Prōmisia

Promisia Integrative Limited

Annual Report
31 December 2019

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 December 2019 $ 000	31 December 2018 $ 000	Change %
Revenue	190	727	(74)
Total comprehensive income attributable to shareholders	(2,400)	(2,407)	(1)
Total Assets	85	1,851	(95)
Earnings per share	(0.001)	(0.004)	-
Net Tangible Asset Backing ($ per share)	$-	$0.001	-

SIGNIFICANT EVENTS

On 19 December 2019 the Company advised shareholders that it intended to cease its activities in the natural health sector and enter the aged care sector. The Company has entered into a conditional agreement to purchase three aged care facilities owned by its major shareholder, Brankin Family Trust, and a lease on a currently vacant building in Aldwins Road Christchurch that will be operated as an aged care facility.

The agreement is conditional upon shareholder approval and the completion of the necessary regulatory requirements prior to all details of the transaction being sent to shareholders.

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

Group Results

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

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

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

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

Medsafe Prosecution

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

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

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

New Zealand

Sales of Arthrem in New Zealand have been limited as the number of pharmacies selling the product reduced following the second Medsafe Alert in late 2018. Medsafe made a recommendation to the Medicines Classification Committee that Artemisia annua be classified as a prescription medicine. The Committee has accepted this recommendation and it was likely that all sales of Arthrem in New Zealand would cease in early March 2020. This decision has been subject to an unsuccessful judicial review but that review decision is being appealed. If all appeals fail then a notice will be published in the New Zealand Gazette and the company will cease to sell Arthrem.

Australia

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

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

Artevite

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

Funding

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

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

Entry into the Aged Care Business

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

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

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

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

Share Suspension

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

Summary

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

The directors thank shareholders for their support during the year.

Stephen Underwood

Chairman

25 March 2020

PEOPLE – BOARD OF DIRECTORS

Mr S. Underwood BCA LLB (VUW) Chairman

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.

Ms H. Down BCA (VUW) FCIM

Helen Down is a well known Wellington-based subject matter expert in both marketing and governance. Helen is recognised for being instrumental in the growth of innovative and exciting small and medium sized businesses, especially across the STEMM sectors.

MANAGEMENT

Mr Rene de Wit MSc Chem/MBA (Otago) CEO

Rene de Wit is an accomplished CEO and Change Manager with 25 years' experience in FMCG, Food Manufacturing, Printing, Packaging, Import/Export, Financial Services and Logistics. He has worked in corporate, privately owned and own business, specialising in turnarounds and change management.

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 in accordance with the Promisia Group Corporate Governance Code – refer to www.promisia.com for the full document.

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 three independent directors and one non-independent director as defined under NZX Rules. All four 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 and general business acumen.

As at 31 December 2019 the Board was as follows:

Stephen Underwood	Chairman and Non-Executive Director
Duncan Priest	Non-executive Director
Thomas Brankin	Non-executive Director
Helen Down	Non-executive Director

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 Helen Down, Duncan Priest, and Stephen Underwood are independent directors.

Thomas Brankin and associated interests hold a 51.3% shareholding in Promisia Integrative Limited.

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	
Director	**Held**	**Attended**	**Held**	**Attended**
Stephen Underwood	7	7	-	-
Duncan Priest	7	7	-	-
Thomas Brankin	7	7	-	-
Helen Down	7	7	-	-

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 35 and 36 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 affected while that person is in possession of price sensitive information. Details of director and staff share transactions are outlined on page 36.

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 did not meet during the financial year, attending to all matters through the full board meetings.

Remuneration Committee

During the 2019 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 the staff unpaid share scheme.

Nominations Committee

During the 2019 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 36.

Remuneration of Directors

The amount payable 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 2.11.4, 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 salary with the ability to participate in share options being granted from time to time as an additional incentive.

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 Officer. 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 2019 the gender balance of the Company's directors and senior management was as follows:

	Directors	Management
Male	3	1
Female	1	-
Total	4	1

Promisia Integrative Limited

Independent auditor's report to the Shareholders

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Promisia Integrative Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

As disclosed in Note 2(b), the Group has incurred a Net Loss for the year of $2.4 million and has negative working capital and equity and is subject to litigation. The Directors consider that the proposed Acquisition of Aged Care facilities as disclosed in Note 28 is virtually certain to proceed. This transaction will re-capitalise the Company, provide significant tangible assets and is expected to result in the Group achieving positive cashflows and profit from operations from the acquisition date.

The transaction is subject to regulatory approval and shareholder vote. If the proposed transaction did not proceed the Group could not continue to operate without obtaining additional funding.

