



Prōmisia

ANNUAL REPORT 2016

Promisia Integrative Limited

The Company

Promisia Integrative Limited is a company focused on developing and marketing unique natural therapeutic products with proven safety and efficacy based on robust research. Our goal is to add scientific methodology and validity to a sector that is often perceived to be unscientific.

Financial Summary

	31/12/2016	31/12/2015	Change
	\$ 000	\$ 000	%
Revenue	2,665	408	553
Total comprehensive income attributable to shareholders	(450)	(956)	(53)
Total Assets	3,192	1,946	64
Earnings per share	(0.001)	(0.003)	67
Dividend per share	Nil	Nil	-
Net Tangible Asset Backing (\$ per share)	\$0.006	\$0.006	-

Significant Events

17 December 2016	Successful rights issue which raised \$1,433,000 at \$0.03 per share.
28 October 2016	Publication of clinical trial extension study results in the <i>New Zealand Medical Journal</i> .
31 December 2016	Sales increase of 553% for the full year to 31 December 2016 compared with the 2015 year.

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Annual Report of Directors

On behalf of your directors I have pleasure in presenting the Annual Report for Promisia Integrative Limited and its subsidiaries (“the Group”) for the year ended 31 December 2016.

Promisia Integrative Group results

Revenues from sales of Arthrem® were \$2,664,806 in the fiscal year 2016, representing a 553% improvement on the \$408,000 recorded in the previous year.

The Group incurred a loss of \$459,000, including non-cash expenses of \$80,000 and interest expenses of \$55,000, for the year ended 31 December 2016 (2015: \$946,000 loss).

Highlights from 2016

Revenue growth of over 500%

Arthrem® sales increased significantly throughout the year. According to an independent report from RPM pharmacy retail, Arthrem® is now the top selling pharmacy product in New Zealand, by dollar value. Arthrem® is now available from most New Zealand pharmacies.

Trading result

The loss for the year was less than anticipated and reflected a loss of \$366,000 in the first half of the year compared with a loss of \$93,000 in the second half. From July to December 2016, the loss was only \$66,000, before non-cash expenses. The directors consider this to be very satisfactory outcome, especially when compared with the loss of \$946,000 in 2015.

Successful rights issue

In December 2016 Promisia raised \$1,433,331 through a successful rights issue. The issue was oversubscribed by \$1,244,219. The primary use of these funds will be the launch the joint supplement for dogs in New Zealand and the launch of Arthrem® in Australia. The other main use of the funds will be as working capital to finance all stages of the supply chain to service continued sales growth.

Publication of extension study results

Positive results of the clinical trial extension study were published in the *New Zealand Medical Journal*. Arthrem® showed sustained efficacy in reducing osteoarthritis symptoms over the 6-month period.

Outlook for 2017

The company had achieved its target market share for 2017 by the end of 2016. The current year has started well with sales in January and February well ahead of the same months in 2016. In New Zealand the company intends to build on a successful 2016 for Arthrem®. Some competition can be expected in view of the success of Arthrem® and the company will take appropriate action to support existing market share and grow the overall size of the local market.

In late 2016 the company changed marketing representation and as of 1 February 2017 has implemented a small price increase to recover increased direct costs. The company has taken over order fulfilment and operates a small warehouse and dispatch service to pharmacies and pharmacy wholesalers.

Australia

Arthrem® has recently been listed as a complementary medicine in Australia with the Therapeutic Goods Administration. This will allow Promisia to make claims in Australian marketing material about the efficacy of Arthrem® in osteoarthritis. Work is underway to prepare for an Australian launch.

Joint supplement for dogs

Manufacturing trials are ongoing to finalise formulation and maximise acceptance and palatability by dogs. Marketing and distribution plans are also under development and the company expects to launch the product in the second quarter of 2017.

Research

As noted in the half year announcement the research programme has been focused on the finalisation of a formulation for the joint supplement for dogs. Promisia was recently awarded another Callaghan Innovation Project Grant for ongoing research and new product development.

Chief Executive

At the end of March 2017 the company’s Chief Executive, Mr Charles Daily, resigned his position after four years with the company. The directors thank Mr Daily for his contribution to the company during that period. The directors will now begin the process of recruiting a new Chief Executive.

Priorities for 2017

The priorities for 2017 are:

- Building Arthrem® sales in New Zealand
- The launch of Arthrem® in Australia, and
- The launch of the joint supplement for dogs in New Zealand and, possibly, in Australia.

The company will face the usual challenges of launching new products into new markets but the directors and staff are committed to building on the successes of 2016.

On behalf of the directors and management we thank shareholders for their support of the company, particularly those who participated in the cash issue in late 2016.



Stephen Underwood
CHAIRMAN

**“ Trials are ongoing to finalise
formulation of the supplement for
dogs with osteoarthritis.”**



People — Board of Directors

Promisia Integrative Group Results to 31 December 2016



Mr S. Underwood

BCA LLB (VUW) CHAIRMAN — APPOINTED 3 JUNE 2016

Stephen Underwood is a business and management consultant with an extensive background in venture capital investment. He is a director of a number of private companies.



Mr M. D. Priest

Duncan Priest has a long association with the New Zealand capital markets, equity financing and investment banking. He has considerable experience in raising capital from both the retail and wholesale markets.



Mr T. D. Brankin

DIP AGRICULTURE & DIP FARM MANAGEMENT (LINCOLN)

Thomas Brankin is a New Plymouth based businessman with significant interests in rest homes, hospitals and retirement villages. His other interests include commercial and residential property and farm management software.

Senior Management



Mr C. Daily

BSC (JAMES MADISON UNIVERSITY) — RESIGNED 3 MARCH 2017



Dr S. Hunt

PHD BSC HONS (UNIVERSITY OF LONDON)

Sheena Hunt is an experienced senior research scientist in healthcare and drug development. She has extensive experience in the critical analysis of scientific and clinical data and in the design, implementation, analysis and reporting of controlled clinical trials in numerous therapeutic areas. Sheena has a PhD from King's College London, University of London and a BSc (Hons) from Royal Holloway, University of London. Sheena's PhD and postdoctoral research focused on bioactive plant compounds as potential new treatments for human diseases.



JB - PV4
IL-40
HS40
ELECTROPAK

JB - PV5
IL-50
HS50
ELECTROPAK

Pressure Gauge

Pressure Gauge

Pressure Gauge

PT 51

“Arthrem[®] has become the established market leader in the New Zealand joint supplement market.”

Governance

The overall responsibility for ensuring that the Company is governed appropriately rests with the Board of Directors ensuring that they enhance investor confidence through good corporate governance practice and accountability.

The Board of Directors

A key responsibility of the Board is to formulate the Company's strategic direction. In addition, the Board must have oversight of the financial and operational controls of the business including its risk management policies and strategies.

The Board also has responsibility for fostering corporate culture, the appointment and remuneration of its senior executives, the adoption of corporate policies and plans and the approval of major transactions.

