

Prōmisia

PROMISIA INTEGRATIVE LIMITED

SCIENCE OF NATURE

THIS INTERIM REPORT
IS DATED 30 JUNE 2015
& IS SIGNED ON BEHALF
OF THE BOARD BY:



E.M.M. Johnson



S. Underwood



INTERIM REPORT
30 JUNE 2015

PROMISIA INTEGRATIVE LIMITED

Financial Summary - Unaudited

For the six month period ended 30 June 2015

| | Half year 30 June 15 Unaudited \$000 | % Up (-Down) on Half year | Half year 30 June 14 Unaudited \$000 | Full year 31 Dec 14 Audited \$000 |
|--|---|---------------------------------|---|--|
| Sales revenue | 142 | 16% | 122 | 217 |
| Operating revenue | 142 | – | 142 | 217 |
| Operating loss before tax | (527) | 36% | (388) | (776) |
| Total comprehensive loss attributable to shareholders | (575) | 48% | (388) | (758) |
| Total Assets | 1,005 | (14%) | 1,168 | 507 |
| Basic earnings per share | (0.002) | – | (0.002) | (0.003) |
| Diluted earnings per share | (0.002) | – | (0.001) | (0.003) |
| Net tangible Asset backing (\$ per share) | 0.004 | – | 0.004 | 0.005 |

REPORT OF THE CHAIRMAN & CHIEF EXECUTIVE

The Chairman and Chief Executive have the pleasure in presenting the Half Year Report for Promisia Integrative Limited and its subsidiaries (“the Group”) for the six month period ended 30 June 2015.

Market Developments

Sales in New Zealand are exceeding budgets and growing. There has been a large increase in the average monthly sales since May 2015 when the company announced the positive preliminary clinical trial findings. Sales of the company’s flagship product Arthrem® have increased by more than 150% compared to the previous 12 month average monthly sales.

The company has had some sales success in the United States but is awaiting publication of its clinical trial results before embarking on a concerted public relations campaign. The US e-commerce platform is fully operational and a soft launch in June exceeded budget. Promisia is testing various offerings in an effort to determine the most effective sales strategy. The US market represents the greatest opportunity for Promisia to increase revenues. The market is approximately 90 times larger than New Zealand and it carries with it a higher level of discretionary spending.

Promisia respects the size of the market and has developed a path to market that will not drain cash. Through its automated e-commerce platform all forms of digital marketing can be measured and resources directed accordingly so that the cost acquisition of each customer produces the best return.

A launch into Australia as a complementary medicine will occur towards the end of 2015 once the clinical trial results have been published.

Each market has different regulatory requirements and making sure that we comply with those market requirements is a key part of any product launch. Specific market regulations can actually assist a product launch if executed in a careful and disciplined manner.

Half Year Results

Promisia Integrative Limited recorded an unaudited EBITDA loss for the six month period to 30 June 2015 of \$504,000 and net loss of \$575,000, including interest and an exchange loss on translation of foreign operations. One off costs which contributed to the loss consisted of:

- A randomized, double blind clinical trial
- Production costs of TV ads and other digital marketing collateral

Research Update

The company achieved a number of significant milestones during the period under review. In January, Promisia announced the publication of an article in a peer-reviewed journal confirming that the primary ingredient of Arthrem®, Promisia's proprietary extract from the plant *Artemisia annua*, had potent anti-inflammatory activity *in-vitro*.

On 28 May 2015 the company announced positive preliminary findings from its randomised, double blind, placebo controlled trial conducted at Otago University. Associate Professor Simon Stebbings, who oversaw the trial, will present the findings at the New Zealand Rheumatology Association's Annual Scientific Meeting in Queenstown in September. The trial investigated the efficacy and safety of Arthrem® for managing pain, stiffness and reduction in physical function associated with osteoarthritis of the hip and knee. The clinical trial results will also be submitted for publication in a peer-reviewed journal.

Outlook

Arthrem® is currently capturing 1% of the potential market in NZ and is expected to secure 3% of the market in 2016 growing to 5% through 2017.

Proceeds from this market growth alone will mean the company achieves a cash positive position by the 4th quarter of 2016. This is a major milestone considering the large investment the company makes continuously into the scientific research required to back its products.

Any company can pay a celebrity to endorse their product, but very few can actually make substantiated claims backed by robust scientific research. Our company's growth is built on a sustainable model supported by credible research.

Promisia also has 3 new products in the pipeline for launching in the next 12 months and looks forward to announcing them to the markets as soon as they have been through the same rigorous scientific testing as Arthrem®.

The Board and management share a common vision and are excited about the company's prospects. We look forward to reporting on further substantive progress in the second half of the financial year.