We have been unable to obtain sufficient appropriate audit evidence in respect of the outcome of the regulatory approval and shareholder vote that would enable us to form an opinion about the Group's ability to continue as a going concern and therefore determine the appropriateness of the going concern assumption.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the Annual Report. Our opinion on the consolidated financial statements does not cover the other information included in the Annual Report and we do not express any form of audit opinion or assurance conclusion on the other information.

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.

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William Buck Audit (NZ) Limited

Directors’ Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation of consolidated financial statements that give a true and fair view in accordance with New Zealand equivalents to International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible 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 responsibility is to conduct an audit of the Group’s consolidated financial statements in accordance with International Standards on Auditing (New Zealand) and to issue an auditor’s report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

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

The engagement director on the audit resulting in this independent auditor’s report is Darren Wright.

Restriction on Distribution and Use

This report is made solely to the Company’s shareholders, as a body. Our audit work has been undertaken so that we might state to the Company’s shareholders those matters which we are required to state to them in an auditor’s 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 Company and the Company’s shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

William Buck

William Buck Audit (NZ) Limited
Auckland

25 March 2020

PROMISIA INTEGRATIVE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 $000	2018 $000
Revenue	3	190	727
Cost of goods sold	4	(53)	(218)
Impairment of inventory	4	(1,107)	(313)
		(970)	**196**
Other income		1	14
Expenses			
Administration	5	(1051)	(800)
Operating	5	(319)	(1,637)
Research	5	-	(116)
Amortisation and depreciation	5	(11)	(28)
Total Expenses		**(1,381)**	**(2,581)**
OPERATING LOSS		**(2,350)**	**(2,371)**
Finance costs – interest paid		(51)	(42)
Finance income – interest received		-	1
LOSS BEFORE INCOME TAX	8	**(2,401)**	**(2,412)**
Income tax expense	6	-	-
NET LOSS FOR YEAR		**(2,401)**	**(2,412)**
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		1	5
TOTAL COMPREHENSIVE LOSS FOR YEAR ATTRIBUTABLE TO SHAREHOLDERS		**(2,400)**	**(2,407)**
EARNINGS PER SHARE			
Basic earnings per share	9	$(0.001)	$(0.004)
Diluted earnings per share	9	$(0.001)	$(0.004)

All revenue, expenses and the net loss relate to the operations of the Group. Refer Note 29. 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 2019

	SHARE CAPITAL $000	FOREIGN CURRENCY RESERVE $000	SHARE OPTION RESERVE $000	ACCUM LOSSES $000	TOTAL $000
Equity at 31 December 2017	**56,041**	**177**	**51**	**(55,250)**	**1,019**
Net loss for the year	-	-	-	(2,412)	(2,412)
Other comprehensive income	-	5	-	-	5
Share Issue	2,169	-	-	-	2,169
Share based payment	-	-	17	-	17
Expired/Retired share options	68	-	(68)		-
Equity at 31 December 2018	**58,278**	**182**	**-**	**(57,662)**	**798**
Net loss for the year	-	-	-	(2,401)	(2,401)
Other comprehensive income	-	1	-	-	1
Share Issue	248	-	-	-	248
Equity at 31 December 2019	**58,526**	**183**	**-**	**(60,063)**	**(1,354)**

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

PROMISIA INTEGRATIVE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 $000	2018 $000
Equity			
Share Capital	7	58,526	58,278
Accumulated Losses	8	(60,063)	(57,662)
Foreign Currency Reserve		183	182
TOTAL EQUITY (DEFICIT)		**(1,354)**	**798**
Represented By :			
Current Assets			
Bank		21	512
Receivables	10	34	53
Inventory	11	-	1,156
Prepayments		1	4
Tax Receivable		6	5
TOTAL CURRENT ASSETS		**62**	**1,730**
Non-Current Assets			
Other Assets	14	20	75
Intangible Assets	13	-	11
Property, Plant & Equipment	12	3	35
TOTAL NON CURRENT ASSETS		**23**	**121**
TOTAL ASSETS		**85**	**1,851**
Current Liabilities			
Payables and Accruals	15	565	261
Employee benefits		19	8
Loan	16	855	784
TOTAL CURRENT LIABILITIES		**1,439**	**1,053**
TOTAL LIABILITIES		**1,439**	**1,053**
NET (LIABILITIES) ASSETS		**(1,354)**	**798**

