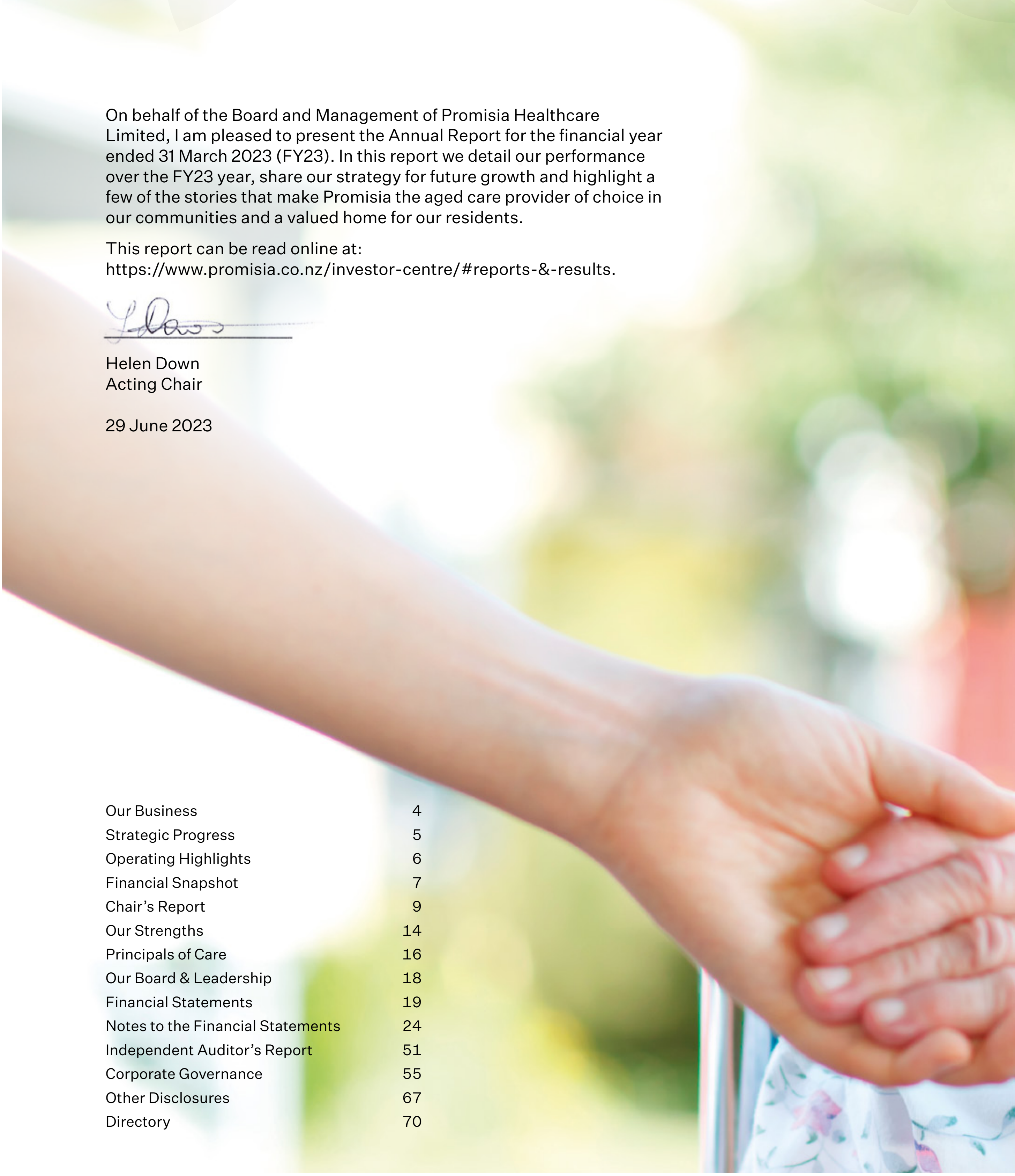
Promisia
HEALTH AND CARE

Annual Report 2023

FOR THE YEAR ENDED 31 MARCH 2023

Management commentary
(no financial statements)



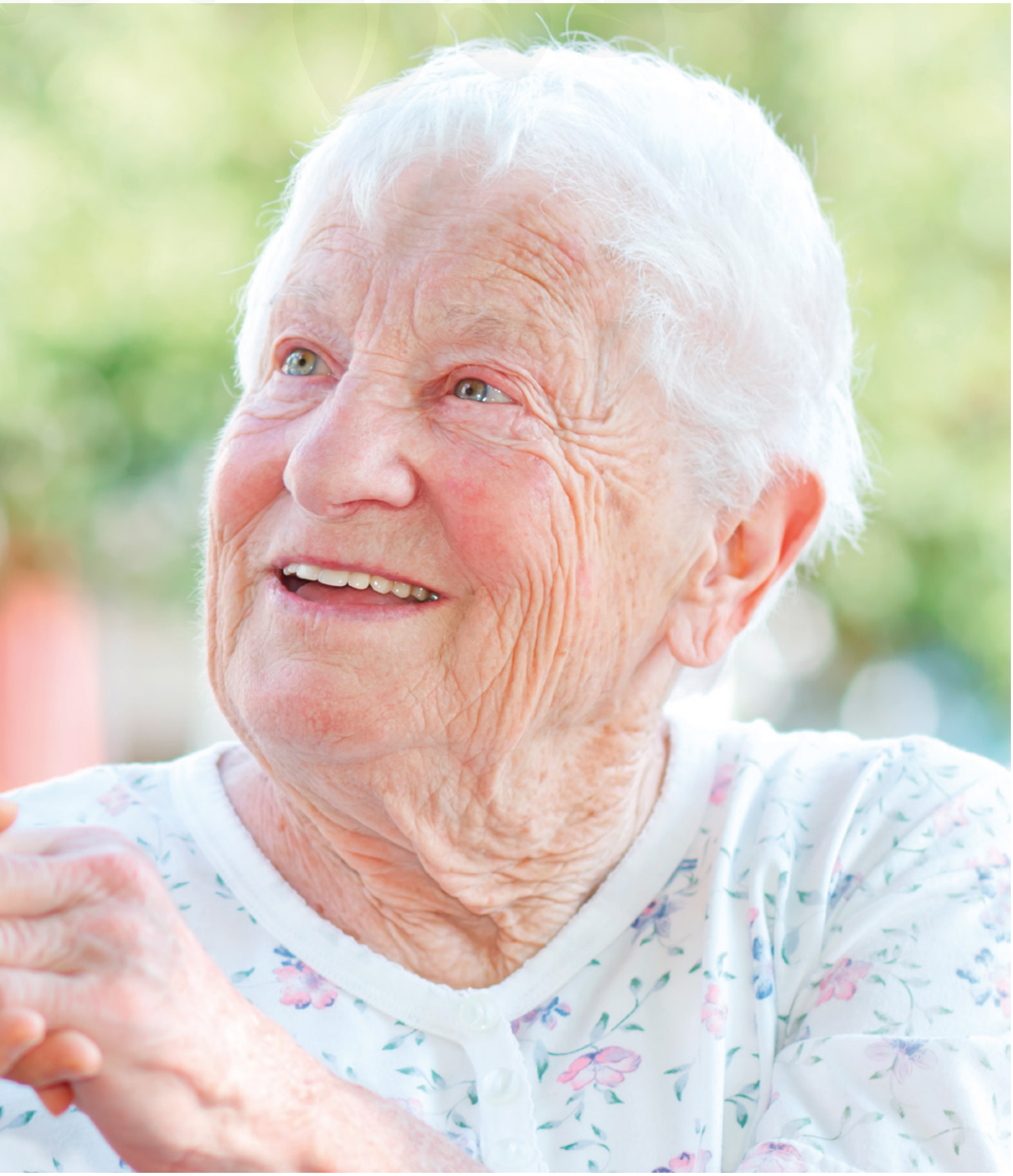
On behalf of the Board and Management of Promisia Healthcare Limited, I am pleased to present the Annual Report for the financial year ended 31 March 2023 (FY23). In this report we detail our performance over the FY23 year, share our strategy for future growth and highlight a few of the stories that make Promisia the aged care provider of choice in our communities and a valued home for our residents.

This report can be read online at:
https://www.promisia.co.nz/investor-centre/#reports-&-results.

Helen Down
Acting Chair

29 June 2023

Management commentary
(no financial statements)



Management commentary
(no financial statements)

Our Business

Providing the care people need as they age

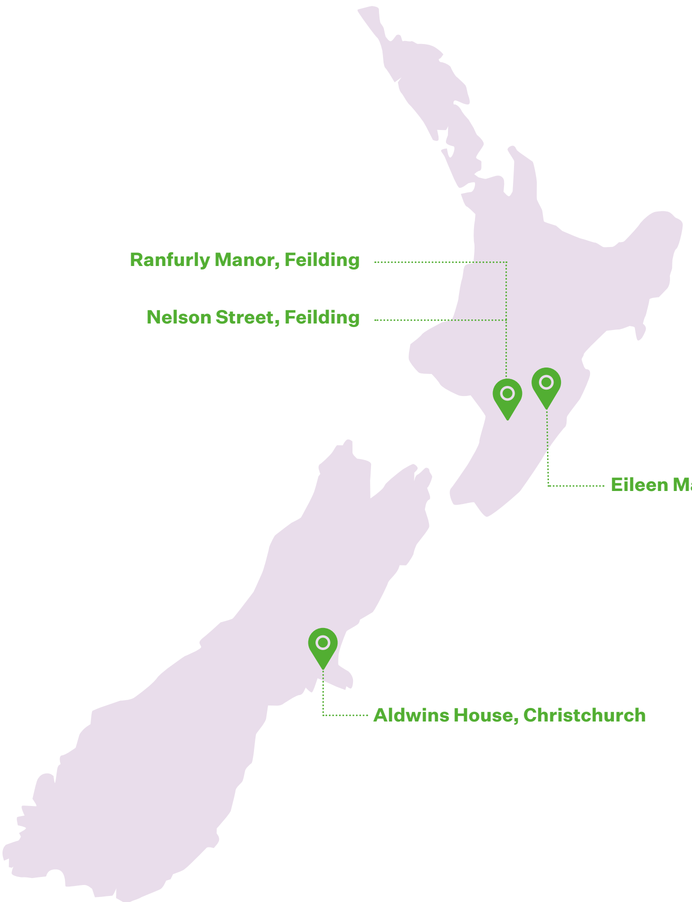
Promisia is a New Zealand based aged care and retirement living provider, with a focus on delivering quality personalised care. Our aim is to be the aged care provider of choice in our communities.