SELECTION AND ROLE OF CHAIRMAN

The Chairman is selected by the Board from the non-executive directors. The Chairman's role is to manage the Board in an effective manner and provide leadership in the conduct of the Board's business and to facilitate the Board's interaction with the Company's CEO.

BOARD MEMBERSHIP

The Board consists currently of two independent directors and one non-independent director as defined under NZX Rules. All three directors are non-executive directors and were appointed by the Board and have been confirmed in the role by shareholders at a duly constituted meeting. Their selection has been based on the value they bring to the Board table including their skills, commercial experience, strategic thinking ability and general business acumen.

As at 31 December 2016 the Board was as follows:

- **Stephen Underwood**
Chairman and Non-executive Director
- **Duncan Priest**
Non-executive Director
- **Thomas Brankin**
Non-executive Director
- **Malcom Johnson**
Former Chairman and Non-executive Director
— resigned 3 June 2016

Brief profiles of the current board members are detailed on page 7 of this report.

DIRECTOR INDEPENDENCE

In order for a director to be independent, the Board has determined that he or she must not be an executive of Promisia Integrative Limited and must have no disqualifying relationship. The Board follows the guidelines of the NZX Listing Rules.

The Board has determined that Duncan Priest and Stephen Underwood are independent directors.

Thomas Brankin and associated interests hold a 9.29% shareholding in Promisia Integrative Limited. He is therefore not independent.

NOMINATION AND APPOINTMENT OF DIRECTORS

The Board is responsible for identifying suitable director candidates for consideration by the Board. Directors may also be nominated by shareholders under Listing Rule 3.2.2.

A director may be appointed by an ordinary resolution of shareholders and all directors are subject to removal by ordinary resolution.

The Board may, at any time, appoint additional directors. However, a director shall only hold office until the next annual meeting of the Company, but shall be eligible for election at that meeting.

One third of directors shall retire from office at the annual meeting each year. The directors to retire shall be those who have been longest in office since they were last elected or deemed to be elected.

DIRECTORS' MEETINGS

The number of meetings attended by directors during the year is detailed in the table below.

	Board Meeting		Audit Committee	
	Held	Attended	Held	Attended
Malcolm Johnson	3	3	-	-
Stephen Underwood	10	10	2	2
Duncan Priest	10	10	2	2
Thomas Brankin	10	10	-	-

DISCLOSURE OF INTERESTS BY DIRECTORS

The Company maintains an Interests Register in which particulars of certain transactions and matters involving directors must be recorded. The Interests Register for Promisia Integrative Limited and subsidiaries is available for inspection at its registered office.

Details of matters entered into the register by individual directors are outlined on pages 46 – 49 of this report.

DIRECTORS' SHARE DEALINGS

As part of its corporate governance code of practice and charter development the Company has adopted a formal share dealing policy which sets out the procedure to be followed by directors and staff in the event of trading in Promisia Integrative Limited shares to ensure that no trades are effected while that person is in possession of price sensitive information. Details of director and staff share transactions are outlined on pages 40 – 41.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company holds Directors and Officers liability insurance.

Board Committees

Presently the Board operates only one committee, being the Audit Committee. Matters concerning nominations to the Board of Directors and remuneration are dealt with by the full Board in keeping with the size of the Company.

AUDIT COMMITTEE

The role of the Audit Committee is to assist the Board in carrying out its responsibilities under the Companies Act 1993 as it concerns accounting practices, policies and controls relative to the Company's financial position and to make appropriate enquiry into any audit of the Company's financial statements. This responsibility includes providing the Board with additional assurance about the quality and reliability of any financial information issued publicly by the Company from time to time. Ultimately the Board as a whole is responsible for the accuracy and relevance of the Company's financial statements. The Audit Committee provides additional and more specialised oversight. The Audit Committee also reviews the operation of internal controls together with the quality and cost of the external audit undertaken by the Company's auditors.

The Audit Committee comprises two non-executive directors one whom which has special expertise in financial matters. The Audit Committee members are Stephen Underwood (Chair) and Duncan Priest. The Audit Committee met twice during the financial year in addition to corresponding as required with the external auditor.

REMUNERATION COMMITTEE

During the 2016 financial year the full Board dealt with the functions of the Remuneration Committee. Matters considered related to the remuneration, benefits and terms of employment of senior executives of the Company including incentive performance arrangements and the implementation of a staff share scheme.

NOMINATIONS COMMITTEE

During the 2016 financial year the full Board dealt with the functions of the Nominations Committee. Its function is to identify and recommend candidates for the position of director of the Company taking into account the skills, experience and qualifications necessary to ensure that the Board works as an effective unit.

Remuneration

Remuneration of both directors and Company executives is a responsibility of the Remuneration Committee, being the full board. Details of director and executive remuneration, including entitlements, are set out on page 49.

REMUNERATION OF DIRECTORS

The amount paid currently to all non-executive directors is \$17,000 per annum (other than the Chairman). The Chairman is paid \$49,000 per annum. Under NZX Listing Rule 3.5.2, the Board may only make a payment to a director upon cessation or retirement from office with shareholder approval. The Company's policy is in line with best practice guidelines from the New Zealand Institute of Directors and no directors are entitled to retirement payments.

REMUNERATION OF EXECUTIVES AND EMPLOYEES

Executive remuneration consists of a fixed monthly base contracting fee. Share options may be granted from time to time as an additional incentive. The Group has no employees. During the year a staff bonus scheme and unpaid share scheme was set up to remunerate contracted executive and staff for their performance. No other remuneration or benefits, including superannuation and contributions to Kiwisaver, were paid during the financial year.

MARKET DISCLOSURE

The Board is committed to the promotion of investor confidence by ensuring that trading of its shares takes place in an efficient, competitive and informed market.

The Company has in place procedures designed to ensure compliance with the NZX Listing Rules so that:

- All investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance.
- Company announcements are factual and presented in a clear and balanced form

Accountability for compliance with disclosure obligations is with the Chairman and the Chief Executive. Significant market announcements, including the preliminary announcement of the half year and full year results, the accounts for those periods and any advice of a change in earnings forecast are approved by the Board.