Authorised for issue on behalf of the Board

Stephen Underwood
Chairman

Tom Brankin
Director

Wellington
25 March 2020

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

PROMISIA INTEGRATIVE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 $000	2018 $000
OPERATING ACTIVITIES			
Cash was provided by (applied to):			
Receipts from customers		202	741
Payments to suppliers and employees		(1,070)	(2,500)
Net interest paid		-	(40)
NET CASH USED IN OPERATING ACTIVITIES	**21**	**(868)**	**(1,799)**
INVESTING ACTIVITIES			
Cash was provided from (applied to):			
Refund of NZX deposit		55	-
Sale of plant & equipment		18	-
Purchase property, plant & equipment		-	(39)
Purchase intangible assets		-	(8)
NET CASH USED IN INVESTING ACTIVITIES		**73**	**(47)**
FINANCING ACTIVITIES			
Cash was provided from (applied to):			
New share capital		247	2,169
Advance (repayment) of loan	**22**	57	(135)
NET CASH FROM FINANCING ACTIVITIES		**304**	**2,034**
NET CHANGE IN CASH HELD		**(491)**	**188**
Bank at beginning of year		512	324
BANK AT END OF YEAR		**21**	**512**

This statement should be read in conjunction with the notes to the 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 were 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 reporting entity in terms of the Financial Markets Conduct 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 5, 22 Panama 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 $190,000 (2018: $727,000) and net losses of $2,400,000 (2018: $2,407,000) during the year ended 31 December 2019. At year end the consolidated statement of financial position records a position of negative working capital and negative 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:

(i) The directors consider the proposed acquisition of the aged care facilities as disclosed in Note 28 is virtually certain to proceed. The transaction will recapitalise the Company, provide significant tangible assets and is expected to result in the Group achieving positive cash flows and profit from operations from acquisition date. If the proposed acquisition did not proceed the Group could not continue to operate without obtaining additional funding.

(ii) considered the impact of the Ministry of Health prosecution – Refer Note 24.

(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:

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 (Refer Note 13).

Inventory

Inventory has been reviewed for obsolescence and all unsaleable inventories have been fully impaired in accordance with the group's inventory policy.

(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.

Cash flows are presented in the statement of cash flows on a GST inclusive basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

(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 has been prepared exclusive of GST. All items in the statement of financial position are stated net of GST with the exception of receivables and payables which include GST invoiced. Operating cash flows are presented on a GST inclusive basis.

(v) ***Revenue recognition - performance obligations and timing***

The majority of the group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Sales of goods are categorized as retail, on line and other sales.

(vi) Lease costs

Where the Group is the lessee, then operating leases or finance leases ("leases") are recognised as assets and liabilities for all leases with a term of more than a year including the right of renewals of for future periods, unless the underlying asset is of low value.

The value of the asset leased is initially recorded as a right of use ('ROU') asset and is measured at the initial present value of the total lease payments including initial direct costs and prepayments made to lessor less any lease incentives received from the lessor, restoration, removal and dismantling costs ("lease costs"). Recognition of a lease liability is measured and calculated using the initial measurement of the present value of the total lease costs. The lease payments are discounted using the Group's incremental borrowing rate.

(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 temporary 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.

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, other assets (being the NZX listing bond), loans and advances to others, trade and other payables and term borrowings. They are all 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 Consolidated 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) Receivables 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 benefits

A liability for short-term employee benefits accruing to employees in respect of salaries and annual leave other than termination benefits, that are expected to be settled wholly within 12 months after the end of the reporting period are accrued and recognised in the consolidated statement of financial position. Short-term employee benefits as a result of employee services are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

The group has no long term benefits.

(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.

(xiv) 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 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 excluding trademarks 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. Trademarks are not amortised and are reviewed annually to ensure they are still applicable and registered.

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.

(xv) 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 Consolidated Statement of Comprehensive Income 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.

(xvi) 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.

(xvii) Changes in accounting policies

There have been no changes to the accounting policies for the year ended 31 December 2019.

The following standard - NZIFRS 16: Leases became effective for period beginning on or after 1 January 2019. It was adopted and had no significant effect on the Group's financial statements as at 31 December 2019. There were no other standards required to be adopted during 2019.

(xviii) Change in comparatives

Upon further consideration and review of the loan terms and conditions, it was determined that the comparative figures of the loan amount should be classified as current at the reporting date. As such, the loan was reclassified from non-current to current in the prior year.