We are committed to doing the right thing for senior New Zealanders. This entails offering care that is appropriate and sensitive to people's individual requirements as they age. At the heart of our business is our focus on providing personalised quality care for senior New Zealanders who need higher levels of specialised care and support.

Our care is founded on trust. We strive to build strong relationships with our residents and their families, ensuring open communication, transparency, and peace of mind. We pride ourselves on doing what we said we would do, behaving with integrity and respecting our residents who have entrusted us with their care.

Our aged care facilities are located in well-established and well serviced towns and metropolitan areas. They are integrated into their local communities and provide the best possible care for local residents looking to stay close to the area they know and love.

We offer a range of community-style living arrangements catering for different health, social and personal requirements. Our facilities include retirement living in villas and care suites, rest home and hospital care. We also offer specialised care including dementia, palliative, respite and young disabled care, providing valuable and much needed support for families and whanau.



Care Beds including care suites	369
Independent Living units	26
Staff	278
Average bed occupancy	87%

Management commentary
(no financial statements)

Strategic Progress

Our strategy is based on identified pathways which we believe will deliver long term growth.

Our goal is to profitably grow our business in a sustainable manner, delivering quality care to our residents, peace of mind to their families and whanau, and excellent value to our villages, community and shareholders.

Our primary focus areas in FY23 were continuing to strengthen the foundations of the business to support future growth, progressing the Ranfurly Manor village development, and increasing occupancy and operational efficiencies at Aldwins House. We are pleased with the progress that has been made against these objectives, as we continue to refine and strengthen our strategic focus and grow our business.

Providing the care people need as they age

At the heart of our business is our focus on providing personalised care that focuses on respecting and helping our residents who need more of a helping hand

Stronger Business

Invest in our business and our people, creating a robust scalable platform for growth, with strong leadership and governance

Maximise Occupancy

Grow revenue through offering quality care to maximise occupancy at existing and future facilities; and repurposing beds as needed to meet market demand

Diverse Revenue Streams

Increase the focus on independent living options, broaden the range of services at each facility and increase the number of higher acuity beds

Network Expansion

Grow our network through strategically located value-accretive acquisitions, brownfield and greenfield developments

Management commentary
(no financial statements)

Operating Highlights

- Strengthened the organisation with value adding roles to support and grow Promisia, and invested into business infrastructure, people and technology
- Completion of acquisition of Aldwins House land and buildings on 1 April 2022
- Positive progress being made to improve and accelerate returns from each facility
- Increased occupancy at Aldwins House, bringing it to a profitable position, with all facilities now generating positive profit contributions
- Agreed to variation of the development arrangement and accelerated development plan for Ranfurly Manor village
- Acquired three small but strategically important land sites, abutting existing properties and providing immediate and future development potential as well as protecting and leveraging existing properties
- Increased Board experience with appointment of industry expert, Craig Percy, as an Independent Director

OPERATIONAL METRICS As at 31 March 2023	**FY23**	**FY22**
Available care beds (including care suites)	369	359
Bed occupancy	87%	86%
EBITDAF[1] per available care bed	$10,778	$9,833
Village units	26	16
Team members	278	260
Owned facilities	4	3
Leased facilities	-	1

[1] EBITDAF is operating earnings before interest, tax, depreciation, amortisation and fair value adjustments and is a non-GAAP number.

Management commentary
(no financial statements)

Financial Snapshot

FINANCIAL HIGHLIGHTS

	FY23 $000	FY22 $000	% Change
Operating Revenue	23,834[2]	19,939	20%
Fair value movement	47	(222)	121%
EBITDAF[3]	3,535	4,473[4]	(21)%
Underlying EBITDAF[5]	4,107	3,530	16%
Net gain for the period	692	2,027	(66)%
Total assets	71,761	51,535	39%
Cash and cash equivalents	2,059	2,411	(15)%
Debt	30,872	17,154	80%
Net operating cash flow	7,074	4,791	48%

NON-GAAP FINANCIAL INFORMATION

Reconciliation of EBITDA to Underlying EBITDAF

	FY23 $000	FY22 $000
EBITDA	**3,582**	**4,251**
Fair value movement in property	(47)	222
EBITDAF	**3,535**	**4,473**
Gain on termination of lease	-	(943)
Discretionary Executive Director payment*	250	-
Holiday pay provision	322	-
Underlying EBITDAF	**$4,107**	**$3,530**

*Payment made to Tom Brankin for services rendered during the financial year

[2] Includes gain on sale of investment properties of $0.4m
[3] EBITDAF is operating earnings before interest, tax, depreciation, amortisation and fair value adjustments and is a non-GAAP number.
[4] Includes FY22 adjustment for gain on lease termination of $0.9m
[5] Underlying EBITDAF is EBITDAF excluding transactions considered to be non-trading in nature or size. Excluding these transactions from normalised earnings can assist users in forming a view of the underlying performance of the Group. Non-trading adjustments of $0.44m are included in the FY23 results.

Management commentary
(no financial statements)

Management commentary
(no financial statements)

Chair's Report

Dear Shareholders

On behalf of the Board, I am pleased to present Promisia Healthcare Limited's annual report for the year ended 31 March 2023. The last year has been one of continued, positive progress for our company as we focused on delivering value for our residents, their families, our communities, our people and our shareholders.

Our priority over the past year has been to establish strong foundations for Promisia's future growth. Investment has been made into systems and people, while continuing to drive efficiencies across the business. We were pleased to acquire the land and buildings for Aldwins House in Christchurch, at the start of the financial year. We have also progressed initiatives under our growth strategy including advancing the Ranfurly Manor village development in Fielding and increasing occupancy at Aldwins House. In both cases, this will enable us to realise the financial gains from these facilities sooner.

As part of our growth strategy, we have assessed a number of potential acquisitions and greenfield development opportunities but are mindful that these must meet our investment criteria and be value accretive for our shareholders. In March 2023, we were pleased to announce three small but important land acquisitions, which abut our existing properties and provide immediate and future development potential. Acquisition of these properties also protects Promisia's investment in two of its key facilities.

Financial performance

Results for the year were pleasing during a period of investment in the business. Income for the period increased by 20% to $23.8 million, including a $0.4 million gain on sale of investment property. Excluding a $0.9 million gain on lease termination related to the acquisition of Aldwins House land and buildings in FY22, revenue increased by 25% year on year.

Our revenue is sourced primarily from Government funding (approximately 70%) with the remainder from private payment. Promisia is strategically shifting the mix of revenue to generate a greater share from private payment for care suites and independent living units. During the year, there were 11 new sales and 9 resales of occupation rights agreements (ORAs) completed.

The challenging macro-economic trends including inflationary pressure and a very tight labour market, particularly for nurses and care givers, have led to increased costs. Careful cost management has helped to mitigate some of this impact. Earnings excluding fair value movements (EBITDAF) were $3.5 million for the period, down 23% on FY22 which included a $0.9 million gain on lease termination. Underlying EBITDAF, which excludes non-trading and one-off transactions, was $4.1 million, 16% higher year on year. The Group reported an FY23 net profit after tax of $0.7 million. There was a further fair value increase to properties, not classed as investment properties, of $0.7 million bringing comprehensive income for the year to $1.4 million.

At 31 March 2023, total assets were $71.8 million. The increase of $20.2 million was due to the acquisition of Aldwins House land and buildings, the Ranfurly Manor village expansion and the purchase of three development properties. Cash and cash equivalents were $2.0 million as at 31 March 2023. Debt increased by $13.7 million to $30.9 million, which includes debt associated with the acquisition of Aldwins House and other properties.

Strategic progress

The primary focus areas in FY23 were threefold: continuing to strengthen the foundations of the business to support future growth; progressing the Ranfurly Manor village development; and increasing occupancy and operational efficiencies at Aldwins House.

Management commentary
(no financial statements)

We pride ourselves on being different to the big corporate players in our sector, with our facilities providing a home-like environment that reflects the character of our local communities.

Investment has been made into people and technology, including the launch of a new payroll and rostering system, as well as standardising systems across Promisia's four facilities.

Occupancy has continued to build at Aldwins House and, along with a focus on improved efficiencies, it is now contributing positive profit, turning around last year's lossmaking position.

The development on existing land at Ranfurly Manor village is progressing well, with 14 care suites completed and sold, and the 32 villas either completed or under construction. In November 2022, we announced a variation to the development agreement, agreeing an increase in the fixed cost agreement with the developer, in recognition of increased construction costs. In return, the developer agreed to shorten the construction timeframe from 2027 to 2024. The current expectation is that construction should be completed in Q3 2023.[6]

Providing a continuum of care is very important to us, allowing our residents to age in place. Government funded care services – rest home, hospital and specialised care – remain under funding pressure. Many of our beds are dual purpose, allowing us to respond quickly to changing resident needs and adapt our services to suit. We are well positioned to meet the increasing demand for more specialised high level care, which tends to generate higher margins and remains a priority for us.

In addition to dual purpose beds, one of our key strengths is our ability to respond and reconfigure our facilities to meet the needs of our communities. At Ranfurly Manor, for example, we are renovating and reconfiguring a small number of care suites for those who have requested a different layout and larger space. Should there be additional demand for this new setup, we will extend the new configuration to other rooms.

While we have historically been a provider of residential aged care, a key part of our strategy is to broaden our revenue base and reduce our reliance on Government funding. In line with this, we have a number of strategic

[6] See Note 27 in the Financial Statements for more information

pathways: we are investing in more care suites, which carry an additional supplement in return for greater service levels, amenities and aesthetics; and we are developing more independent living units (villas and apartments), with occupational rights agreements paid for by the resident. Promisia also benefits from additional services paid for by the residents, as well as gains on the value of the property on resale.

Network expansion

We pride ourselves on being different to the big corporate players in our sector, with our facilities providing a home-like environment that reflects the character of our local communities. While our network currently only comprises four facilities, of these, Ranfurly Manor is the sixth largest aged care facility in New Zealand and Aldwins House is also in the top 30.

We are looking to grow our network and five potential acquisitions and greenfield development opportunities were assessed over the year. However, we are mindful that any acquisition must meet Promisia's investment criteria, including strategic objectives and risk profile, and be value accretive for shareholders. Being small but entrepreneurial, we also consider different finance and partnership options for each potential acquisition.

We undertook extensive modelling and due diligence on several facilities and properties with some opportunities discarded and others still under consideration. This process requires significant effort and time and is work expertly carried out by our executive director, Tom Brankin, with the support of external expertise if and when required.

In March 2023, we announced three small but important land acquisitions, which abut existing properties and provide immediate and future development potential. Acquisition of these properties also protects Promisia's investment in two of its key facilities.

We continue to assess new opportunities to either switch accommodation types within our facilities, for example, from care suites to serviced apartments; build on existing land we own; or acquire new sites to develop.