DIVERSITY

As at 31 December 2016 the gender balance of the Company's directors and contracted senior management was as follows:

	Directors	Contract Management
Male	3	2
Female	-	1
Total	3	3

Independent Auditor's Report

MOORE STEPHENS
MARKHAMS

AUDIT AND ASSURANCE

To the Shareholders of Promisia Integrative Limited

OPINION

We have audited the consolidated financial statements of Promisia Integrative Limited and its subsidiaries (the Group) on pages 22 to 44, which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated statement of comprehensive income and, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) 'Code of ethics for assurance practitioners' issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Promisia Integrative Limited or any of its subsidiaries.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the annual report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**MOORE STEPHENS
MARKHAMS**
AUDIT AND ASSURANCE

**MOORE STEPHENS
MARKHAMS**
AUDIT AND ASSURANCE

Key audit matter	How our audit addressed the key audit matter
<p>1. Valuation of inventory</p> <p>Refer to notes 2. D) (xiii) & 15.</p> <p>Inventory has been recognised in the consolidated financial statements with a value of \$811,000.</p> <p>Valuation of inventory is considered a key audit matter due to the nature and significance of the asset to the group's consolidated statement of financial position.</p> <p>Inventory is stated at the lower of cost and net realisable value after making due allowance for obsolescence and degradation. Due to the nature of the raw material and finished inventory product, there is a risk that the carrying value of the inventory may not be recoverable due to degradation.</p> <p>Whether a write down in the inventory value is required involves judgement. Key judgements are considered in relation to sale forecasts, current sales performance, sale prices and inventory ageing.</p>	<ul style="list-style-type: none"> We reviewed and questioned management's significant assumptions regarding the extent of any degradation of the raw material and finished Inventory product. We reviewed forecasted sales figures compared with actual for the current year and the group's on going sales forecasts. We performed ratio analysis on both how quickly inventory is sold and the amount of inventories on hand relative to cost of sales and we considered inventory yields and ageing. We discussed the key assumptions with the directors and senior management and obtained written representations. We evaluated the related financial statement note disclosures.
<p>2. Valuation of intangible assets</p> <p>Refer to notes 2. D) (xv) & 17.</p> <p>Intangible Assets has been recognised in the consolidated financial statements with a value of \$127,000.</p> <p>Intangible assets relate primarily to the website. Judgement is involved in terms of deciding whether website related expenditure should be expensed or capitalised as well as whether there is any impairment in the assets value. For these reasons, valuation of intangibles is considered a key audit matter.</p> <p>Research and Development Costs not meeting the criteria for capitalisation as required by NZ IAS 38 – Intangible Assets, are expensed.</p> <p>At each reporting date the group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. The cash generating unit identified by the group to which the Intangible asset is allocated for impairment testing is the sale of the group's product — Arthrem®.</p> <p>The impairment assessment requires judgement. The key judgement is considered to be in relation to sales forecasts and sale history. The intangible assets are also amortised over a 3 – 5 year period.</p>	<ul style="list-style-type: none"> We reviewed all significant supplier invoices relating to website expenditure and assessed the accounting treatment in accordance with NZIAS 38. We requested and reviewed the reasonableness of the assumptions in the group's impairment assessment. We assessed the group's earnings forecasts with reference to actual historical earnings and post balance date earnings. We considered the appropriateness of the amortisation provision. We questioned the directors' assumptions used in the company's impairment model on intangibles, described in note 2. D) (xv) to the consolidated financial statements. We verified the reliability of the information on which the expectations have been based and assessed the reasonableness, relevance and consistency of the assumptions applied. We evaluated the related financial statement note disclosures.

DIRECTOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible on behalf of the group for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the XRB's website at

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

The engagement partner on the audit resulting in this independent auditor's report is Miecio (Mitch) Czudaj.

This report is made solely to the shareholders of the group. Our audit has been undertaken so that we might state to the shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders, for our audit work, for this report, or for the opinions we have formed.

Moore Stephens

Moore Stephens Wellington Audit
QUALIFIED AUDITORS, WELLINGTON, NZ

31 MARCH 2017

**“Arthrem® sales for 2016
represented a 553% improvement
on those for 2015.”**





Financial Statements

Promisia Integrative Limited Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

GROUP	Note	2016	2015
		\$ 000	\$ 000
Revenue	3	2,665	408
Cost of Goods Sold	4	(773)	(98)
		1,892	310
Expenses			
Administration	5	(661)	(490)
Operating	5	(1,432)	(464)
Research	5	(191)	(234)
Amortisation	5	(23)	(14)
Total Expenses		(2,307)	(1,202)
Operating (Loss)		(415)	(892)
Finance costs — interest paid		(55)	(62)
Finance income — interest received		11	8
(Loss) Before Income Tax		(459)	(946)
Income tax expense	6	-	-
Net Loss For Year		(459)	(946)
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	10	9	(10)
Total Comprehensive Loss For Year Attributable To Shareholders		(450)	(956)
Earning Per Share			
Basic earnings per share	12	\$(0.001)	\$(0.003)
Diluted earnings per share	12	\$(0.001)	\$(0.003)

All revenue, expenses and the net loss relate to the continuing operations of the Group. The net loss and comprehensive loss were all allocated to company shareholders.

This statement should be read in conjunction with the notes to the financial statements.

Promisia Integrative Limited Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

GROUP	SHARE CAPITAL	FOREIGN CURRENCY RESERVE	SHARE OPTION RESERVE	ACCUM LOSSES	TOTAL
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Equity at 31 December 2014	52,731	195	58	(52,986)	(2)
Net loss for the year	-	-	-	(946)	(946)
Other comprehensive income	-	(10)	-	-	(10)
Share issue	1,450	-	-	-	1,450
Share based payment	-	-	43	-	43
Expired share options	44	-	(44)	-	-
Equity at 31 December 2015	54,225	185	57	(53,932)	535
Net loss for the year	-	-	-	(459)	(459)
Other comprehensive income	-	9	-	-	9
Share Issue	1,557	-	-	-	1,557
Share based payment	-	-	43	-	43
Expired/Retired share options	17	-	(17)	-	-
Equity at 31 December 2016	55,799	194	83	(54,391)	1,685

This statement should be read in conjunction with the notes to the financial statements.

Promisia Integrative Limited Consolidated Balance Sheet

As at 31 December 2016

GROUP	Note	2016	2015
		\$ 000	\$ 000
Equity			
Share Capital	7	55,799	54,225
Accumulated Losses	8	(54,391)	(53,932)
Other Equity Reserves	9	277	242
Total Equity		1,685	535
Represented By:			
Current Assets			
Bank		1,827	1,021
Receivables	13	258	97
Inventory	15	811	591
Prepayments	14	84	42
Tax Receivable		5	5
Total Current Assets		2,985	1,756
Non-Current Assets			
Investment	18	75	75
Intangible Assets	17	127	115
Tangible Assets	16	5	-
Total Non-Current Assets		207	190
Total Assets		3,192	1,946
Current Liabilities			
Payables and Accruals	19	468	315
Loan	20	120	-
Total Current Liabilities		588	315
Non-Current Liabilities			
Loan	20	919	1,096
Total Liabilities		1,507	1,411
Net Assets		1,685	535

This statement should be read in conjunction with the notes to the financial statements.

Authorised for issue on behalf of the Board.