3. Revenue

	2019 $000	2018 $000
Retail	140	493
On– line	37	82
Other	13	352
Total Revenue	**190**	**727**

4. Cost of Goods Sold and Impairment

	2019 $000	2018 $000
At 1 January –inventory	1,156	1,383
Purchases	4	303
Impairment of inventory	(1,107)	(313)
At 31 December - inventory	-	(1,156)
Cost of goods sold	**53**	**218**

5. Analysis of Expenses

	2019 $000	2018 $000
Administration		
Auditor's remuneration	39	28
Provision for doubtful debts	6	-
Directors' fees	100	100
Foreign exchange (gain) loss	-	7
Legal & professional	314	22
NZX listing & registry	38	48
Rental	28	48
Share based payment	-	17
Staff & employment costs	365	344
Other	161	186
Total Administration	1,051	800
Operating		
Distribution	140	411
Marketing	90	1,057
Impairment of intangible assets	14	105
Other operating costs	75	64
Total Operating	319	1,637
Research		
Employment costs	-	93
Other research	-	23
Total Research Expenses	-	116
Amortisation and depreciation	11	28
TOTAL EXPENSES	**1,381**	**2,581**

6. Taxation

	2019 $000	2018 $000
Net (Loss) for year - (note 8)	(2,401)	(2,412)
Taxation @ 28 cents	-	-

The Group has $ 1,294,000 (2018: nil) of New Zealand domiciled entity tax losses to offset against future taxable income.

The current tax losses of 2,401,000 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 2019. At 31 December 2018 it did not meet this condition and lost the ability to offset accumulated losses of $5,734,887 to 31 December 2018 against future taxable income.

There are no imputation credits available to shareholders (2018: $nil).

Deferred tax

No deferred tax asset has been recognised. Any future tax losses and deferred tax assets of $310,000 (2018: nil) will be recognised at the time that it is considered probable that future taxable profits are available to offset these tax losses and continuation of shareholding maintained.

7. Share Capital

The Group's share capital includes fully paid and subscribed ordinary shares of 2,151,797,451 and unpaid ordinary shares of 16,595,856 totalling 2,169,393,367 (2018: 1,918,393,307). All fully paid ordinary shares carry full and equal voting rights, share equally in distributions and have no par value. Movements in the issued and unissued ordinary shares are set out below:

7.1 Fully paid ordinary shares

There were 2,151,797,451 (2018: 1,901,797,451) fully paid ordinary shares on issue at balance date. The ordinary shares do not have a par value.

	2019 Number of shares (000)	2018 Number of shares (000)	2019 $000	2018 $000
At 1 January	1,901,797	508,959	58,278	56,041
New subscribed and paid capital	250,000	1,392,838	250	2,300
Expired/Retired options	-	-	-	68
Issue costs	-	-	(2)	(130)
At 31 December	2,151,797	1,901,797	58,526	58,278

New subscribed capital of 250,000,000 shares was issued and fully paid for $250,000 - refer Note 18.2(d)

7.2 Unpaid ordinary shares – Treasury shares

There were of 16,595,856 (2018: 16,595,856) available for issue at balance date as part of the Staff Unpaid Share Scheme for eligible staff, being employees or contractors, to purchase.

The unallocated and unpaid ordinary shares are held by a nominee company, Promisia Trustee Limited. The unpaid shares were cancelled in February 2020.

7.3 Option Scheme

On 1 September 2014 the company granted further options totalling 17.08 million to the directors and management of the company which fully expired by 29 May 2018. There was no option scheme in place during 2019. Share based payments of nil were paid out during 2019 (2018:17,000).

8. Accumulated Losses

	2019 $000	2018 $000
At 1 January	(57,662)	(55,250)
Net loss for the year	(2,401)	(2,412)
At 31 December	(60,063)	(57,662)

9. Earnings per share

	2019 $000	2018 $000
Net Loss for year	(2,401)	(2,412)
Basic earnings per share	$(0.001)	$(0.004)
Diluted earnings per share	$(0.001)	$(0.004)
	Number of shares 000	**Number of shares 000**
Weighted average number of shares for basic EPS	2,151,797	668,800
Weighted average number of shares for diluted EPS	2,157,797	640,082

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 there are share options to be exercised in full as at 31 December 2019 - Refer Note 7.3 for further details.

10. Receivables

	2019 $000	2018 $000
Current Receivables		
Trade and other receivables	20	26
Other taxes	14	27
Total current receivables	**34**	**53**

A provision for impairment of $6,000 over receivables was made during 2019 (2018:Nil).

11. Inventory

	2019 $000	2018 $000
Raw materials and extract	888	887
Finished product	208	582
Provision for impairment – refer note 11.1	(1,096)	(313)
Total Inventory	**-**	**1,156**

11.1 Provision for inventory impairment

	2019 $000	2018 $000
Opening balance	313	-
Recognised in the year	1,107	313
Utilised in the year	(224)	-
Closing balance - refer note 11	**1,096**	**313**

Inventory was impaired by $1,107,000 during 2019 in the statement of comprehensive income as part of cost of goods sold. (2018 $313,000) - refer Note 4.