We also see opportunities to grow through the acquisition of existing aged care facilities with development potential or that offer strong returns. As compliance, costs and regulation increase, smaller operators are often left struggling. We are regularly approached by owners to consider potential acquisitions. This can be a lengthy process and, as with any development acquisition, must satisfy a range of criteria.

Our people

Our thanks and gratitude go to our incredible team of carers, nurses and support staff who provide our residents with care, friendship, joy and respect every day. They have continued to do this admirably, despite the ongoing challenges of the pandemic and extreme weather events across the year.

The lifting of border restrictions, residency fast track for nurses and the introduction of a work to residence pathway for care workers from September 2023, will help to alleviate some of the labour shortages facing the sector and the pressures on our staff. We are fortunate to have a strong, long standing workforce at Promisia, with many of our people recruited from our local communities and through recommendation from current employees. This helps to create the family environment that is such an important part of who we are. We are also pleased to have welcomed a number of new team members in recent months from overseas, who will help support our vision of delivering the care people need as they age.

We continue to work hard to ensure a rewarding and enjoyable workforce for our people. Health, safety and wellbeing remain a priority for us. We are investing in training for our Caregiving staff through Careerforce. We have supported International Registered Nurses through the CAP courses and our Registered Nurses through internal and external training. Three of our Facility Managers have enrolled in the Business

Management commentary
(no financial statements)

Diploma course through Careerforce and are part way through. There is also an extensive internal education programme available for staff.

Aged care funding

Like others in our industry, we have been advocating for higher funding for the sector for some time and, while we were pleased with the Government's commitment for additional funding to bring aged care nurses' pay up to the level of public hospital nurses, the allocated funding has fallen short. Pay equity with the public health sector is essential to attract and retain these vital and qualified members of our team. Without them and our other dedicated carers, we would be unable to deliver the high levels of care we believe all older New Zealanders deserve. We continue to work closely with the aged care sector to encourage appropriate funding which will allow older people to receive quality care where and when they need it.

Governance and Leadership

We were pleased to welcome Craig Percy as an Independent Director in August 2022. Craig has over 20 years' experience working in the aged care and retirement village sectors in both New Zealand and the United Kingdom.

Andrew Mitchell and Stephen Underwood stepped down from the Board at the 2022 Annual Shareholders' Meeting in August, and I took on the role of Acting Chair. The company thanks Stephen and Andrew for their contributions. In particular, Stephen provided significant value, leading the Board for a number of years and overseeing Promisia's transition into an aged care business in 2020.

As a small Board, we have developed very effective relationships with select external advisers who support our work with technical expertise. We thank them not only for their support but for their genuine commitment and passion for our business.

Promisia has engaged a governance advisor and is undertaking a Board review to ensure the appropriate mix of skills, experience and independence for executing on Promisia's growth strategy. This is expected to be completed in Q3 2023 and we consider it likely to lead to the Board eventually increasing to five directors.

Stuart Bilbrough has advised that he will be stepping down from the CEO role from 30 June 2023. Stuart joined Promisia on a consulting basis in early 2022, before taking on the role of CEO with a remit to strengthen the business operations and establish a platform for growth.

With key objectives now achieved, Stuart is moving back to his consulting career. This has provided the opportunity for the Board to consider the structure and executive leadership needs of the company, to reflect the gains and growth over the last 12 months and the strategic opportunities ahead. An executive search is underway, to recruit a Group General Manager who is operationally focused, with the passion and expertise to deliver occupancy, efficiencies and quality of care across our group.

The Board would like to acknowledge and thank Stuart and the leadership team for their efforts over the year. As a small and streamlined team, they often fulfil multiple roles. Their expertise, knowledge, passion for our business and the aged care sector and belief in our strategy are key components to our growth and success.

Outlook

The demographics and future projections for the aged care sector remain attractive, with increasing demand for care, particularly in provincial New Zealand which is often under-resourced. With the number of people aged over 75 years expected to double to 600,000 in the next 12 years, new facilities will need to be built to meet demand and existing facilities expanded.

We are pleased with the progress being made as we continue to focus on delivering quality personalised care to our residents. Promisia is a small but well positioned and nimble business. Our strategy positions us to take advantage of market trends – our focus on local communities around New Zealand, our reputation for quality care and respect for our residents, and our growth strategy.

The investment we have made into our business in FY23 will deliver efficiency gains and benefits from FY24 and onwards.

Over the next year, Promisia will continue its successful growth formula, which is underpinned by our four key pillars:

- Stronger business – investing in business and people to create a robust scalable platform for growth.
- Maximise occupancy – by offering quality care at existing and future facilities, and repurposing beds if needed to meet market demands.
- Diverse revenue streams – increase the focus on independent living options, broaden the range of services at each facility and increase the number of higher acuity beds.
- Network expansion - grow Promisia's network through strategically located value-accretive acquisitions, brownfield and greenfield developments.

Your Board and Management are preparing for another year of increased earnings and business growth in FY24, as Promisia continues to deliver high quality care and positions itself to be the aged care facility of choice in each of our communities.

We remain focused on delivering increasing value to our shareholders. Thank you for your continued support.

Helen Down
Acting Chair

Your Board and Management are preparing for another year of increased earnings and business growth in FY24, as Promisia continues to deliver high quality care and positions itself to be the aged care facility of choice in each of our communities.

Management commentary
(no financial statements)

Our Strengths

- Our primary focus is on providing personalised quality care for senior New Zealanders who need higher levels of specialised care and support
- We have a diverse revenue mix underpinned by stable recurring revenue from Government funded care
- Our facilities are an important part of our local communities, made up of our people, our residents and their whanau
- Our locations outside of the main centres offer lower land costs, generally lower operating costs and strong average occupancy rates given there are usually fewer facilities in the area
- We have a carefully considered growth strategy with existing opportunities, and a strong business foundation to support growth
- Our preference is to own the land and buildings – all our current facilities are owned
- We have strong management and governance structures
- We add value for our residents, people, communities and shareholders

ATTRACTIVE SECTOR DYNAMICS

- Strong demand underpinned by favourable population demographics
- Growing demand for high needs and specialist aged care, particularly in regional New Zealand
- Increasing compliance driving sector consolidation
- Variety of care and business models in the sector, with different care offerings

Management commentary
(no financial statements)

Management commentary
(no financial statements)

Promisia's Principles of Care

At Promisia, we embrace personal care with genuine compassion and empathy and our team go the extra mile to ensure every resident feels valued and cherished. We prioritise quality care and ensure that each resident gets the respect, attention and support they deserve.

The Individual

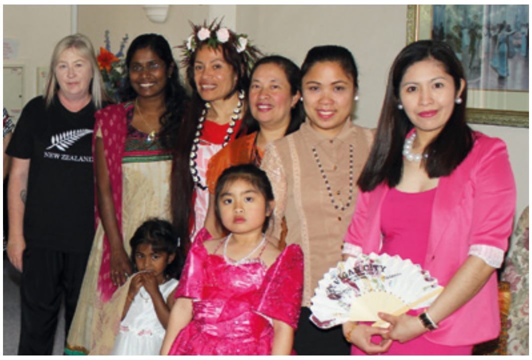
At Promisia, we encourage and support our residents to be involved in community events that they have an interest in or connection to. This is one way of acknowledging and recognising the life experience, knowledge and abilities of our residents. Agriculture, farming and all things related are very much a big part of our communities in Dannevirke and Fielding, where three of our four facilties are located.

Many of our residents have a strong farming background and a field trip to the Rural Games in Palmerston North was therefore a must-do. For our group of ex-farmers, the sheep shearing, wood chopping, post hole digging and fencing on display was great entertainment, and they weren't afraid to comment on participants' techniques.

Quality of Life

A competitive game of Boccia is one of the many ways that the staff at Aldwins House in Christchurch are delivering Quality of Life for residents, helping them to create connections and new friendships.

Boccia is similar to bowling, except that it can be played while sitting in a chair or wheelchair. It's no wonder that it is one of the residents' favourite activities at Aldwins House. Even though it's a social game, the rivalry between the two teams can run deep. And while the competition is in good jest, the most important aspect about Boccia is the friendship that develops. When a new resident joins the facility, their first social point of call is often a game of Boccia.



Family and Whanau

Celebrating the diversity and cultures of our staff and residents is important for building our communities at Promisia. The annual Culture Day at Eileen Mary Residential Home is always a favourite, with family, whanau, residents and staff entertained and participating in a showcase of activities. A range of international food is available to sample and guests dress in their national costumes. This is a way for Promisia to celebrate the diverse culture heritage at our facilities and to share values and traditions with residents, family and friends across our community.

The Environment

For older people living with dementia, it can sometimes be difficult to remember where they live or how to get back home if they go out for a walk. Promisia staff have come up with a very simple solution – rubber wristbands with the resident's name and facility name and contact number. These have proven so useful that even active residents with no dementia have taken to wearing them in case of an accident. This is just one example of Promisia's team using innovative thinking to support residents and provide a safe environment.

Management commentary
(no financial statements)

Our Board & Leadership

HELEN DOWN BCA, FCIM
Acting Independent Chair | Appointed 30 May 2017

Helen is a well-known Wellington-based specialist in strategy, marketing and governance. She is recognised for being instrumental in the growth of innovative and exciting small and medium-sized businesses, across a wide range of industry sectors.

THOMAS BRANKIN Dip Agriculture & Dip Farm Management
Executive Director | Appointed 7 May 2013

Tom has been involved in building and operating aged care facilities and retirement villages for the last 30 years. He is currently the majority shareholder and an executive director of Promisia. His other interests include commercial and residential property and farm management software.

CRAIG PERCY BMS
Independent Director | Appointed 19 August 2022

Craig has had over 20 years' experience in the aged care and retirement village sectors, in both New Zealand and the United Kingdom. This includes holding the role of Chief Operating Officer at LifeCare Residences in London and the role of General Manager at ElderCare New Zealand Limited, now part of NZX-listed Oceania Healthcare. Separately from his role as a director of Promisia, Craig also has an ownership in a retirement village in Greytown.

STUART BILBROUGH BCom, MBA, CA (NZ)
Outgoing Chief Executive Officer

Stuart has extensive experience in the healthcare sector and was previously the CEO (and before that, CFO) of NZX-listed Radius Care. He has also held the role of CFO of Tamaki Health, New Zealand's largest network of primary care and urgent care medical clinics.

VIRGINIA DYALL-KALLIDAS RCpN, BN, MN
General Manager Group Facilities

Virginia has a long history in health having started her career as an Enrolled Nurse and going on to become an RN and then got her Master of Nursing with Honours. Virginia is a qualified auditor and has held a number of senior management roles in the private sector including aged care. Virginia has held Facility Manager roles previously as well as Clinical Quality & Risk Manager – Lower North Island, for another listed aged care business.