Stephen Underwood
CHAIRMAN

Wellington, 31 March 2017



Tom Brankin
CHAIRMAN

Wellington, 31 March 2017

Promisia Integrative Limited Consolidated Statement of Cash Flows

For the year ended 31 December 2016

GROUP	Note	2016	2015
		\$ 000	\$ 000
Operating Activities			
<i>Cash was provided by (applied to):</i>			
Interest (paid)		(44)	(54)
GST (net)		56	49
Receipts from customers		2,471	534
Payments to suppliers		(3,147)	(1,421)
Net Cash Used In Operating Activities	25	(664)	(892)
Investing Activities			
<i>Cash was provided from (applied to):</i>			
Purchase intangible assets		(40)	(19)
Net Cash Used In Investing Activities		(40)	(19)
Financing Activities			
<i>Cash was provided from (applied to):</i>			
New share capital		1,510	1,284
Net Cash From Financing Activities		1,510	1,284
Net Change In Cash Held		806	373
Bank at beginning of year		1,021	648
Bank at the end of year		1,827	1,021

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

1. General Information

The financial statements presented are those of Promisia Integrative Limited (the company) and its subsidiaries (the group). The Group's principal activities are focused on developing and marketing unique therapeutic natural products with proven safety and efficacy based on robust scientific research.

The company is registered under the Companies Act 1993 and is a Financial Markets Conduct 2013 reporting entity in terms of the Financial Reporting Act 2013. The group is profit-oriented.

Promisia Integrative Limited is a company domiciled and incorporated in New Zealand. The registered office of the company is Level 15, 171 Featherston Street, Wellington.

2. Statement of Accounting Policies

A) BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention.

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, which is the New Zealand equivalent to International Financial Reporting Standards (NZIFRS). They also comply with International Financial Reporting Standards.

The financial statements are presented in New Zealand dollars which is the group's functional and presentation currency and rounded to the nearest thousand dollars unless stated otherwise.

B) GOING CONCERN

The Promisia Group has generated sales of \$2,665,000 during the year ended 31 December 2016 (2015: \$408,000) and at year end the balance sheet records a position of positive equity.

It is the continuing opinion of the board of directors that there are reasonable grounds to believe that operational and financial plans in place are achievable and accordingly the group is able to continue as a going concern and meet its debts as and when they fall due. Accordingly, use of the going concern assumption remains appropriate in these circumstances.

In arriving at this position the directors have considered the following pertinent matters:

1. One of the directors has signed a letter of support stating that he will not, for a 12-month period, make demand on the company for amounts owed to him in the form of outstanding directors' fees, expenses and advances.
2. The directors are continuously assessing new options in the Group and together with the initiatives undertaken in 2015 and 2016, this will assist the Company in its next phase of growth with the development and commercialisation of its products.
3. The loan from Wells Investments Ltd — see note 20.

C) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with NZIFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future. The resulting accounting estimates will by definition seldom equal related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

Share based payments

The significant estimates and assumptions involved in measuring the cost of equity settled transactions with directors and management (note 7.5).

Impairment of intangible assets

Intangible assets are amortised and are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable (note 17).

D) SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of profit and the financial position have been applied.

i) Basis of consolidation — purchase method

The consolidated financial statements include the company and its subsidiaries accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation.

ii) Statement of cash flows

For the purpose of the cash flow statement, cash includes cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

iii) Foreign currencies

Transactions in foreign currencies are initially recognised in the functional currency of the relevant operating unit. At balance date, foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are recognised in the income statement. The assets and liabilities of foreign operations, whose functional currency is not the New Zealand dollar, are translated at the closing rate. Revenue and expense items are translated at the spot rate at the transaction date or a rate approximating that rate. Foreign currency exchange differences are recognised in the foreign currency translation reserve.

iv) Goods and Services Tax (GST)

The statement of comprehensive income and statement of cash flows have been prepared exclusive of GST. All items in the balance sheet are stated net of GST with the exception of receivables and payables which include GST invoiced.

v) Revenue

Revenue on sales of goods is recognized when they are delivered and ready for use by the customer and recorded at net of discounts allowed.

vi) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. These grants are deducted in reporting the related expenses. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

vii) Taxation

The income tax expense charged to the statement of comprehensive income includes both the current year's provision and the income tax effect of (i) Taxable temporary differences, except those arising from initial recognition of goodwill and other assets that are not depreciated; and (ii) Deductible temporary differences to the extent that it is probable that they will be utilised. Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit are ignored.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A deferred tax asset is only recognised to the extent that it is probable there will be future taxable profit to utilise the temporary differences.

viii) Share capital

Ordinary shares are classified as equity. Direct costs of issuing shares are shown as a deduction from the proceeds of the issue. Where share options issued have expired then share capital includes an adjustment for the expired share option cost as transferred from the option reserve.

ix) Share based payments

The Group measures the cost of equity-settled transactions with directors and management by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7.5.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

x) Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and advances to others, trade and other payables and term borrowings. They are all classified as loans and receivables and are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantively all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

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.

xi) Receivable and payables

Receivables and payables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts).

xii) Employee entitlements

There are no liabilities for annual leave, sick leave and long-service leave as the Group currently has no employees.

xiii) Inventories

Inventories are stated at the lower of cost, determined on a first-in first-out basis, and net realisable value after making any allowance for obsolescence or degradation. In particular, certain inventory which is older than 6 years, is discounted by 30%. The cost of work in progress and finished goods includes the cost to purchase the inventory and transport it to its current location.

xiv) Investments

Investments are valued at the lower of cost and market value. Where in the opinion of the directors there has been a permanent diminution in the value of investments this has been recognized in the current period. Shares in unlisted companies cannot be valued reliably. They are therefore carried at cost less any impairment losses. Should any impairment losses be suffered they will not be reversed even if the circumstances leading to the impairment are resolved.

xv) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. Costs that are associated directly with the development of software are recognised as intangible assets where the following criteria are met:

For external and internally developed software - expenditure on the research phase of a project to develop new customised software for e-commerce platforms is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements: (i) the development costs can be measured reliably (ii) the project is technically and commercially feasible (iii) the Group intends to and has sufficient resources to complete the project (iv) the Group has the ability to use or sell the software (v) the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

The useful lives of the Group's intangible assets are assessed to be finite. Assets with finite lives are amortised over their useful lives and tested for impairment whenever there are indications that the assets may be impaired.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the intangible asset of 3 to 5 years, from the date it is available for use.

xvi) Plant and equipment

Plant and equipment is initially recorded at cost. When an item of property, plant and equipment is disposed of any gain or loss is recognised in the statement of comprehensive income statement and calculated as the difference between the sale price and the carrying value of the item.

Depreciation is provided for on a diminishing value basis on all plant and equipment at depreciation rates calculated to allocate the assets' cost or valuation less estimated residual value over their estimated useful lives.

Major depreciation periods are plant and equipment 5 to 15 years.

Assets are fully written off when no longer in use by the Group.

xvii) Impairment

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of the fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, other than for goodwill, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Revenue

GROUP	2016	2015
	\$ 000	\$ 000
Sales	2,665	408
Total Revenue	2,665	408

4. Cost of Goods Sold

GROUP	2016	2015
	\$ 000	\$ 000
Opening balance inventory	591	417
Purchases	993	272
Closing balance inventory	(811)	(591)
Cost of goods sold	773	98

xviii) Changes in accounting policies

There have been no changes to the accounting policies for the year ended 31 December 2016.