12. Property Plant & Equipment

	2019 $000	2018 $000
Plant & Equipment Gross carrying amount		
At 1 January	48	9
Additions	-	39
Disposals	(33)	-
At 31 December	15	48
Accumulated depreciation		
At 1 January	(13)	(2)
Disposals	10	-
Depreciation	(9)	(11)
At 31 December	(12)	(13)
Carrying amount at 31 December	**3**	**35**

13. Intangible Assets

	2019 $000 Website	2019 $000 Trademarks	2019 $000 Total
Gross carrying amount			
At 1 January	142	49	191
Additions	-	-	-
At 31 December	142	49	191
Accumulated amortisation			
At 1 January	(131)	(49)	(180)
Amortisation	(2)	-	(2)
Provision for impairment	(9)	-	(9)
At 31 December	(142)	(49)	(191)
Carrying Amount at 31 December	**-**	**-**	**-**

	2018 $000 Website	2018 $000 Trademarks	2018 $000 Total
Gross carrying amount			
At 1 January	142	41	183
Additions	-	8	8
At 31 December	142	49	191
Accumulated amortisation			
At 1 January	(58)	-	(58)
Amortisation	(17)	-	(17)
Provision for impairment	(56)	(49)	(105)
At 31 December	(131)	(49)	(180)
Carrying Amount at 31 December	**11**	**-**	**11**

14. Other Assets

	2019 $000	2018 $000
NZX Listing Bond	20	75

During the year $55000 of the bond was paid back to the company by NZX

15. Payables and Accruals

	2019 $000	2018 $000
Current		
Trade payables	303	127
Other payables	2	23
Accruals	260	110
Total Payables and Accruals	**565**	**261**

16. Loan

	2019 $000	2018 $000
Current liability		
Loan	855	784

At 31 December 2019 the balance of the loan was $855,175.

On 1 October 2018, the loan from Wells Investment Limited was assigned to the Brankin Family Interest Trust. Interest was charged at a rate of 6.5% p.a from 1 February 2019. The Brankin Family Interest Trust advanced a further $57,000 to the company during the year and interest was charged at 8% p.a. The $57, 0000 advance and loan of $798,175 are repayable upon demand. In March 2020, the Brankin Family Interest Trust has undertaken not to make a request for repayment of the loan of $798,175 until at least March 2021.

The Brankin Family Trust is a related party to T.D Brankin, a shareholder and a director of the Group. Details of the security granted over the loan are set out in Note 17.

17. Securities Granted

Brankin Family Interest Trust holds security over the assets of the Group in priority to all or any other lender until such time the loan is repaid.

18. Related Party Information

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

18.1 Investments in Subsidiaries

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

	PRINCIPAL 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

18.2 Related Party Transactions and Balances

(a) As at 31 December 2019, accrued directors' fees and expenses were payable to:

	2019 $000	2018 $000
T.D. Brankin	14	-
S. Underwood	41	-
M.D. Priest	14	-
H.Down	15	2
Total	84	2

	2019 $000	2018 $000
Director fees for the year	100	100

During the year the company entered into the following related party transaction:

Consulting fees of $8,775 (2018 $60,250) were paid to Helen Down, a director and shareholder of the company. All transactions were conducted on normal trading terms.

(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.

Refer to Note 16 for details of a loan from the Brankin Family Trust which is related to one of the directors – T D Brankin.

(c) Transactions with key management

	2019 $000	2018 $000
Key management remuneration	200	200
Share based payment	-	17

(d) Issue of shares to directors

On 12 December 2018 the company's major shareholder, Brankin Family Interest Trust, was granted the option to subscribe for 250 million shares at a price of $0.001 per share. These additional shares were approved by a special meeting of shareholders on 4 December 2018. The 250 million shares represented shortfall shares not taken up by eligible shareholders in the rights issue that closed on 24 December 2018.

The shares were issued fully paid on 12 December 2019.

No shares were issued to the other directors of the company.

19. Financial Instruments

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

	2019 Carrying Amount $000	2019 Fair Value $000	2018 Carrying Amount $000	2018 Fair Value $000
Cash	21	21	512	512
Receivables	34	34	53	53
Investments	20	20	75	75
Payables	(584)	(584)	(269)	(269)
Loan	(855)	(855)	(784)	(784)

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

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 interest payable on loans to 31 December 2019 was fixed at 6.5% and 8% per annum for two loans. (2018: 6.5% per annum) – Refer Note 16.