Management commentary
(no financial statements)

Financial Statements

FOR THE YEAR ENDED
31 MARCH 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	NOTE	2023 $000	2022 $000
Revenue and other income			
Revenue from contracts with customers	7	23,465	18,996
Gain on sale of investment property		369	-
Gain on lease termination		-	943
Fair value gain on investment property		47	-
		23,881	19,939
Less: expenses			
Administration expenses	8	(2,746)	(1,922)
Operating expenses	8	(17,553)	(13,544)
Depreciation expense		(838)	(809)
Fair value loss on investment property	15	-	(222)
Borrowing costs		(2,281)	(1,498)
		(23,418)	(17,995)
Profit before income tax expense		463	1,944
Income tax benefit	9	229	64
Net profit from continuing operations		692	2,008
Net profit from discontinued operations	6	-	19
Profit for the year		692	2,027
Other comprehensive loss			
Items that will not be reclassified subsequently to profit and loss			
Revaluation of property, net of tax		667	-
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		-	(176)
Other comprehensive income/(loss)		667	(176)
Total comprehensive income		1,359	1,851
Earnings per share		**Cents per share**	**Cents per share**
Basic and diluted earnings per share from continuing operations	22	0.0032	0.0095
Basic and diluted earnings per share from discontinued operations	22	-	0.0001
Basic and diluted earnings per share from total operations	22	0.0032	0.0096

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	NOTE	2023 $000	2022 $000
Assets			
Cash and cash equivalents	10	2,059	2,411
Receivables	12	1,435	2,153
Current tax assets		6	-
Other assets	13	537	496
Property, plant and equipment	14	17,910	4,100
Investment properties	15	49,320	42,015
Deferred tax assets	9	494	360
Total assets		71,761	51,535
Liabilities			
Payables	17	3,870	3,185
Current tax liabilities		-	198
Revenue received in advance	18	1,472	982
Occupancy rights agreement	19	15,459	11,437
Borrowings	20	30,872	17,154
Total liabilities		51,673	32,956
Net assets		20,088	18,579
Equity			
Share capital	21	77,426	77,276
Reserves	23	(50)	(717)
Accumulated losses		(57,288)	(57,980)
Total equity		20,088	18,579

Signed on behalf of the board of directors, dated 29 June 2023

Thomas Brankin
Director

Helen Down
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	NOTE	CONTRIBUTED EQUITY	RESERVES	ACCUMULATED LOSSES	TOTAL EQUITY
		$000	$000	$000	$000
Consolidated					
Balance as at 1 April 2021		77,060	(541)	(60,007)	16,512
Profit for the year		-	-	2,027	2,027
Other comprehensive loss for the year		-	(176)	-	(176)
Total comprehensive income for the year		-	(176)	2,027	1,851
Transactions with owners in their capacity as owners:					
Contributions	21	216	-	-	216
Total transactions with owners in their capacity as owners		216	-	-	216
Balance as at 31 March 2022		77,276	(717)	(57,980)	18,579
Balance as at 1 April 2022		77,276	(717)	(57,980)	18,579
Profit for the year		-	-	692	692
Other comprehensive income for the year		-	667	-	667
Total comprehensive income for the year		-	667	692	1,359
Transactions with owners in their capacity as owners:					
Contributions	21	150	-	-	150
Total transactions with owners in their capacity as owners		150	-	-	150
Balance as at 31 March 2023		77,426	(50)	(57,288)	20,088

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	NOTE	2023 $000	2022 $000
Cash flow from operating activities			
Receipts from residents for care fees and services		23,533	18,911
Receipts of residents' loans from new sales		6,881	3,485
Payments to suppliers and employees		(19,796)	(14,433)
Repayments of residents' loans		(1,263)	(1,830)
Interest paid		(2,281)	(1,093)
Income tax paid		-	(275)
Net operating cash flows from discontinued operations		-	26
Net cash provided by operating activities	11(a)	7,074	4,791
Cash flow from investing activities			
Payment for property, plant and equipment		(13,886)	(485)
Purchase of investment property		(8,152)	(1,560)
Acquisition of Aldwins Retirement Village Ltd		525	-
Proceeds from the sale of investment property		369	-
Net cash used in investing activities		(21,144)	(2,045)
Cash flow from financing activities			
Proceeds from share issue		-	185
Net proceeds from/(repayment of) borrowings		13,718	(679)
Principal portion of lease payments		-	(1,060)
Net cash provided by/(used in) financing activities		13,718	(1,554)
Reconciliation of cash and cash equivalents			
Cash at beginning of the financial year		2,411	1,219
Net increase/(decrease) in cash held		(352)	1,192
Cash at end of financial year		2,059	2,411

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements covers Promisia Healthcare Limited (the "Group") and its consolidated entities. Promisia Healthcare Limited is a company limited by shares, incorporated, and domiciled in New Zealand. Promisia Healthcare Limited is a for profit entity for the purpose of preparing the consolidated financial statements. Promisia Healthcare Limited's principal activities are the ownership and operation of retirement villages, rest homes, and hospitals for the elderly within New Zealand.

Promisia Healthcare Limited is a Financial Markets Conduct Act reporting entity under the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The following are the significant accounting policies adopted by the Group in the preparation and presentation of the consolidated financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the consolidated financial statements

Compliance with IFRS

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). These consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Historical Cost Convention

The consolidated financial statements has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires the use of certain estimates and judgements in applying the Group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the consolidated financial statements.

(b) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors are comfortable that based on the historic performance, detailed cash flow projections, and the support provided by Directors, the Group will be able to meet its cash flow requirements as they fall due. The Group has reported a net gain before tax of $0.607m (2022: $1.944m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

Current macro and micro economic conditions and adverse global events

The current macro and micro economic conditions are still an evolving situation with rising interest rates, rapidly rising inflation, skills shortages, and challenging international conditions, global supply chain disruptions, and the flow on effects from the conflict between Ukraine and Russia and European geopolitical uncertainty, which is having a significant impact on energy prices, as well as financial markets across the globe. The current adverse macro and micro economic conditions and adverse global events mentioned have lowered overall economic activity and confidence which in turn has resulted in significant volatility and instability in financial markets and economic uncertainty.

Consequently, there has been an increase in the level of inherent uncertainty in the critical accounting estimates and judgements applied by Management in the preparation of these consolidated financial statements.

It is not possible to estimate the full impact of the current macro and micro economic conditions and adverse global events. as at the date of signing these consolidated financial statements, all reasonably known and available information with respect to current adverse macro and micro economic conditions and adverse global events has been taken into consideration in the critical accounting estimates and judgements applied by Management, and all reasonably determinable adjustments have been made in preparing these consolidated financial statements. The Group continues to monitor developments and initiate plans to mitigate adverse impacts and maximise opportunities.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The Group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(d) Foreign currency transactions and balances

Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars which is the Group's functional and presentation currency. All amounts are rounded to the nearest thousand.

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are restated to the spot rate at the reporting date.

Except for certain foreign currency hedges, all exchange gains or losses are recognised in profit or loss for the period in which they arise.

(e) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Inland Revenue Department. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

(f) Revenue from contracts with customers

Revenue recognition

Revenue is recognised in accordance with NZ IFRS 15. Deferred management fees and rental income are considered leases under NZ IFRS 16, and therefore excluded from the scope of NZ IFRS 15. None of the Group's revenue, as defined by NZ IFRS 15, contains significant financing components.

A contract for care fees is in place with all care residents by means of an admission agreement. The resident receives the benefit as the care is administered and each resident incurs a contracted daily care fee set each year by the Government. Rest home and hospital service fees are recognised at the point in time the services are received.

Deferred management fees are for the right to occupation and share in the use of community facilities and are payable by residents of the Group's units and apartments under the terms of their ORA. Deferred Management fees are typically payable on termination of the ORA up to a maximum percentage of a resident's occupation license for the right to share in the and enjoyment of common facilities. The timing of the recognition of deferred management fees is a critical accounting estimate and judgment. The deferred management fees are recognised on a straight line basis over the average expected occupancy of the relevant accommodation being:

Internal Apartments	3.4 - 4.0 years
External Villas	6.8 - 7.0 years

Estimates of expected occupancy are reviews periodically. Where a change is made, it is the Group's policy to recognise the aggregate impact of this change in the period in which the change is estimate occurs.

The Group has a contractual right to management fees in the first two years of occupancy. The timing difference in the contractual right to receive the management fees and the accounting recognition of the revenue over the estimated expected occupancy gives rise to a liability for revenue in advance. As at 31 March 2023 revenue in advance of $1.47m (2022: $0.98m) was recorded, not yet released to the profit or loss. See Note 18.

Village service fees are charged to residents to recover a portion of the village operating cost associated with services provided including staff wages, rates, and electricity. Village services fees are recognised as services are rendered.

Other income includes other services to residents, training income for students, and administration income on the settlement of ORAs. This is recognised as services are provided.

(g) Income tax

Current tax is the expected tax payable on the taxable income for the year subject to adjustment by tax payable in respect of previous years and is calculated using tax rates that have been enacted or substantively enacted by balance date. Current tax for the current and prior periods is recognised as a liability (or asset to the extent that it is unpaid (or refundable).

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying income, amount of assets and liabilities in the consolidated financial statements and corresponding tax bases. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary difference or tax losses can be utilised.

Current tax and deferred tax is charged or credited to the profit or loss, except where it relates to items charged or credited directly to equity, in which case the tax is dealt with equity.

Deferred tax on investment property

Deferred tax on investment property is assessed on the basis that the asset value will be realised through use ("Held for Use").

The Group's ORAs compromise two distinct cash flows, being a ORA deposit upon entering the unit and the refund of this deposit, less deferred management fee, on exit. The Group considers it appropriate to recognise and measure the tax base and associated deferred tax based on the contractual entitlements over the ORA periods as this best represents the Groups liabilities to residents as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in NZ IFRS 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

(a) the Group's business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held for trading, contingent consideration payable by the Group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the Group are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the Group's transactions with its customers. The amounts are unsecured and are normally settled within 30 days.

Trade and other receivables are recognised at fair value less an allowance for expected credit losses. Loss allowances relate solely to expected credit losses arising from contracts with customers. The amount of credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. An expected credit loss is determined based in historic credit loss rates, adjusted for other current observable data that may materially impact the Group's future credit risk, including customer specific factors, current conditions and forecast of future economic conditions.

Trade receivables are written off when there is no reasonable expectation of recovery.