Adoption status of relevant new financial reporting standards and interpretations:

(i) There are no new standards or amendments to standards applicable to the Group for the year ended 31 December 2016.

(ii) A number of new standards and amendments to standards became effective for early adoption for annual periods beginning after 1 January 2016. However, the Group has not early adopted these standards and is yet to assess their impact. The standards relevant to the Group are as follows: NZ IFRS 9 Financial Instruments (effective 1 January 2018) and NZIFRS 15- Revenue from Contracts with Customers (effective 1 January 2018) NZ IFRS 16: Leases (Effective for periods beginning on or after 1 January 2019).

5. Analysis of Expenses

GROUP	2016	2015
	\$ 000	\$ 000
Administration		
Auditor's Remuneration	38	27
Directors' Fees	74	60
Foreign Exchange Loss (Gain)	10	(10)
NZX Listing & Registry	42	45
Rental	13	16
Share Based Payment	43	43
Staff & Employment costs	180	140
Other	261	169
Total Administration	661	490
Operating		
Distribution	210	80
Marketing	1,172	357
Other operating costs	50	27
Total Operating	1,432	464
Research		
Clinical Trials	-	68
Employment Costs	182	177
Other Research	9	29
Less Grants	-	(40)
Total Research Expenses	191	234
Amortisation	23	14
Total Expenses	2,307	1,202

6. Taxation

GROUP	2016	2015
	\$ 000	\$ 000
Net Loss for year	(459)	(946)
Taxation @ 28 cents	-	-

The Group has \$3,551,460 (2015: \$3,140,986) of New Zealand domiciled entity tax losses accumulated from previous years. The current tax losses and 49% shareholder continuity are subject to IRD approval. To offset these tax losses against future taxable income, a 49% continuity of ultimate shareholders must own the Company's shares from beginning of the year of the loss to the end of the year of offset. The company met this condition at 31 December 2016. These tax losses will be recognised as an asset at the time that it is considered probable that future taxable profits are available to offset these tax losses.

There are no imputation credits available to shareholders (2015: \$nil).

7. Share Capital

The Group's share capital includes fully paid, subscribed and treasury shares. All fully paid shares carry full and equal voting rights and share equally in distributions. The shares have no par value.

7.1 Fully Paid Shares

There were 498,510,841 (2015: 435,532,130) authorised ordinary shares on issue at balance date.

	2016	2015
	\$ 000	\$ 000
Opening balance	54,225	52,731
New subscribed and paid capital	1,585	1,538
Expired/Retired options	17	44
Issue costs	(28)	(88)
Closing balance	55,799	54,225

7.2 New Subscribed and Paid Capital

GROUP	2016	2015
	\$ 000	\$ 000
New subscribed capital	1,585	1,690
Less unpaid subscribed capital	-	(152)
New subscribed and paid capital at 31 December 2016	1,585	1,538

During the year 63 million ordinary shares were issued as part of a rights issue to raise further equity funding of \$1,585,000 for the company's next phase of growth and development.

At 31 December 2016 the new subscribed and paid capital from the rights issue totalled \$1,585,000. There was no unpaid capital at 31 December 2016.

Details of shares issued to the directors as part of the rights issue are set out in note 22.2 (e).

7.3 Unpaid Ordinary Shares — Treasury Shares

A further 27,043,986 of unpaid shares have been issued by the company as a part of a Staff Unpaid Share Scheme for eligible staff being employees or contractors to purchase. The shares are unallocated shares and held by a nominee company, Promisia Trustee Limited - see note 22.2 (f). No shares were allocated at 31 December 2016.

GROUP	Number of shares	2016
		\$ 000
Opening balance 1 January 2016	-	-
Unpaid subscribed shares acquired	27,043,986	-
Closing balance 31 December 2016	27,043,986	-

7.4 Option Scheme

On 1 September 2014 the company granted further options totalling 17.08 million to the directors and management of the company. See note 22.2 (c) for other details.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016	2016	2015	2015
	Number of options	Weighted average of exercise price	Number of options	Weighted average of exercise price
Outstanding at 1 January	17,080,000	\$0.06	26,680,000	\$0.06
Granted	-	-	-	-
Expired	1,770,000	\$0.06	(9,600,000)	\$0.06
Outstanding at 31 December	15,310,000	\$0.06	17,080,000	\$0.06

The terms of issue of the options are -

The options (i) may be converted to ordinary shares by payment of \$0.08 per share up to the expiry date of 29 May 2018. (ii) may be transferred at any time provided the board approves the transfer. (iii) will not give any right to participate in dividends or any new pro rata entitlement issues of securities of the company until shares are allotted pursuant to the exercise of the options. (iv) shall vest annually based on a prorated calculation over the life of the option from grant to expiry date.

Should the option holder cease to hold office, employment, provide consulting services, (except where such cessation occurs as a result of a change in control of the company, with a change in control being where a shareholder or group of associated shareholders become entitled to sufficient shares in the company to give it or them the ability to replace all or a majority of the board of the company) the relevant outstanding options of option holder shall be forfeited and all rights and/or benefits in relation to those options shall also be forfeited after a period of 30 days from the date of cessation of holding office, employment and/or consulting as the case may be.

7.5 Share based payments & options granted

During the year the share based payment expense recognised for options granted by the company amounted to \$42,707 (2015 \$42,707.) See note 11 for further details.

The fair value of the services rendered in exchange for the grant of the options are recognised as an expense and the amount expensed is determined by reference to the fair value of the options granted. There are no market or non-market performance conditions attached to the options granted.

When the options are exercised, the company issues new shares and the proceeds received net of any directly attributable transaction costs are credited to the share capital and share premium accounts.

The fair value of the share options is estimated at the grant date using the Black - Scholes option pricing model taking account the terms and conditions upon which the share options were granted.

The volatility was measured based on a statistical analysis of share prices over the last year and a comparison of volatilities to other similar operating companies.

The inputs into the share option pricing model are as follows:

Options Granted	Issue 1	Issue 2
Grant date	24 April 2013	1 Sept 2014
Vesting period ends	26 Feb 2015	29 May 2018
Share price at date of grant	0.021 cents	0.042 cents
Volatility	50%	50%
Option life	1.84 years	3.7 years
Risk free investment rate	2.60%	3.61%
Fair value at grant date	0.014 cents	0.0094 cents
Exercise price at date of grant	0.025 cents	0.08 cents
Weighted average remaining contractual life	1.9 months	3.4 years

The sensitivity analysis of fair value of the options to volatility is presented in the following table:

	Range of volatility	Volatility change by	Fair value will change by
Options	50% to 99%	1%	0.03
Options	100 to 149%	1%	0.02
Options	150% & more	1%	0.01

8. Accumulated Losses

GROUP	2016	2015
	\$ 000	\$ 000
Opening balance	(53,932)	(52,986)
Net (Loss) for the year	(459)	(946)
Closing balance	(54,391)	(53,932)

9. Other Equity Reserves

GROUP	2016	2015
	\$ 000	\$ 000
Foreign currency — note 10	194	185
Share option — note 11	83	57
	277	242

10. Foreign Currency Reserve

GROUP	2016	2015
	\$ 000	\$ 000
Opening balance	185	195
Movement in foreign currency translation	9	(10)
Closing balance — note 9	194	185

This reserve comprises the foreign currency translation differences arising from the translation of the financial statements of the Group's foreign entities into New Zealand dollars.