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 trade and other receivables of $14,000 which $11,000 have an ageing duration of less than 6 months and no defaults - (2018 $26,000) – Refer Note 10.

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 Within 6 months $000	Current 6-12 months $000	Non-Current 1 to 5 years $000	Total $000
Interest bearing loans	57	-	798	855
Payables and accruals	565	-	-	565
Total	612	-	798	1,420

The Group does not have the ability to meet its current obligations. It expects the proposed aged care acquisition to proceed and to recapitalise the Group. Refer Note 28.

20. Segmental Reporting

The Group derives its revenue from the sale of one product in New Zealand with all revenue and assets accounted for in New Zealand. The Group also had a wide range of customers with no single customer contributing more than 10% of the Group's revenue. It had 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. Refer Note 29 (b).

21. Reconciliation of Cash Flows from Operating Activities

	2019 $000	2018 $000
NET (LOSS) FOR THE YEAR	**(2,400)**	**(2,412)**
Adjustments for non-cash items:		
-Amortisation	2	17
-Depreciation	9	11
-Foreign exchange differences	-	5
- Impairment of debtors	6	-
- Impairment of intangible assets	-	104
- Impairment of inventory	1,107	313
- Loss sale plant & equipment	15	-
- Share based payment benefits	-	17
Net changes in working capital:		
Change in inventories	48	57
Change in payables and accruals	294	(68)
Change in receivables, GST and prepayments	51	167
NET CASH FROM OPERATING ACTIVITIES	**(868)**	**(1,799)**

22. Reconciliation of Cash Flows from Financing Activities

The movement in loan liabilities to 31 December 2019 and the effect of non-cash transactions arising from financing these cash flow activities is shown below.

Loan	2019 $000	2018 $000
At 1 January	784	919
Advances (loan repayments)	57	(135)
Non cash flow items		
Other loan movements	14	-
At 31 December	855	784

23. 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 directors anticipate being able to raise additional equity funds as and when required – to fund the proposed aged care acquisition - refer Note 28.

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

	2019 $000	2018 $000
Total (Negative)Equity	(1,354)	798
Borrowings	(855)	(784)
Bank	21	512
Net (debt) cash	(834)	(272)

24. Contingent Liabilities

At 31 December 2019, the company had the following contingent liability:

Notice of prosecution

On 7 February 2019 the company was served with a notice of prosecution by the New Zealand Ministry of Health for nine alleged breaches of the Medicines Act 1981. In these charges the Ministry alleges that the company has sold an unlicensed medicine and that certain advertising by the company is in breach of the Medicines Act.

The company intends to defend all charges and has made three brief appearances in the District Court with little progress being made to set a hearing date.

The maximum fine per charge is $100,000 but fines for previous convictions for these offenses have been significantly lower than the maximum permitted.

There were no other contingent liabilities at 31 December 2019. (2018:$nil).

25. Operating Commitments

The group had the following operating commitments:

	2019 $000	2018 $000
Less than 1 year	-	48
Between 1 and 3 years	-	23
Total	-	71

The company no longer rents office space and has no leasing commitments.

In 2018 it had an operating lease to lease space under an operating lease which was cancellable. Operating lease payments, where the lessors effectively retain substantially all of the risks and benefits of ownership of the leased items, are recognised in the determination of the operating result in equal instalments over the lease term.

26. Capital Commitments

There are no capital commitments at 31 December 2019 (2018: $nil).

27. Auditor’s Remuneration

Audit fees of $25,000 (2018 $27,000) were provided for the audit of the financial statements only. No other services were provided.

28. Proposed acquisition of Aged Care Facilities

The Group has entered a conditional agreement to acquire:

(i) Three aged care facilities for $31.3m. This acquisition will involve the purchase of assets and assumption of certain liabilities; and

(ii) a lease on a property to be used as an aged care facility.

This agreement consists of the Group acquiring:

- the Ranfurly Manor and Nelson Residential Care Centre in Feilding and Eileen Mary Residential Care Centre in Dannevirke.
- a long term lease of Aldwins House in central Christchurch with a view to opening it as a rest home/hospital in 2020. An option to purchase the property from interests associated with Mr. Ian Cassels of The Wellington Company Limited is included in the acquisition.

The Group is negotiating terms for debt finance of $17.3m, new equity issuances proposed of $8m to the vendor and $6m-$8m to various private placement participants, all at 0.1c per share.

The proposed acquisition is subject to shareholder vote and prior approval of all documentation related to the proposed acquisition of aged care facilities, by the NZX and Financial Markets Authority.

29. Subsequent Events

(i) The Group has submitted documentation to NZX and FMA for their approval prior to release to shareholders.