Debtors are non interest bearing, although the Group has the right to change interest on overdue settlements of occupancy advances or overdue care fees. Trade receivables principally compromise amounts due for care fees.

(j) Property, plant and equipment

Each class of property, plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Property

Freehold land and buildings are measured at revalued amounts, being the fair value at the date of the revaluation,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

less any subsequent accumulated depreciation and any accumulated impairment losses. At each reporting date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity. To the extent that the increase reverses a decrease of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same asset are recognised in other comprehensive income; all other decreases are recognised in profit or loss.

Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of all other property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of fixed asset	**Useful lives**	**Depreciation basis**
Buildings	2 25%	Diminishing value
Plant and equipment	8-80%	Diminishing value

(k) Investment property

Investment properties comprises land and buildings held for the purpose of earning rental income or for capital appreciation, or both.

Investment property is stated at fair value less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

Investment property is initially recognised at cost. After initial recognition, investment property is measured at fair value. Gains or losses arising from a change in the fair value of investment property is recognised in profit or loss.

An item of investment property is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceed and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

All other repairs and maintenance expenditure is recognised in profit or loss as incurred.

(l) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of lease arrangements, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

(n) Employee benefits

(i) Short term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables in the consolidated statement of financial position.

(o) Discontinued operations

A discontinued operation is a component of the Group that has been disposed of in the current, or prior, reporting period or is classified as held for sale at the reporting date, and that represents a separate major line of business or geographical area of operations, is part of a single co ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are disclosed separately in the consolidated statement of comprehensive income.

(p) Occupancy rights agreements

Occupancy rights agreements confer on residents the right of occupancy of the retirement village for life, or until the resident terminates the agreement. These are considered as leases under NZ IFRS 16.

Occupancy advances are amounts paid to the Group by a resident on being issued the right to occupy one of the Group's units or services apartments under an occupation right agreement ("ORA"). The ORA confers a right of occupancy until such time is terminated. Upon signing of an ORA the resident has a cooling off period. Revenue and the corresponding receivable is not recongnised until the end of the cooling off period.

Occupancy advances are non interest bearing and are repayable to the exiting resident, net of any amount owning to the Group, whereby a new ORA for the unit or services apartment may then be issued to an incoming resident.

(q) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(r) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is measured at its acquisition date fair value.

Goodwill is initially recognised at an amount equal to the excess of: (a) the aggregate of the consideration transferred, the amount of any non controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed. For accounting purposes, such measurement is treated as the cost of goodwill at that date.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the amount of any non controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss.

Acquisition related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Applicability of the going concern basis of accounting

Whilst the ongoing COVID 19 pandemic, current adverse macro and micro economic conditions and adverse global events mentioned have lowered overall economic activity and confidence is resulting in significant volatility and instability in financial markets and economic uncertainty (as described in Note 1(b) above), in assessing whether the Group's application of the going concern basis of accounting remains appropriate, the Directors and Management have applied judgment to reaffirm the Group's application of the going concern basis of accounting remains appropriate.

The Group's cashflow forecast and stressed scenarios show that the Group will be able to continue its normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Accordingly, Management have assessed and determined that the Group's application of the going concern basis of accounting remains appropriate.

(b) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(c) Management fee revenue recognition

Management fees are recognised as revenue on a straight line basis. This requires management to estimate the period of occupancy for units.

If actual occupancy periods differ significantly from the estimates, village contributions and exit fees shown in the financial statements will be affected accordingly. However, this is unlikely to cause a material adjustment.

(d) Fair value of investment property

The fair value of the investment property is appraised annually by an independent external valuer. The valuer has provided an assessment of the amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion. The valuer has also considered the highest and best use of the asset that is physically possible, legally permissible and financially feasible in its principle market.

Significant judgement is required relating to the assumptions made in order to assess the carrying value.

NOTE 3: FINANCIAL RISK MANAGEMENT

The Group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

(a) Interest rate risk

(b) Credit risk

(c) Liquidity risk

The board of directors have overall responsibility for identifying and managing operational and financial risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

The Group holds the following financial instruments:

	2023 $000	2022 $000
Financial assets	2,059	2,411
- Cash and cash equivalents	1,435	2,153
- Receivables	20	20
- Other assets	3,514	4,584
Financial liabilities		
- Payables	3,870	3,185
- Borrowings	30,872	17,154
- Occupancy rights agreements	15,459	11,437
	50,201	31,776

(a) Interest rate risk

The Group is exposed to interest rate risk in relation to its borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group manages it interest rate risk by maintaining a mix of variable rate and fixed rate borrowings, and by utilising interest rate swap contracts.

The Interest rates applicable to the bank loans are a mixture of a fixed and variable and are reviewed at maturity of each fixed term loan. There is $13.87m (2022: $9.5m) of bank debt that is floating interest rate. a 1% increase in interest rates would cost the Group an additional $0.139m (2022: $0.095m) in interest expenses annually.

Sensitivity

The Group is primarily exposed to interest rate risk.

If interest rates were to increase/decrease by 50 basis points from the rates prevailing at the reporting date, assuming all other variables remain constant, then the impact of profit for the year and equity would be as follows:

+ / - 50 basis points	2023 $000	2022 $000
Impact on profit after tax	154	98
Impact on equity	-	-

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The Group does not have any material credit risk exposure to any single counterparty or group of counterparties under financial instruments entered into by the Group.

There is no significant concentration of credit risk as trade debtors are either individual residents or government agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

(i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major New Zealand banks.

(ii) Trade receivables

Credit risk for receivables from contracts with customers is managed by transacting with a large number of customers, undertaking credit checks for all new customers and setting credit limits for all customers commensurate with their assessed credit risk. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk on occupancy advances through the contractual requirements in the occupancy rightly agreement. Following a termination of the agreement, the occupancy advance is repaid on receipt of the new occupancy advance from the incoming resident.

Ultimate responsibility for liquidity risk management rests with the Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long term funding.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and reserve borrowing facilities, and by regularly monitoring forecast and actual cash flows and maturity profiles of financial assets and liabilities.

The following table outlines the Group's remaining contractual maturities for non derivative financial instruments. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the Group can be required to pay.

Year ended 31 March 2023	Less than 1 Year	1-2 Years	2-4 Years	5+ Years	Total Contractual cash flows	Carrying Amount
		$000	$000	$000	$000	$000
Payables	3,870	-	-	-	3,870	3,870
Borrowings	13,837	16,076	4,663	-	34,576	30,872
Occupancy rights agreements	3,140	3,140	5,924	3,254	15,458	15,459
	20,847	19,216	10,587	3,254	53,904	50,201

Year ended 31 March 2022	Less than 1 Year	1-2 Years	2-4 Years	5+ Years	Total Contractual cash flows	Carrying Amount
		$000	$000	$000	$000	$000
Payables	3,185	-	-	-	3,185	3,185
Borrowings	1,878	1,770	16,977	-	20,679	17,154
Occupancy rights agreements	2,498	2,498	4,662	1,596	11,437	11,437
	8,543	4,269	21,874	1,596	35,301	31,776

Occupancy rights agreements figures above have been calculated based on average occupancy years formulated by the valuer in determining investment property fair values at 31 March 2023.

The Group renews its facilities annually to ensure an appropriate portion matures on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 4: OPERATING SEGMENTS

The Group operates a number of rest homes and retirement villages. These facilities all provide a similar product to a similar customer in the same regulatory environment.

The Group operates in one operating segment being the provision of aged care in New Zealand. The chief operating decision maker, the Board of Directors, reviews the operating results on a regular basis and makes decisions on resource allocation based on the review of Group results and cash flows as a whole. Therefore, it is appropriate to report solely on the Group performance.

NOTE 5: BUSINESS COMBINATIONS

Aldwins Retirement Village Limited

On 27 March 2023, the Group acquired 100% of the share capital of Aldwins Retirement Village Limited. Aldwins Retirement Village Limited is in the business of retirement village ownership. Aldwins Retirement Village Limited operates in New Zealand.

The acquisition has significantly increased the group's market share in this industry and complements the group's existing investment properties.

Details of the purchase consideration are as follows:

	$000
Cash paid	525
Total purchase consideration	525

Assets and liabilities acquired

Assets and liabilities as a result of the business combination were:

	Recognised on acquisition at fair value
	$000
Assets and liabilities held at acquisition date:	
- Investment property	755
- Payments in advance	145
- Borrowings (First Mortgage Trust)	(375)
Net Identifiable assets required	525

Contribution since acquisition

Since the acquisition date Aldwins Retirement Village Limited has contributed a profit after tax of $nil which is included within the profit of Group. Had the combination occurred from the beginning of the year, operating profit for the Group would have been $nil and revenue would have been $nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 6: DISCONTINUED OPERATIONS

	2023	2022
	$000	$000
Revenue	-	24
FX realised gain	-	2
Total revenue	-	26
Operating gain	-	26
Net gain before tax	-	26
Taxation expense	-	(7)
Net gain from discontinued operations	-	19
Operating activities	-	
Receipts from customers	-	24
Payments to suppliers and employees	-	2
Net operating cash flows from discontinued operations	-	26
Net cash provided from discontinued operations	-	26

The Group transitioned from developing and marketing research based natural dietary supplements to the ownership and operation of retirement villages, rest homes, and hospitals for the elderly within New Zealand.

In the comparative year the natural dietary supplements business was classified as discontinued operations. In the consolidated statement of comprehensive income and the operation of retirement villages, rest homes, and hospitals for the elderly within New Zealand, has been classified as continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 7: REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023	2022
	$000	$000
Rest home, hospital & dementia fees	22,268	18,046
Deferred management fees	809	650
Village service fees	89	50
Other revenue	299	250
	23,465	18,996

Other revenue

Other income includes other services to residents, training income for students, and administration income on the settlement of ORAs. This revenue is recognised as services are provided.