Capital Raising

In order to implement the company's marketing strategy, a capital raising will be undertaken. Details will be released shortly.



E.M.M. Johnson
CHAIRMAN



C.O Daily
CHIEF EXECUTIVE

FINANCIAL STATEMENTS

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 June 2015

| | Unaudited 6 months June 2015 \$000 | Unaudited 6 months June 2014 \$000 | Audited Year Dec 2014 \$000 |
|---|---|---|--------------------------------------|
| Sales Revenue | 142 | 122 | 217 |
| Cost Good sold | (33) | (50) | (86) |
| Operating expenses | (158) | (243) | (291) |
| Administration expenses | (323) | (212) | (367) |
| R&D | (132) | – | (203) |
| | (646) | (505) | (948) |
| (Loss) before Taxation and Interest | (504) | (383) | (731) |
| Other income - grants | – | 20 | – |
| Net Interest (Expense) | (23) | (25) | (45) |
| Net Loss for period before tax | (527) | (388) | (776) |
| Income tax expense | – | – | – |
| Loss for period | (527) | (388) | (776) |
| Other comprehensive income | | | |
| Exchange differences on translating foreign operations | (48) | – | 18 |
| Total comprehensive (Loss) for period attributable to shareholders | (575) | (388) | (758) |
| Basic earnings per share | (0.002) | (0.002) | (0.003) |
| Diluted earnings per share | (0.002) | (0.001) | (0.003) |

Consolidated Interim Statement of Changes in Equity

For the half year ended 30 June 2015

| | Share Capital \$000 | Foreign Currency Reserve \$000 | Share Option Reserve \$000 | Accumu- lated Losses \$000 | Total \$000 |
|------------------------------------|---------------------------|---|-------------------------------------|-------------------------------------|----------------|
| Unaudited | | | | | |
| Equity at 1 January 2015 | 52,731 | 195 | 58 | (52,986) | (2) |
| Comprehensive Income (Loss) | – | (48) | – | (527) | (575) |
| Share Issue | – | – | – | – | – |
| New based payment | – | – | 22 | – | 22 |
| Equity at 30 June 2015 | 52,731 | 147 | 80 | (53,513) | (555) |
| Unaudited | | | | | |
| Equity at 1 January 2014 | 50,927 | 177 | 44 | (52,210) | (1,062) |
| Comprehensive Income (Loss) | – | – | – | (388) | (388) |
| Share Issue | 567 | – | – | – | 567 |
| New subscribed and paid capital | 241 | – | – | – | 241 |
| Equity at 30 June 2014 | 51,735 | 177 | 44 | (52,598) | (642) |
| Audited | | | | | |
| Equity at 1 January 2014 | 50,927 | 177 | 44 | (52,210) | (1,062) |
| Comprehensive Income (Loss) | – | 18 | – | (776) | (758) |
| Share Issue | 1,804 | – | – | – | 1,804 |
| Share based payment | – | – | 14 | – | 14 |
| Equity at 31 December 2014 | 52,731 | 195 | 58 | (52,986) | (2) |

The accompanying notes form part of these financial statements.

Consolidated Interim Balance Sheet

As at 30 June 2015

| | Unaudited 6 months June 2015 \$000 | Unaudited 6 months June 2014 \$000 | Audited Year Dec 2014 \$000 |
|-----------------------------------|---|---|--------------------------------------|
| Equity | | | |
| Share Capital | 52,731 | 51,735 | 52,731 |
| Share Option Reserve | 80 | 44 | 58 |
| Foreign Currency Reserve | 147 | 177 | 195 |
| Accumulated Losses | (53,513) | (52,598) | (52,986) |
| Total Equity | (555) | (642) | (2) |
| Represented by: | | | |
| Current Assets | | | |
| Bank | 28 | 505 | 648 |
| Receivables | 159 | 143 | 201 |
| Prepayments | 179 | 118 | 95 |
| Stock | 424 | 327 | 417 |
| | 790 | 1,093 | 1,361 |
| Non-Current Assets | | | |
| Investments | 75 | 75 | 75 |
| Intangible Assets | 141 | – | 110 |
| Total Assets | 1,005 | 1,168 | 1,546 |
| less | | | |
| Current Liabilities | | | |
| Payables and Accruals | 307 | 557 | 295 |
| Non-Current Liabilities | | | |
| Loan | 1,253 | 1,253 | 1,253 |
| Total Liabilities | 1,560 | 1,810 | 1,548 |
| Net (Liabilities) / Assets | (555) | (642) | (2) |

The accompanying notes form part of these financial statements.