(ii) On 14 February 2020 the company announced that it would cease all sales of Arthrem. This is as a result of the recommendation to the Ministry of Health by the Medicines Classifications Committee that artemisia annua be classified as a prescription medicine. Refer Note 2(b) on going concern.

Due to the reclassification of artemisia annua as a prescription only medicine, the company will no longer trade in its present form. Future activity will depend on the outcome of the proposed aged care acquisition - Refer Note 28.

SHAREHOLDER AND 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 20 March 2020

The following table lists the names and holdings of the 20 largest holding parcels of quoted ordinary shares of the Company as at 20 March 2020

Holder	Number Held	% Held
T.D.Brankin & M.J.Kirwin Lay	1,103,804,210	51.30
S.P.Ward & J.P. Ward & J.M.Ward	74,391,081	3.46
J.M. Obrien	73,929,066	3.44
S..Underwood	60,775,560	2.82
E.M.M. Johnson	48,818,720	2.27
E.M.M. Johnson & K. Johnson	44,570,320	2.07
G.C. Royal	43,508,830	2.02
P. McVeigh	28,589,017	1.33
Tirol Nominees Limited	28,083,413	1.31
M.D.Priest	26,836,315	1.25
D.J. Robinson	24,626,281	1.14
ASB Nominees Limited	18,000,000	0.84
Bank Of America Merril Lynch International Dac	12,854,532	0.60
B.W. J. Anderson	12,750,000	0.59
J.P. Ward	12,351,498	0.57
G.R. Wells	11,915,613	0.55
R.D. Angus	11,847,545	0.55
Central Nominees Limited	11,314,238	0.53
Wells Investments Limited	10,603,968	0.49
S.A. Armstrong	10,020,779	0.47
	1,669,590,986	77.6

Total Shares on Issue

	No Holders	Shares Held	% Held
Top 20	20	1,669,590,986	77.60
Other Investors	1,420	482,206,465	23.40
Total	**1,440**	**2,151,797,451**	**100.00**

Spread of Ordinary Shareholders as at 20 March 2020

Holding Range	No of Holders	Total Shares	%
1-1,000	9	3,732	0.00
1,001-5000	349	1,084,576	0.05
5001-10,000	162	1,266,941	0.06
10,001 -50,000	336	8,744,380	0.41
50,001-100,000	141	10,798,761	0.50
100,001 or more	443	2,129,899,061	98.98
Total	**1,440**	**2,151,797,451**	**100.00**

Substantial Security Holders as at 20 March 2020

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	No Shares	% Held
T.D. Brankin & M.J. Kirwin Lay	Ordinary	1,103,804,210	51.30

Directors' Security Holdings including beneficial interests as at xxx 2020

Name		No Shares	% Held
T.D. Brankin	Director	1,103,894,210	51.3
S. Underwood	Director	72,089,798	3.3
M.D. Priest	Director	26,836,315	1.2
H. Down	Director	500,000	0.0

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 2019 to 31 December 2019.

Director		Date of transaction	No of shares purchased/(sold) 000	(Proceeds) cost $
T.D. Brankin –	Allotment	12 December 2019	250,000	$250,000
M. D. Priest –	Off market transfer	7 February 2019	(4,000)	$(4,000)

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 36.

Directors' Remuneration and Other Benefits

The names of the directors of the Company at 31 December 2019 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

S. Underwood	$49,000	Director's fee
M.D. Priest	$17,000	Director's fee
T.D. Brankin	$17,000	Director's fee
H. Down	$17,000	Director's fee

Employee Remuneration

There was only one employee, or former employee, who received remuneration and other benefits valued at or exceeding $100,000 during the year to 31 December 2019, that being in the range of $200,000 to $210,000.

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**, Insolvency Associates Limited, Normandy Holdings Limited**, Panama Direct Limited**,Raurimu Nominees Limited, Renouf Corporation Limited**, Tuff Lite Limited, Benefit Arthritis Limited.

Duncan Priest

Promisia Integrative Limited - Group, Trans- Tasman Resources Limited**.

Thomas Brankin

Promisia Integrative Limited – Group, Aldwins House Limited**, Eileen Mary Age Care Limited**, Eileen Mary Holdings Limited**, Eileen Mary Age Care Property Limited**, i.Agri Limited**, Nelson Street Resthome Limited**, OTB Property Limited**, Ranfurly Manor Limited**, Ranfurly Manor Holdings Limited**, Ranfurly Manor No.1 Limited**, Design Care Group Limited**, Benefit Arthritis Limited.