NOTE 8: OPERATING AND ADMINISTRATION EXPENSES

Profit before income tax has been determined after:

	2023	2022
	$000	$000
Administration expenses		
- Legal expenses	246	182
- NZX listing and regulatory expenses	47	85
- Insurance	375	195
- Other administration costs*	2,078	1,460
	2,746	1,922
Operating expenses		
- Employee benefits and other staff costs	13,891	10,702
- Property related expenses**	283	147
- Other operating costs**	3,379	2,695
	17,553	13,544
Remuneration of auditors for:		
William Buck Audit (NZ) Limited		
Audit and assurance services		
- Audit of financial report	80	67

*Other administration costs include utility costs, advertising, directors' fees, consulting, audit fees and accounting fees.
** Property related expenses and other operating costs relate to costs associated with running a retirement village and aged residential care such as consumables, electricity, insurance, rates, and repairs and maintenance. These expenses are recognised as they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 9: INCOME TAX

(a) Components of tax expense

	2023	2022
	$000	$000
Deferred tax	(229)	(57)
Income tax expense attributable to profit	(229)	(57)

(b) Income tax reconciliation

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

	2023	2022
	$000	$000
Prima facie income tax payable on profit before income tax at 28.0% (2022: 28.0%)	130	544
Add/less tax effect of:		
- Fair value loss / (gain) on investment property	(103)	62
- Other non-assessable income	(13)	-
- Utilisation of past tax losses	(243)	(388)
- Realise of foreign currency reserve	-	(49)
- Depreciation allowance on investment property	-	(33)
- Aldwins House lease termination	-	(59)
- Other temporary differences	-	(134)
Income tax expense attributable to profit	(229)	(57)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

(c) Deferred tax

Deferred tax relates to the following:

	2023	2022
	$000	$000
Deferred tax assets	412	275
Deferred management fees	427	254
Holiday pay	839	529
Deferred tax liabilities		
Depreciation	280	167
Fair value gain on property	94	-
Other temporary differences	(29)	2
	345	169
Net deferred tax assets / liabilities	494	360

(d) Deferred income tax related to items charged or credited directly to equity

	2023	2022
	$000	$000
Decrease in deferred tax assets	94	-

NOTE 10: CASH AND CASH EQUIVALENTS

	2023	2022
	$000	$000
Cash at bank	2,019	2,411
Funds held on behalf of residents	40	-
Total cash and cash equivalents	2,059	2,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 11: CASH FLOW INFORMATION

(a) Reconciliation of cash flow from continuing operations with profit after income tax

	2023 $000	2022 $000
Net profit from continuing operations	692	2,008
Adjustments and non cash items		
Depreciation	838	141
Depreciation of right of use assets	-	667
Fair value adjustment to investment property	(47)	222
Deferred tax	(229)	(360)
Gain on lease	-	(943)
Discontinued operations net of tax	-	26
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(342)	203
(Increase) / decrease in occupancy advances	5,618	904
Increase / (decrease) in payables	544	1,345
Increase / (decrease) in income tax payable	-	578
Cash flows from operating activities	7,074	4,791

NOTE 12: RECEIVABLES

	NOTES	2023 $000	2022 $000
Trade receivables		1,028	1,050
ORA settlements owing		260	545
Staff loans		2	-
Related party advances	25	145	558
Total receivables		1,290	2,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 13: OTHER ASSETS

	2023 $000	2022 $000
CURRENT		
Prepayments	387	476
Work in progress	130	-
NZX deposit	20	20
Total other assets	537	496

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	2023 $000	2022 $000
Land and buildings at fair value	17,261	3,250
Accumulated depreciation	(714)	(89)
Total Land and Buildings	16,547	3,161
Plant and equipment at cost	1,724	1,087
Accumulated depreciation	(361)	(148)
Total property, plant and equipment at cost	1,363	939
Total property, plant and equipment	17,910	4,100

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

	2023 $000	2022 $000
Land and buildings at fair value		
Opening carrying amount	3,161	3,224
Additions	13,249	-
Net amount of revaluation increments less decrements	762	-
Depreciation expense	(625)	(63)
Closing carrying amount	16,547	3,161
Plant and equipment at cost		
Opening carrying amount	939	532
Additions	637	485
Depreciation expense	(213)	(78)
Closing carrying amount	1,363	939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

The carrying value of freehold land and buildings is the fair value as determined by an independent valuation report prepared by registered valuers CBRE Ltd as at 31 March 2023 using a combination of:

- the capitalisation of proforma net cash flow profit/EBITDAR; and
- direct comparison approach based on value per bed.

The major assumptions used are as follows:

- Capitalisation rates: 12.0% to 12.5%
- Average occupancy: 95.0% to 96.0%

NOTE 15: INVESTMENT PROPERTIES

	2023	2022
	$000	$000
Investment property at fair value		
Opening carrying amount	42,015	40,677
Additions - subsequent expenditure	4,510	1,560
Additions - acquisitions from purchases	1,624	-
Additions - acquisitions from business combinations	755	-
Disposals- on sale of investment property	369	-
Fair value gain / (loss) on investment property	47	(222)
Closing carrying amount	49,320	42,015

The carrying value of investment property is the fair value as determined by an independent valuation report prepared by registered valuers CBRE Ltd as at 31 March 2023. This report combines discounted future cash flows and occupancy advances received from residents for retirement villages units, for which there is a licence to occupy.

Key assumptions

The fair values were based on a discounted cash flow model applied to expected future cash flows generated by the investment properties and by a direct comparison approach based on value per bed.

The major assumptions used are as follows:

Growth rates	1.96 to 2.39% (2022: 2.7%)
Target IRR	16.5% to 18% (2022: 16.5% to 18.0%)
Average occupancy	74.0% to 88.0% (2022: 84.1% to 91.3%)
Discounted cash flow period	20 years (2022: 20 years)

Sensitivity

A 0.5 percent decrease in the discount rate would result in a $0.15m higher fair value measurement (2022: $0.25 million). Conversely, a 0.5 percent increase in the discount rate would result in a $0.14m lower fair value measurement (2022: $0.24 million).

Other inputs used in the fair value measurement of the Group's investment property portfolio include the average age of residents and the occupancy period. A significant increase in the average age of entry of residents or the long term nominal house price inflation rate would result in a significantly higher fair value measurement. Conversely, a significant decrease in the average age of entry of residents or the long term nominal house price inflation rate would result in a significantly lower fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

Security

Residents make interest free advances (occupancy advances) to the retirement villages in exchange for the right to occupy retirement village units, refer Note 17. Under the terms of the occupancy agreement, the resident receives a first mortgage held over the individual title by the statutory supervisor.

A reconciliation summary between the valuation amounts and the amount recognised on the Statement of Financial Position as investment property is as follows:

	2023	2022
	$000	$000
Operator's interest at fair value	9,340	7,950
Unsold stock at fair value	600	610
Development land at fair value	2,200	2,800
Net liability to residents at fair value	13,987	10,455
Care business freehold going concern	20,800	20,200
Purchases	2,393	-
Total investment property at fair value	49,320	42,015

NOTE 16: FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

The following table provides the fair value classification of those assets and liabilities held by the group that are measured either on a recurring or non recurring basis at fair value or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

	Level 1	Level 2	Level 3	Level 4
2023	$000	$000	$000	$000
Recurring fair value measurements				
Non financial assets				
Revalued property, plant and equipment				
Land and buildings at fair value	-	-	16,547	16,547
Investment property at fair value	-	-	49,320	49,320
Total non financial assets	-	-	65,867	65,867
2022				
Recurring fair value measurements				
Non financial assets				
Revalued property, plant and equipment				
Land and buildings at fair value	-	-	3,161	3,161
Investment property at fair value	-	-	42,015	42,015
Total non financial assets	-	-	45,176	45,176

Investment properties and land and buildings are at fair value. As the fair value of investment property is determined using inputs that are unobservable, the Group has categorised investment property as Level 3 under the fair value hierarchy in line with NZ IFRS 13 Fair Value Measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 17: PAYABLES

	Note	2023	2022
		$000	$000
Trade payables		1,428	1,546
Employee entitlements		1,988	1,372
ORA payable		279	267
Related party payables	25	175	-
Total payables		3,870	3,185

Employee entitlements includes $322k in relation to a provision for annual leave due as a result of an MBIE holidays pay audit that noted inconsistencies in the calculation and Promisia's estimate to correct. The amount has not yet been finalised, but the Group has engaged Mero Limited, a specialist in holiday act remediation to calculate the amount due and the range has been estimated to be between $200k and $400k.

NOTE 18: REVENUE IN ADVANCE

	2023	2022
	$000	$000
Revenue recieved in advance	1,472	982
Movements in revenue received in advance		
Opening balance	982	881
Amounts recognised	(149)	(205)
Amounts received during the year	639	306
Closing balance	1,472	982

Revenue received in advance represents the contractual deferred management fees received not yet released to the profit and loss on the accounting basis of estimated expected occupancy periods of between 3.4 and 7.0 years).

NOTE 19: OCCUPANCY RIGHTS AGREEMENTS

	2023	2022
	$000	$000
Opening	11,437	10,533
Received on issue of new ORAs	6,595	3,485
Repaid on termination of ORAs	(1,274)	(1,830)
Deferred management fees (per contract)	(1,299)	(751)
Total occupancy rights agreements	15,459	11,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 20: BORROWINGS

	2023 $000	2022 $000
CURRENT		
BNZ Bank loans	10,208	692
Other loans	1,519	108
Total current	11,727	800
NON CURRENT		
BNZ Bank loans	8,645	11,354
Other loans	10,500	5,000
Total non current	19,145	16,354
Total borrowings	30,872	17,154

BNZ Loans
Term loans are secured by first mortgage security over the aged care facilities. The loans have interest rates of 2.29% to 9.13% p.a. (2022: 2.29% to 5.15% p.a.). BNZ loans consist of $1.853m (2022: $2.546m) with a maturity date of 30 October 2025, $7.5m (2022: $nil) with a maturity date of 31 March 2025 and $9.5m (2022: $9.5m) with a maturity date of 20 October 2023.

There is an all obligations unlimited interlocking company guarantee between the following entities in the Group; Eileen Mary Age Care Limited, Promisia Healthcare Limited, Aged Care Holdings Limited, Ranfurly Manor Limited, Nelson Street Resthome Limited and Aldwins House Limited.

Other Loans consists of:

Insurance premium funding
Funding was provided by Hunter Premium Funding for the payment of insurance premiums in the current year. In the comparative year funding was provided by Monument Finance Limited.

Advantage Finance Ltd
A loan of $1.04m was entered into during the year. This loan has an interest rate of 12.0% p.a. Repayment is required in 8 consecutive monthly payments with final payment on 27th November 2023. The loan is secured by 74 and 76 Aldwins Road, Christchurch.

First Mortgage Trust
A loan of $0.375m was entered into during the year. This loan has an interest rate of 8.75% p.a. It is an interest only loan with the balance being paid in full by 10th November 2023. The loan is secured by 60 Aldwins Road, Christchurch.

Teltower Limited Loan
A term loan of $4m was entered into during the year. This loan has an interest rate of 6.0% p.a. Repayment is required in full on 1st April 2027. There is no commitment to repay principal until two years from term expiry (1st April 2025). The loan is secured by the present properties at 56 McPhee Street, Dannevirke and 62 Aldwins Road, Phillipstown as well as any after acquired property.