11. Share Option Reserve

GROUP	2016	2015
	\$ 000	\$ 000
Opening balance	57	58
Share options granted to CEO/Directors	43	43
Expired and transferred to share capital	(17)	(44)
Closing balance — note 9	83	57

All share based remuneration is ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to the share option reserve. At the time of any expiry or exercise of options, the amount of the reserve relating to the expiry or exercise of options is transferred to share capital.

12. Earnings Per Share

GROUP	2016	2015
	\$ 000	\$ 000
Loss attributable to ordinary shareholders	(450)	(956)
Weighted average number of shares for basic EPS	454,715	294,550
Weighted average number of shares for diluted EPS	456,594	312,430
Basic earnings per share	\$(0.001)	\$(0.003)
Diluted earnings per share	\$(0.001)	\$(0.003)

The calculation of basic earnings per share is based on the loss from continuing operations attributable to ordinary shareholders and the weighted average of total ordinary shares on issue during the year. The calculation of diluted earnings per share is based on the loss from continuing operations attributable to ordinary shareholders and the weighted average number of ordinary shares assuming that the share options were exercised in full as at 31 December 2016 — see note 7.4 for further details.

13. Receivables

GROUP	2016	2015
	\$ 000	\$ 000
Current Receivables		
Trade receivables	258	36
Sundry receivables	-	10
Other taxes	-	51
Total other receivables	-	61
Total Current Receivables	258	97

14. Prepayments

GROUP	2016	2015
	\$ 000	\$ 000
Overseas contractor	71	34
Other	13	8
Total Prepayments	84	42

15. Inventory

GROUP	2016	2015
	\$ 000	\$ 000
Raw materials and extract	715	525
Finished product	96	66
Total Inventory	811	591

16. Tangible Assets

GROUP	2016	2015
	\$ 000	\$ 000
Plant & Equipment Gross carrying amount		
Balance 1 January	-	-
Additions	5	-
Balance 31 December	5	-

No depreciation or impairment charges were made during the year.

17. Intangible Assets

GROUP	2016	2015
	\$ 000	\$ 000
Website and trademark — Gross carrying amount		
Balance 1 January	129	110
Additions	35	19
Balance 31 December	164	129
Amortisation and Impairment		
Balance 1 January	(14)	-
Amortisation	(23)	(14)
Balance 31 December	(37)	(14)
Carrying amount at 31 December	127	115

18. Investments

GROUP	2016	2015
	\$ 000	\$ 000
NZX Listing Bond	75	75

The carrying value of these investments is considered to be equivalent to their market value.

19. Payables & Accruals

GROUP	2016	2015
	\$ 000	\$ 000
Current		
Trade and other payables	293	193
Accruals	175	122
Total Payables and Accruals	468	315

20. Loan

GROUP	2016	2015
	\$ 000	\$ 000
Current liability		
Loan	120	-
Non-current liability		
Loan	919	1,096
	1,039	1,096

On 22 October 2015, the Group entered into an updated loan agreement with Wells Investments Limited. Prior to this date the loan was fully repayable during 2015. At 31 December 2016, the balance of the loan was \$1,038,708. This loan is repayable by 1 December 2019 or earlier. Interest is charged at a rate of 5% per annum until 31 December 2016 and 6.5% from then until 1 December 2019. Loan repayments commenced in 2017 at \$10,000 per month. Details of the security granted over the loan are set out in note 21.

21. Securities Granted

Wells Investments Limited holds security over the assets of the Group in priority to all or any other lender until such time the loan is repaid.

22. Related Party Information

The Group has related party relationships with its controlled entities, and key management as follows:

22.1 Investments in Subsidiaries

The subsidiaries (controlled entities) held by the parent company were as follows:

	Principle Activities	Country of Incorporation	Cost	% Interest held by group
			\$	%
Promisia Limited	Distribution & Manufacture	New Zealand	-	100
Benefit Arthritis Limited	Distribution	New Zealand	-	100
Promisia Trustee Limited	Trustee	New Zealand	-	100
Promisia Australia Pty Limited	Distribution	Australia	113	100
Promisia LLC	Distribution	USA	-	100

During the year the group incorporated Promisia Trustee Limited on 13 May 2016 to act as a corporate trustee for the group companies.

22.2 Related Party Transactions and Balances

(a) As at 31 December 2016, directors' fees and expenses are owed to:

GROUP	2016	2015
	\$ 000	\$ 000
E. M. M. Johnson	-	80,650
S. Underwood	57,150	93,330
M. D. Priest	411	-
Total	57,561	173,980

E. M. M. Johnson resigned as a director on 3 June 2016 on and is owed \$92,748 at 31 December 2016

(b) No debts with related parties have been written off or forgiven during the year. The loan and advance balances by the directors are not secured and interest is not charged. One director has undertaken not to demand settlement of these balances for a period of 12 months.

(c) As at 31 December 2016, options granted to directors and management and outstanding:

	POSITION	GRANTED	OUTSTANDING	GRANTED	OUTSTANDING
		2016	2016	2015	2015
		\$ 000	\$ 000	\$ 000	\$ 000
E. M. M. Johnson	-	-	-	-	1,770
S. Underwood	Director	-	1,770	-	1,770
M. D. Priest	Director	-	1,770	-	1,770
T. D. Brankin	Director	-	1,770	-	1,770
C. Daily	CEO	-	8,000	-	8,000
Management	-	-	2,000	-	2,000
Total		-	15,310	-	17,080

(d) Transactions with key management

GROUP	2016	2015
	\$ 000	\$ 000
Short term benefits	100	-
Key contracted management	180	140
Share based payment	43	43

(e) Rights Issue

During 2016, the following directors acquired shares as part of the rights issue by the Group – (see note 7.2). Details of these transactions are as follows:

Director	Number of shares issued	Cost
	#	\$
S. Underwood	1,767,655	52,730
T. D. Brankin	5,080,407	152,412
M. D. Priest	5,527,927	165,838

(f) Staff Unpaid Share Scheme (“scheme”)

The company has established a staff unpaid share scheme which offers eligible employed and contracted staff (“staff”) an entitlement to purchase unpaid shares in the company at a specified price on a one-off basis, with no assurance being given that any entitlement will arise in future years. The continued operation of the scheme and any further entitlements will be at the sole discretion of the company directors. Terms and conditions of the offer are as follows:

During the year (i) 27,043,986 unpaid shares were purchased unpaid by Promisia Trustee Limited, the company’s “nominee” company (ii) offered to eligible staff at an issue price of \$0.16 cents per share.

