset	1,372	1,951	7.8x	15.4x	1.2x
Minimum	*473*	*766*	*7.8x*	*9.6x*	*0.6x*
Median	*928*	*1,235*	*11.5x*	*12.9x*	*1.1x*
Average	*1,945*	*2,543*	*13.9x*	*14.8x*	*1.3x*
Maximum	*6,202*	*7,739*	*23.6x*	*24.8x*	*2.8x*

Source: S&P Capital IQ, data as at 20 May 2020

Arvida owns and operates retirement villages and rest homes in New Zealand. It operates 32 retirement villages with 1,788 ILUs, 687 SAs and 1,688 care beds. Arvida was founded in 2014 and is based in Auckland.

Metlifecare develops, owns and operates retirement villages primarily in the North Island. The company offers living and care services through independent villas and apartments as well as through serviced apartments, rest homes and hospitals. It owns and operates 25 villages, providing 4,064 ILUs, 494 SAs and 440 care beds. The company was founded in 1984 and is based in Auckland.

Oceania develops, owns and operates rest homes and retirement villages in New Zealand. The company provides rest home, hospital, dementia, psychogeriatric, respite and palliative / end of life care and independent retirement village living. It owns and operates 44 rest homes and retirement villages, providing 1,209 ILUs, 542 SAs and 2,112 care beds. The company was founded in 2005 and is based in Auckland.

Ryman develops, owns and operates integrated retirement villages, rest homes and hospitals for the elderly in New Zealand and Australia. Its villages offer a range of retirement living and care options such as independent townhouses and apartments and serviced apartments, as well as a care centre, which provides rest homes, hospitals and dementia level care. It owns and operates 34 retirement villages in New Zealand and 2 retirement villages in Australia, housing over 11,600 residents in 4,650 ILUs, 1,963 SAs and 3,439 care beds. The company was founded in 1984 and is based in Christchurch.

Summerset develops, owns and operates integrated retirement villages in New Zealand. It provides various independent living options including villas, townhouses, apartments and serviced apartments. The company also offers one-off, supported living, premium care, rest home care, hospital care, memory care and respite and short term care services. It operates 28 retirement villages and provides living options and care services to over 5,300 residents in 2,803 ILUs, 1,068 SAs and 858 care beds. The company was founded in 1994 and is based in Wellington.