Senior Trust Retirement Village Income Generator Limited
Senior Trust Retirement Village Income Generator Limited holds second mortgage security over the aged care facilities. An additional $1.5m was drawn down during the period and added to the existing loan of $5m. This was to fund the Aldwins House acquisition. The loan is interest only with a fixed interest rate of 10.75% (2022: 10.75% p.a.). Repayment is required in full on 30 October 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 21: SHARE CAPITAL

		2023	2022
		$000	$000
Issued capital (000's)			
21,434,975 (2022: 21,284,975) Ordinary shares	(a)	77,426	77,276

(a) Ordinary shares

	2023		2022	
	Number '000	$000	Number '000	$000
Consolidated				
Opening balance	21,284,975	77,276	21,021,209	77,060
Shares issued and paid	75,000	75	263,766	235
Shares issues and unpaid	75,000	75	-	-
Transaction costs relating to shares issued, net of tax	-	-	-	(19)
	150,000	150	263,766	216
At reporting date	21,434,975	77,426	21,284,975	77,276

On 1 October 2022, 150 million of new shares were allotted under the Promisia unpaid share scheme at an issue price of $0.001 per share, refer note 25.

Share based payments

On 30 July 2021, 15.285m new shares were allotted at an issue price of $0.002 per share in consideration for services provided to Promisia which equates to $0.030m.

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital management

The Group's capital includes share capital, reserves and retained earnings. The objective of the Group's capital management is to ensure a strong credit rating to support business growth and maximise shareholder value. The Group's capital is managed at parent company level. The Group is subject to capital requirements imposed by its lenders through covenants agreed as part of the lending facility arrangements. The Group has met all externally imposed capital requirements for the year ending 31 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 22: EARNINGS PER SHARE

	2023	2022
	$000	$000
Reconciliation of earnings used in calculating earnings per unit		
Net profit from continuing operations	692	2,008
Net profit from discontinued operations	-	19
	692	2,027

The calculation of basic earnings per share is based on the gain from continuing operations attributed to ordinary shareholders and the weighted average of total ordinary shares on issue during the year.

	2023	2022
	cents	cents
Cents per share		
Basic earnings from continued operations per share	0.0032	0.00946
Diluted earnings from continued operations per share	0.0032	0.00946
Basic earnings from discontinued operations per share	-	0.0001
Diluted earnings from discontinued operations per share	-	0.0001
Weighted average number of shares		
Basic earnings per share	21,300,454	21,222,134
Diluted earnings per share	21,337,646	21,222,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 23: RESERVES

		2023	2022
	Notes	$000	$000
Asset revaluation reserve	23(a)	667	-
Pooling of interest reserve	23(b)	(717)	(717)
Foreign currency translation reserve	23(c)	-	-
		(50)	(717)
(a) Asset revaluation reserve			
Movements in reserve			
Opening balance		-	-
Revaluation of property, plant and equipment, net of tax		667	-
Closing balance		667	-
(b) Pooling of interest reserve			
Movements in reserve			
Opening balance		(717)	(717)
Closing balance		(717)	(717)
(c) Foreign currency reserve			
Opening balance		-	176
Loss on translation of foreign operations		-	(176)
Closing balance		-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 24: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

The following table provides the fair value classification of those assets and liabilities held by the group that are measured either on a recurring or non recurring basis at fair value.

Subsidiaries of Promisia Healthcare Limited:	Principal activities	2023	2022
		%	%
Eileen Mary Age Care Limited	Village ownership	100	100
Eileen Mary Age Care Property Limited	Village ownership	100	100
Ranfurly Manor Limited	Rest home operation	100	100
Ranfurly Manor No:1 Limited	Village ownership	100	100
Nelson Street Rest Home Limited	Rest home operation	100	100
Aldwins House Limited	Rest home operation	100	100
Aged Care Holdings Limited	Holding Company	100	100
Promisia Limited	Active Company	100	100
Benefit Arthritis Limited	Inactive	100	100
Promisia Trustee Limited	Trustee	100	100
Promisia (USA) LLC	Inactive	100	100
Aldwins Retirement Village Limited	Village ownership	100	-
EMAC Holdings Limited	Holding Company	100	

The country of incorporation for the subsidiaries is New Zealand apart from Promisia (USA) LLC, which was incorporated in the United States of America.

EMAC Holdings Limited was incorporated on 23rd March 2023.

On the 27 of March 2023 the Group acquired Aldwins Retirement Village Limited (refer note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

NOTE 25: RELATED PARTY TRANSACTIONS

Related Party	**RelationshipCompliance with IFRS**
Brankin Family Interest Trust	Related to a shareholder and a Director of the Group
Renouf Corporation Limited	Related by common directors
Colspec Construction Limited	An associated person holds 5% of the shares in the Group
Design Care Group Limited	Related by common directors
Peak Care Advisory Limited	Company of Group's CEO
Teltower Limited	Landlord of Aldwins House in prior year

The Ranfurly Development is a related party transaction approved by shareholders in 2020. The Ranfurly Development is being financed and constructed by Design Care Group Limited (Design Care), a private New Zealand company associated with Promisia Healthcare Limited director, Mr. Thomas Brankin. Design Care engaged Colspec Construction Limited (Colspec), a New Zealand construction company, to construct the development. An associated person of Colspec holds just over 5% of the shares in Promisia Healthcare Limited. Since that time, Colspec has taken an assignment of the development agreement from Design Care and is now financing and constructing the development. The agreement was initially for a period 7 years, this was amended by a contract deed of variation on 6th December 2022, to a period of two years. Payments are agreed and paid when the ORA is settled.

In the prior year Teltower Limited was the landlord of Aldwins House and was a related party of The Wellington Company Limited (previously a substantial shareholder of the Group). In the prior year lease payments were paid to Teltower Limited amounting to $1,060m.

(a)Transactions with related parties

	2023 $000	2022 $000
Directors fees	172	166
Consultancy fees paid to Peak Advisory Limited	-	22
Consultancy fees paid by Design Care Group limited	250	-
Funds advanced to Brankin Family Interest Trust	-	395
Purchase of villas and apartments by Colspec Construction-Limited	3,909	1,357
Purchase of fixed assets from Design Care Group Limited	385	-
Purchase of Aldwins House Limited from Teltower Limited	13,000	-
Purchase of shares in Aldwins Retirement Village Limited from Design Care Group Limited (refer note 5)	525	-

On 27 March 2023, the Group acquired 100% of the share capital of Aldwins Retirement Village Limited from Design Care Group Limited. This was for a purchase price of $525k being the gross assets of $900k, less a loan liability of $375k.

On 8 February 2023, the Group acquired 56 Mcphee Street from Design Care Group Limited. This was for a purchase price of $385k.

On 6 December 2022 a previous director, who ceased to be a director during the year, received 150,000k unpaid shares from the unpaid share scheme at an issue price of $0.001 per share. Each share is required to be fully paid up by 1 October 2023. At reporting date 75,000k shares were fully paid and the balance of $0.075m for the remaining 75,000k shares is recorded in accounts receivable, refer note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

On 1 October 2022 the Company entered into an agreement with Renouf Corporation Limited to provide consulting services. The contracted amount for the services was $0.195m per annum. A portion of this amount was applied to the unpaid shares outlined above.

During the year the Brankin Family Interest Trust paid taxes on behalf of the group amounting to $0.175m. corresponding payable to the Brankin Family Interest Trust has been recorded for the same amount.

(b) Balances with related parties

At reporting date $0.145m was receivable from the Brankin Family Interest Trust (2022: $0.558m). Refer note 12. No balances with related parties were written off or forgiven in the year.

During the year the Brankin Family Interest Trust paid taxes on behalf of the group amounting to $0.175m. Corresponding payable to the Brankin Family Interest Trust has been recorded for the same amount.

No related party transactions were written off or forgiven in the period and all related party transactions are on normal commercial terms.

NOTE 26: KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel of the Group are the directors and executives.

Compensation received by key management personnel of the group:

	2023	2022
	$000	$000
Directors fees	172	166
Executives remuneration	435	204
	607	370

NOTE 27: CAPITAL COMMITMENTS

The Group has entered into a fixed price agreement for the development land surrounding the Ranfurly Residential Care Centre. The agreement, initially for 7 years was amended by a contract deed of variation on 6th December 2022, to a period of two years for the development of eight internal units, three 1- bedroom villas and twenty two 2-bedroom villas to be completed at a fixed price of $12.06m to be paid from ORA sale proceeds from individual units. The commitment as 31 March 2023 is $9.125m.

On the 7th December 2022 Promisia announced that it had agreed to increase the fixed price by a further $1m to cover the extra-ordinary increases in developments costs experienced by the building industry. The Director's approved this increase while also recognising ongoing sales prices are well above the amended fixed price.

At the 31st March 2023 fourteen villas had been completed and sold and a further four deposits received for villas under construction. The remaining villas are planned for completion during the first quarter of the 2023/24 financial year. On the 23 December 2021, Promisia Healthcare Limited entered a conditional agreement with its Landlord Teltower Limited (vendor) to acquire Aldwins House for $13 million. Under the agreement the vendor agreed to lend $4 million of the purchase price on a four-year term. Debt funding was secured from the BNZ for $7.5 million and Senior Trust for $1.5 Million. All conditions of this acquisition were met by the 31 March 2022 and settlement took place after balance date on 1 April 2022.

The Group has entered into a fixed price agreement for the development land surrounding the Ranfurly Residential Care Centre. The agreement provides a period of seven years for the development of ten internal units, two 1-bedroom villas and thirty 2-bedroom villas to be completed at a fixed price of $14.18m to be paid from ORA sale proceeds from individual units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

At the 31 March 2022 four 2-bedroom villas had been completed and sold. A further nine will be completed in the first half of the coming financial year. All have been presold and deposits received. This leaves a further 19 villas to be constructed and sold.

a) Lease commitments

	2023 $000	2022 $000
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	12	-
- later than one year and not later than five years	21	-
Total lease commitments	33	-

NOTE 28: CONTINGENT LIABILITIES

There are no contingent liabilities at the reporting date (2022: nil).

NOTE 29: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2023 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 March 2023, of the Group, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 31 March 2023, of the Group.

William Buck
ACCOUNTANTS & ADVISORS

Promisia Healthcare Limited
Independent auditor's report to the Shareholders

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Promisia Healthcare Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2023, 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.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Healthcare Limited or any of its subsidiaries.

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.