The unpaid shares will be allocated to staff on acceptance of an offer to them and held on their behalf by the nominee company. No payment is required immediately for the unpaid shares issued until they have been vested and called on by the company. Fully or partly paid shares allocated to staff will rank equally or on a proportionate basis to all other shares issued by the Company.

The company has also set up a bonus scheme for staff with bonuses being paid to staff net of tax based on achieving agreed sales and other targets as set by the board on an annual basis for the financial years ending 31 December 2016 and 31 December 2017.

23. Financial Instruments

The following financial assets and liabilities by categories are as follows:

	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	2016	2016	2015	2015
	\$000	\$000	\$000	\$000
Cash	1,827	1,827	1,021	1,021
Receivables	258	258	97	97
Investments	75	75	75	75
Payables	(468)	(468)	(315)	(315)
Loan/Advances Payable	(1,039)	(1,039)	(1,096)	(1,096)

All carrying amounts of all financial assets and liabilities are classified under the category of loans and receivables.

FAIR VALUE MEASUREMENT

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 the financial assets and liabilities approximates their carrying value.

INTEREST RATE RISK

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. The holding company’s long term loans are at fixed interest rates. The interest payable on the loan is fixed and set over a range from 5% to 6.5% per annum over the term of the loan — see note 20.

CREDIT RISK

Credit risk is the risk that an outside party will not be able to meet its obligations to the holding company or group. Financial assets which will potentially subject the Group to concentrations of credit risk consist principally of cash and receivables. The cash is placed with high credit quality financial institutions with a minimum short term Standard and Poor’s credit rating of A-1. In the normal course of its business, the Group incurs credit risk from receivables and transactions with financial institutions. The maximum credit risk is the carrying amounts of receivables of \$258,000 which have an ageing duration of less than 6 months and no defaults — (2015 \$97,000).

The Group does not require any collateral or security to support financial instruments as it only deposits with, or loans to, banks and other financial institutions with high credit ratings. The Group does not expect the non-performance of any obligations at balance date.

CURRENCY RISK

Exposure to currency risk arises in the normal course of the Group’s business. The Group monitors exchange rate movements in foreign currencies and will take any action necessary to reduce currency risks where possible.

LIQUIDITY RISK

The Group manages its liquidity risk by maintaining availability of sufficient cash and funding via adequate credit and bank facilities. Owing to the nature of the underlying business, the Group aims to maintain funding flexibility through committed credit lines. The Group manages liquidity risk by monitoring actual and forecast cash flows on a regular basis and rearranging banking and credit facilities where appropriate.

The table below analyses the Group’s non-derivative financial liabilities into maturity groupings based on the remaining period from balance date to the contractual maturity date if applicable. The amounts disclosed are the contractual undiscounted cash flows.

	Current	Current	Non-current	Total
	Within 6 months	6 – 12 months	1 to 5 years	
	\$ 000	\$ 000	\$ 000	\$ 000
GROUP				
Interest bearing loans	-	120	919	1,039
Trade & other payables	468	-	-	468
Total	468	120	919	1,507

24. Segmental Reporting

The Group primarily derives its revenue from the sale of one product, with all revenue and assets accounted for in New Zealand. The Group has a wide range of customers with no single customer contributing more than 10% of the Group's revenue. It only has one operating segment which has been determined and based on financial information that is regularly reviewed by senior management.

NZ IFRS 8 Operating Segments: permits the aggregation of operating segments into reportable segments. This has been adopted as the Group has only one operating segment with similar economic characteristics being the production processes, customers and distribution channels for its product. Based on this analysis, no additional disclosure is required in the annual financial statements as the Group has one reportable segment.

25. Reconciliation of Cash Flows from Operating Activities

GROUP	2016	2015
	\$ 000	\$ 000
NET (LOSS) for the year	(459)	(946)
Adjustments for non-cash items:		
— Amortisation	22	14
— Foreign exchange differences	9	(10)
— Share based payment benefits	43	43
Net changes in working capital:		
Change in inventories	(249)	(173)
Change in payables and accruals	113	19
Change in receivables, GST and prepayments	(143)	161
NET cash from operating activities	(664)	(892)

26. Capital Management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. Net debt includes borrowings less bank funds.

The group's capital management objectives are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group is maintaining its capital base by prudent spending on operations, research and development in order to generate new revenue streams and sales activity in the Australia and USA. The directors anticipate being able to raise additional equity funds as and when required.

The amount of capital, cash and net debt that the Group has for the year is summarised as follows:

	2016	2015
	\$ 000	\$ 000
Total Equity	1,685	535
Borrowings	(1,039)	(1,096)
Bank	1,827	1,021
Net cash (debt)	788	(75)

27. Prior Period Adjustment

In the 2015 reporting year, an amount of \$38,105, capitalised to Intangible Assets in the 2014 year, was re classified as an expense rather than a capital payment. This has been effected by offset against capital payments in the 2015 year of \$50,827 to increase the Intangible Assets in 2015 by the net amount of \$12,722 only. NZ IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) requires such changes to be recorded as prior period adjustments, with the 2014 year's figures being re-stated to reflect the change in the correct year. However, the directors considered that a prior period adjustment was not necessary as it was not material to the financial statements taken as a whole and it would not have influenced the user's economic decisions. The directors consider that, in the surrounding circumstances, the interests of the users of these financial statements are adequately protected by way of this explanatory note disclosure.

28. Contingent Liabilities

There were no contingent liabilities at year end (2015: \$nil).

29. Contingent Commitments

There are no capital commitments 31 December 2016 (2015: \$nil).

30. Auditor's Remuneration

Audit fees of \$31,500 (2015 \$27,000) were paid for the audit of the financial statements only. No other services were provided.

Shareholder & Statutory Information

Stock Exchange Listing

The Company's fully paid ordinary shares are listed on the main board equity security market operated by NZX Limited under the call sign (PIL)

Principal Ordinary Shareholders as at 14 March 2017

The following table lists the names and holdings of the 20 largest holding parcels of quoted ordinary shares of the Company as at 14 March 2017.