Helen Down

Promisia Integrative Limited - Group, Advisory Boards New Zealand Limited**, Synthesis Marketing Limited**. Technology Valley Limited.

Auditors' Remuneration

Audit fees of $25,000 (2018: $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 2019 (2018: $nil) by the Company or any if 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.

Takeovers Panel Disclosures

The following information is required to be included in the 2019 Annual Report of the company as a condition of an Exemption Notice, Takeovers Code (Promisia Integrative Limited) Exemption Notice 2018 (Exemption Notice), issued pursuant to section 45 of the Takeovers Act 1993, by the Takeovers Panel.

The Exemption Notice was issued by the Takeovers Panel on 29 November 2018.

Annual Report Requirements

1. Share Put Option

At a meeting of shareholders held on 4 December 2018 (Meeting) shareholders approved a resolution authorising Thomas David Brankin and Michael John Kirwan Lay as trustees of the Brankin Family Interest Trust (Brankin Trust) to acquire up to 39,027,368 shares from Mr G R Wells and Wells Investments Ltd (Wells) under a put option agreement (Put Option) between the parties. Mr. Brankin is a director of the company. The Put Option agreement had two exercise dates when Wells could require Brankin Trust, to acquire the said shares. The two exercise dates are 30 January 2019 (at $0.006 per share) and 30 September 2020 (at $0.009 per share).

Wells did not exercise the Put Option on 30 January 2019.

2. Summary of terms and conditions of the Exemption Notice

The Exemption Notice provided exemptions for:

a) the Brankin Trust from rule 7(c) of the Takeovers Code in respect of any increase in its voting control resulting from its acquisition of voting securities under the Put Option; and
b) the company from rule 15(b) of the Takeovers Code, but only to the extent that the rule requires the notice of meeting to contain, or be accompanied by, particulars of voting securities to be acquired under the Put Option.

The exemptions were granted on various conditions, including that:

a) this annual report includes these disclosures.
b) information regarding the Exemption Notice and any 1% movements in the voting securities held by the Brankin Trust are disclosed on the company website (see www.promisia.com).
c) the notice of Meeting contained certain disclosures and information. The Notice of Meeting was released to the market on 16 November 2018 and can be viewed on the NZX website at www.nzx.com.

3. Voting Securities of Brankin Trust

As at 31 December 2019 (the Calculation Date) the Company had 2,151,797,451 ordinary shares on issue and the company had no voting securities on issue other than its ordinary shares.

As at the Calculation Date the Brankin Trust holdings of voting securities are disclosed as follows:

Number of voting securities acquired by the Brankin Trust under the Put Option:	Nil.
Number of voting securities on issue that are held or controlled by the Brankin Trust and the percentage of all voting securities on issue that that number represents:	1,103,804,210 ordinary shares are held or controlled by Brankin Trust representing 51.3% of all ordinary shares on issue.
The aggregate of the percentages of all voting securities on issue that are held or controlled by the Brankin Trust and their associates:	51.3%
The maximum percentage of all voting securities that could be held or controlled by the Brankin Trust if they acquire all shares under the Put Option:	53.1%*
The maximum aggregate of the percentages of all voting securities that could be held or controlled by the Brankin Trust and its associates if they acquire the approved maximum number of voting securities under the Put Option:	53.1%*

* The assumptions on which these percentages are based are that:

a) the Brankin Trust acquires all of the voting securities that are subject to the Put Option.
b) from the Calculation Date until all voting securities are acquired under the Put Option the company does not issue any other voting securities.
c) the Brankin Trust does not dispose of or acquire any voting securities in the Company prior to all of the voting securities being acquired under the Put Option.

CORPORATE DIRECTORY AND OTHER INFORMATION

Registered office and address for service

Level 5, 22 Panama Street
Wellington 6011
P O Box 25-396
Wellington 6146

Telephone: +64 4 4995563
Mobile: +64 22 0430634
Facsimile: +64 4 8318688

Email: accounts@promisia.com

Website: http://arthrem.co.nz/ or
http://promisia.com/

Directors

Stephen Underwood, Chairman
Duncan Priest
Thomas Brankin
Helen Down

Auditor
William Buck Audit (NZ) Limited
Level 4, 21 Queen Street
Auckland 1010

Share Registrar
Link Market Services
Level 7, Zurich House
21 Queen Street
P O Box 91976
Auckland 1142

Telephone: +64 9 375 5998
Facsimile: +64 9 375 5990
Email: enquiries@linkmarketservices.co.nz

Bankers
Kiwibank

Solicitors
Duncan Cotterill
Chartered Accountants House
Level 2, 50 Customhouse Quay
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

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.