Consolidated Interim Statement of Cashflows

For the half year ended 30 June 2015

| | Unaudited 6 months June 2015 \$000 | Unaudited 6 months June 2014 \$000 | Audited Year Dec 2014 \$000 |
|---|---|---|--------------------------------------|
| Operating Activities | | | |
| Receipts from customers | 170 | 158 | 230 |
| Receipt tax | 18 | 23 | (66) |
| Payments to suppliers and employees | (737) | (628) | (1,333) |
| Interest (net) | (25) | (25) | (45) |
| Net Cash Flows From (used in) Operating Activities | (574) | (472) | (1,214) |
| Investing Activities | | | |
| Intangible Assets | (46) | – | (110) |
| Net Cash Flows from (used in) operating activities | (46) | – | (110) |
| Financing Activities | | | |
| New share issue & costs | – | 808 | 1,803 |
| Net Cash Flows From Financing Activities | – | 808 | 1,803 |
| Net Change in Cash | (620) | 336 | 479 |
| Cash at Start of Period | 648 | 169 | 169 |
| Exchange rate fluctuations | – | – | – |
| Cash at End of Period | 28 | 505 | 648 |

Reconciliation of Cashflows from Operating Activities

| | Unaudited 6 months June 2015 \$000 | Unaudited 6 months June 2014 \$000 | Audited Year Dec 2014 \$000 |
|--|---|---|--------------------------------------|
| Cashflows from Operating Activities | | | |
| (Loss) for Period | (527) | (388) | (776) |
| <i>Non cash items</i> | | | |
| Depreciation | 15 | – | – |
| Foreign exchange fluctuations | (4) | – | 18 |
| Share based payments | 22 | – | 14 |
| | (494) | (388) | (744) |
| <i>Changes in Assets and Liabilities</i> | | | |
| Receivables, GST and prepayments | (38) | (75) | (109) |
| Payables and accruals | (35) | 242 | (20) |
| Inventories | (7) | (251) | (341) |
| Net cash from operating activities | (574) | (472) | (1,214) |

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR
ENDED 30 JUNE 2015

1. Nature of operations

Promisia Integrative Limited (Company) and its subsidiaries (the Group) principal activities are focused on developing and marketing unique therapeutic natural products with proven safety and efficacy based on robust research.

2. General information and statement of compliance

Promisia Integrative Limited ('the Company') is domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Exchange Ltd.

The registered office of the Company is at Level 15, 171 Featherston Street, Wellington, NZ, P.O. Box 10121, The Terrace, Wellington.

The Group is designated as a profit-oriented entity for the purpose of preparing financial statements. The financial statements are stated in New Zealand dollars and rounded to the nearest thousand unless otherwise indicated.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice New Zealand (NZ GAAP). They comply with New Zealand equivalent to International Financial Reporting Standards NZIAS 34: Interim Financial Reporting.

These financial statements do not include all the information required for full financial statements and consequently should be read in conjunction with the full financial statements of the Group for the year ended 31 December 2014. The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's audited financial statements for the year ended 31 December 2014.

The accounting policies adopted are consistent with those of the previous financial year. All new standards and amended standards issued during 2014 and applicable after 1 January 2014 have been adopted as required. The impact in the initial period of application is expected to be minimal at this stage.

3. Disclosures

3.1 OPERATING SEGMENTS

The Group's reportable segments are based on the geographic location of its activities which reflect the type of activities undertaken and have been determined based on internal reporting used by management and the Board of Directors to assist strategic decision making.

3.2 FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks: market risk, credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2014. There have been no changes in the management of risk or in any risk management policies in the current period. The Group does not have any derivative financial instruments or any other financial assets or liabilities that are classified as instruments at fair value through profit and loss under NZ IFRS.

The fair value of assets and liabilities approximates their carrying value.

3.3 SHARE CAPITAL

There have been no issues of new share capital since 31 December 2014.

3.4 RELATED PARTIES

During the six month period to 30 June 2015, director fees of \$30,000 (30 June 2014 \$30,000) were paid and management fees of \$70,000 (30 June 2013 \$63,000) were paid to key management personnel. There were no other related party transactions.

3.5 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2015 (June 2014:\$nil).

3.6 CAPITAL COMMITMENTS

There were no capital commitments at 30 June 2015 (June 2014:\$nil).

3.7 PURCHASE COMMITMENTS

The Artemisia leaf purchase commitment at 30 June 2015 amounts to \$93,000 (2014:\$93,000).

3.8 UNAUDITED INTERIM FINANCIAL STATEMENTS

The Interim financial statements to 30 June 2015 have not been audited.



“I was miserable.
I wasn’t getting
out at all.

But now with
Arthrem®
life’s fun.”

Ian, 49