Holder	Number Held	% Held
T. D. Brankin & M. John Kirwin Lay	46,304,210	9.29
E. M. M. Johnson & K. Johnson & E. Wright	44,570,320	8.94
C. O. Daily & J. F. O'Sullivan & C. E. Ritchie	21,517,647	4.32
New Zealand Central Securities Depository Limited	19,262,976	3.86
S. Underwood	13,693,890	2.75
S. P. Ward & J. P. Ward & J. M. Ward	13,647,137	2.74
Banc of America Securities Limited	12,854,532	2.58
Aotearoa Investment Company Pty Limited ATF	12,351,498	2.48
G. R. Wells	11,915,613	2.39
Wells Investments Limited	9,582,068	1.92
M. D. Priest	9,336,315	1.87
C. K. Mooi	8,400,000	1.69
FNZ Custodians Limited	8,400,000	1.69
S. A. Armstrong	8,120,779	1.63
C. S. Williamson	6,257,655	1.26
Central Nominees Limited	5,280,000	1.06
Ballynagarrick Investments Limited	5,060,706	1.02
R. A. Hitt	5,000,000	1.00
P. D. Wells	4,400,000	0.88
J. M. Tsang	4,150,224	0.83
Ly Bordis Limited	4,006,008	0.80
Top Twenty Shareholders	274,111,578	54.99

“A safe and effective alternative for managing the symptoms of osteoarthritis over an extended period.”

Total Shares on Issue

Name	Number of Holders	Shares Held	% Held
Top 20	20	274,111,578	54.99
Other Investors	1,367	224,399,263	45.01
Total	1,387	498,510,841	100.00

Spread of Ordinary Shareholders as at 14 March 2017

Holding Range	Number of Holders	Total Shares	%
1-1,000	9	4,611	0.0
1,001-5,000	363	1,150,872	0.2
5,001-10,000	193	1,507,320	0.3
10,001-50,000	342	8,746,151	1.7
50,001-100,000	125	9,209,384	1.9
100,001 or more	355	477,892,503	95.9
Total	1,387	498,510,841	100.00

Substantial Security Holders as at 14 March 2017

The Company's register of substantial security holders, prepared in accordance with section 35F of the Securities Markets Act 1988 disclosed the following information.

Name	Class of Shares	Number of Shares	% Held
T. D. Brankin & M. J. Kirwin Lay	Ordinary	46,304,210	9.29
E. M. M. Johnson & K. Johnson & E. Wright	Ordinary	44,570,320	8.94

Directors' Security Holdings as at 14 March 2017

Name		Number of Shares	% Held
T. D. Brankin	Director	46,304,210	9.29
S. Underwood	Director	19,083,890	3.83
M. D. Priest	Director	9,336,315	1.87

The directors did not hold any shares in the capacity of non-beneficiaries or associates.

Particulars of Directors' Share Transactions in Promisia Integrative Limited

DEALING IN SECURITIES

The following table shows transactions recorded in respect of those securities during the year 1 January 2016 to 31 December 2016.

Director	Date of transaction	No of securities purchased	Cost \$
E. M. M. Johnson — Rights Issue	7 January 2016	10,201,000	102,010
T. Brankin — Rights Issue	30 December 2016	5,080,407	152,412
T. Brankin — Off market transfer	10 May 2016	856,156	17,123
S. Underwood — Rights Issue	30 December 2016	1,767,655	53,030
M. Priest — Rights Issue	30 December 2016	5,527,927	165,838

Share Transactions and Holdings

The share transactions effected by various directors are recorded in the Interests Register as set out above and their holdings are shown on page 48.

Directors' Remuneration and Other Benefits

The names of the directors of the Company at 31 December 2016 and the details of their remuneration and the value of other benefits received for services to Promisia Integrative Limited for the year ended on that date are:

Director Nature of Remuneration

E. M. M. Johnson	\$9,702 Director's Fee
S. Underwood	\$33,792 Director's Fee
M. D. Priest	\$15,125 Director's Fee
T. D. Brankin	\$15,125 Director's Fee

Share options have been provided to the Directors as set out in note 22.2 (c)

Entries in the Interests Register

The Company has an Interests Register which records various disclosures as required by the Companies Act 1993 and in accordance with good governance practice.

Other Directorships or Trusteeships

The following represents the interests of directors in other companies or trustees of organisations as disclosed to the Company and entered into the Interests Register. The designation ** indicates the director also holds an equity interest in the company.

STEPHEN UNDERWOOD

- Promisia Integrative Limited - Group
- Central Nominees Limited**
- Central Securities Limited**
- Decisive Securities Limited**
- Insolvency Associates Limited
- Mobile Connect Limited
- Normandy Holdings Limited**
- Nalokua Holdings Limited**
- NZUC Finance Limited
- Panama Direct Limited**

- Panoply Consulting Limited

- Renouf Corporation Limited**
- Renouf Quay Company Limited**
- 138 The Terrace Limited
- Tuff Lite Limited

DUNCAN PRIEST

- Promisia Integrative Limited - Group

THOMAS BRANKIN

- Promisia Integrative Limited - Group
- Arthritis Limited
- Eileen Mary Age Care Limited**
- Eileen Mary Age Care Property Limited**
- I. Agri Limited
- Ranfurly Manor Limited**
- Ranfurly Manor No.1 Limited**
- Design Care Group Limited **
- iAgri 2003 Limited **

Auditors' Remuneration

Audit fees of \$32,000 (2015: \$27,000) are payable to the auditors for the audit of the statutory financial statements only.

Donations

There were no donations made during the year ended 31 December 2016 (2015:\$nil) by the Company or any of its subsidiaries.

Information Used by Directors

There were no notices from Directors of the Group or any of its subsidiaries requesting to use company information received in their capacity as a director which would not otherwise have been available to them.

Corporate Directory & Shareholder Information

Registered office and address for service

Level 15, 171 Featherston Street
WELLINGTON, 6011 NZ

P.O. Box 25–396
WELLINGTON 6146

T +64 4 894 8524

F +64 4 894 6598

E accounts@promisia.com

arthrem.co.nz or promisia.com

Directors

Stephen Underwood
Chairman

Duncan Priest
Non-executive Director

Thomas Brankin
Non-executive Director

Auditor

Moore Stephens Wellington Audit

Level 11, Sovereign House, 34/42 Manners Street
Te Aro, WELLINGTON 6011

Share Registrar

Link Market Services

Level 7, Zurich House, 21 Queen Street
PO Box 91976, AUCKLAND 1142

T +64 9 375 5998

F +64 9 375 5990

E enquiries@linkmarketservices.co.nz

Bankers

Kiwibank

Solicitors

Oakley Moran

Leaders Building, 15 Brandon Street
P.O. Box 241, WELLINGTON 6011

Company publications

The Company seeks to inform investors regarding its business operations through issuing an Annual Report, an Interim Report and Newsletters as is appropriate.

Financial Calendar

Half year results announced	August
Half year report	September
End of financial year	31 December
Annual results announced	February
Annual report	March/April

Enquiries

Shareholders with enquiries about transactions, change of address or dividend payments should contact Link Market Services on **+64 9 375 5998** or by email on enquiries@linkmarketservices.co.nz. Other questions may be directed to the Company at its registered address.

Stock Exchange

The Company's shares trade on the New Zealand Exchange under the code PIL. The minimum parcel on the NZX is 50 shares.

THIS ANNUAL REPORT
IS DATED 31 MARCH 2017
& IS SIGNED ON BEHALF
OF THE BOARD BY:



S. Underwood



T. Brankin