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ACCOUNTANTS & ADVISORS

Investment Properties

Area of focus (Refer also to Note 15)	How our audit addressed it
The Group owns significant Investment Property which has been recorded at fair value at 31 March 2023 of $49.3m. The net revaluation gain recognised in the consolidated statement of comprehensive income is $47k. The valuation of the Group's retirement village portfolio is inherently subjective and is based on unobservable inputs. The property valuations were performed by an independent third party and registered valuer, CBRE Limited. The valuer is reputable with extensive experience in the sector in which the Group operates. A small variation of certain assumptions could result in a material adjustment to the carrying values which is why we have given specific audit focus and attention to this area.	Our audit procedures included: — We reviewed the independent valuer's reports and tested their calculations to ensure that the valuation methodology was in compliance with relevant accounting standards — We held separate discussions with management to gain an understanding of the assumptions applied and estimates used — We engaged an independent third-party expert to review the valuation methodologies and the key assumptions — We completed a benchmark analysis on other valuations reported in the sector the Group operates — We assessed the valuer's qualifications, expertise and their objectivity, and we found no evidence to suggest that was impaired — We ensured appropriate disclosure has been included in the consolidated financial statements

Property, Plant and Equipment – Land and Buildings at fair value

Area of focus (Refer also to Note 14)	How our audit addressed it
The Group owns significant Land and Building which is recorded at fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. The net book value of the Land and Buildings as reflected in note 14 is $16.5m. The revaluation gain recognised in the consolidated statement of comprehensive income is $667k. The valuation of the Group's Land and Buildings is inherently subjective and is based on unobservable inputs. The property valuations were performed by an independent third party and registered valuer, CBRE Limited. The valuer is reputable with extensive experience in the sector in which the Group operates. A small variation of certain assumptions could result in a material adjustment to the carrying values which is why we have given specific audit focus and attention to this area.	Our audit procedures included: — We reviewed the independent valuer's reports and tested their calculations to ensure that the valuation methodology was in compliance with relevant accounting standards — We held separate discussions with management to gain an understanding of the assumptions applied and estimates used — We engaged an independent third-party expert to review the valuation methodologies and the key assumptions — We completed a benchmark analysis on other valuations reported in the sector the Group operates — We assessed the valuer's qualifications, expertise and their objectivity, and we found no evidence to suggest that was impaired — We ensured appropriate disclosure has been included in the consolidated financial statements

William Buck
ACCOUNTANTS & ADVISORS

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

The directors are responsible for the other information. The other information comprises the information included in the Annual Report on pages 4 to 18 and pages 55 to 70, 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.

Directors’ Responsibilities

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 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 economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:
https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1/
This description forms part of our independent auditor’s report.

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

WilliamBuck
ACCOUNTANTS & ADVISORS

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
29 June 2023

CORPORATE GOVERNANCE

Strong governance is fundamental to the performance of Promisia Healthcare Limited and Promisia's Board is ultimately responsible for ensuring that Promisia and its subsidiaries maintain high ethical standards and corporate governance practices.

Statement of compliance

Promisia is committed to enhancing investor confidence through good corporate governance practice and accountability in accordance with the Promisia Group Corporate Governance Code. This corporate governance statement provides an overview of Promisia's governance framework and discloses Promisia's practices in relation to the recommendations contained in the NZX Corporate Governance Code (17 June 2022) (NZX Code). The information contained in this corporate governance statement has been prepared in accordance with NZX Listing Rule 3.8.1(a).

The Board considers that for the 12 months ended 31 March 2023 (FY23), Promisia's corporate governance practices and policies have been appropriately aligned with the NZX Code. Any exceptions are identified at the end of this governance report.

PRINCIPLE 1: ETHICAL STANDARDS

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Code of Conduct

Promisia maintains high standards of ethical behaviour by which the directors, employees, contractors for personal services and advisers of Promisia are expected to conduct themselves. These standards are described in Promisia's Code of Conduct, attached as Appendix B in Promisia's Corporate Governance Code.

General principles within the Code of Conduct and Group Corporate Governance Code include (but are not limited to) requiring all directors and employees to:

- Act honestly and with personal integrity in all actions;
- In the case of directors, give proper attention to the matters before them and exercise their powers and duties with a due degree of care and diligence;
- Not make improper use of information acquired as a Director or employee, or of assets or resources of Promisia; and
- comply with Promisia's internal policies at all times.

Whistleblower Policy

Promisia encourages employees to speak out if they have concerns that Promisia's policies have been breached, including any breach of ethics. The avenues for doing so are detailed in the Protected Disclosures (Whistleblowers) Policy.

Securities Trading Policy

All directors and employees including secondees, contractors and consultants of Promisia and its subsidiaries are subject to Promisia's Securities Trading Policy, which outlines the prohibition on dealing in Promisia securities while holding inside information. Promisia's directors and employees must abide by this policy whenever they deal directly or indirectly in Promisia securities.

In particular the policy provides:

- Directors and employees are prohibited from trading in Promisia securities during "blackout periods" unless an exemption is provided by the Board. These blackout periods run from 1 October until the date Promisia's half year results are announced and from 1 April until the date Promisia's full year results are announced. Additional blackout periods may be implemented at the Board's discretion.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

- Directors and employees may trade in Promisia securities outside of a blackout period so long as they are not in possession of material information.
- Restricted Persons (being directors and certain employees) may trade in Promisia securities only after notifying the Chair of the Board of their intention to trade in Promisia securities, confirming they are not in possession of material information and that there is no known reason to prohibit trading.

There have been no dealings in Promisia's securities other than as disclosed in Notes 21 and 22.

Details of matters entered into the Interests Register by individual Directors during FY23 are outlined on page 67 of this report.

PRINCIPLE 2: BOARD COMPOSITION & PERFORMANCE

"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Promisia's Corporate Governance Code sets out the roles and responsibilities of the Board and the Board's relationship with management. The main functions of the Board are set out in the Corporate Governance Code and include:

- reviewing and approving Promisia's strategic, business and financial plans and monitoring and overseeing Promisia's performance and results against these plans to evaluate management's effectiveness;
- ensuring Promisia has adequate management to achieve its objectives, including through selecting, supporting, setting delegated authorities for and, if necessary, replacing senior management;
- reviewing and approving material transactions, investment and divestment decisions and capital expenditure decisions that the Board has determined require Board approval prior to implementation;
- ensuring ethical behaviour of Promisia, the Board, management and employees including compliance with Promisia's constitution, NZX Listing Rules and regulations and relevant laws, auditing and accounting principles;
- fostering an appropriate corporate culture, including by acting in such a way that Board meetings and discussions promote focused debate in a supportive team atmosphere; and
- overseeing the financial and operational controls of the business including risk management policies and strategies.

The roles of the Board, individual directors, committees of the Board, and senior management positions in the direction and management of Promisia are described in Promisia's Corporate Governance Code. The Code also describes the relationships between each of these positions.

Nomination and appointment process

The nomination process for new Director appointments is the responsibility of the Board as a whole. The Board may engage consultants to assist in the identification, recruitment, and appointment of suitable candidates.

The Board asks for Director nominations each year prior to the Annual Shareholders' Meeting, in accordance with the constitution of Promisia and the NZX Listing Rules. In accordance with the NZX Listing Rules, Directors will retire and may stand for re-election by shareholders at least every three years. A Director appointed since the previous Annual Meeting holds office only until the next Annual Shareholders' Meeting but is eligible for re-election at that meeting.

Directors' selection is based on the value they bring to the Board table including their skills, commercial experience, strategic thinking and general business acumen. The composition of the Board is reviewed regularly to ensure the Board maintains an appropriate balance of skills, experience and expertise. The Board has developed a skills matrix and takes into account a number of factors including qualifications, experience and skills.

Newly elected Directors are expected to familiarise themselves with their obligations under the constitution, Board Charter and the NZX Listing Rules.

CORPORATE GOVERNANCE

The Board believes the current Directors offer valuable skill sets and experience to Promisia and that each Director has the necessary time available to devote to the position. The Board does however believe it would be appropriate to expand the Board to at least four Directors to compliment the skill sets of the current Board. The Board has engaged external advice to identify the optimum mix of skills, experience and independence required for executing the Company's growth strategy, further described below.

Letters of Appointment

All Directors have entered into a written agreements with Promisia establishing the terms of their appointment.

Director Details

The details of each Director along with their experience, length of service, independence and ownership interests and attendance at Board meetings are included in this Annual Report. Director profiles are also available to view on Promisia's website at https://www.promisia.co.nz/investor-centre/#governance-&-policies.

The Board is developing a succession plan and reviewing Board composition as part of the governance review process outlined below.

Director Independence

Helen Down	Independent Director and Acting Chair	Appointed 30 May 2017
Thomas Brankin	Non-independent Executive Director	Appointed 7 May 2013
Craig Percy	Independent Director	Appointed 19 August 2022

The Board considers the majority of Promisia's directors to be independent for the purposes of the NZX Listing Rules, being Helen Down and Craig Percy. In order for a Director to be independent, the Board must determine that he or she is not an executive of Promisia Healthcare Limited and has no disqualifying relationship or interests, including relationships or interests of the kind listed in Table 2.4 of the NZX Code. The Board has regard to the NZX Listing Rules in any determination of Director independence.

The Board has determined that Thomas Brankin is a non-independent director. Thomas Brankin has an interest in approximately 53% of the shares in Promisia Healthcare Limited. He also holds an Executive role within the Company, which is described further under Principle 5 (Remuneration).

Separation of Chair and Senior Management

The Board supports a separation of the roles of Chair from senior management. Promisia's Chair is an Independent Director who is elected by the Directors.

Interests Register

Directors are required to notify Promisia of any interests they have that could impact an assessment of their independence or their ability to act in the best interests of Promisia. Promisia has processes in place to manage any conflicts of interest with directors who are interested in a matter. These are detailed in Promisia's Corporate Governance Code.

Diversity

Promisia is committed to bringing diversity to life in its employment practices and across all aspects of the business. For Promisia, diversity includes but is not limited to characteristics such as cultural background and ethnicity, gender identity, sexual orientation, age, differences in physical abilities, languages and education.

Promisia's approach to diversity is outlined in the Diversity and Inclusion Policy which sets out how Promisia will meet its commitment to creating a diverse workforce and inclusive workplace environment.

For the 12 months ended 31 March 2023, the Board is comfortable that Promisia's employment practices and HR processes and practices were in line with the intent of its Diversity and Inclusion Policy.

As at 31 March 2023, females represented 25% of Directors and senior managers of Promisia. This is a 5% increase on the percentage of female Directors and senior managers of Promisia in the last reporting period (FY22: 20%). Promisia has 335 employees of which 10% are male and 90% are female.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

The following table outlines the gender composition of Directors and senior managers as at 31 March 2023:

	FY23 Male	FY23 Female	FY22 Male	FY22 Female
Directors	2	1	3	1
Senior managers	1	0	1	0
Total	3	1	4	1

Director Training and Performance

Promisia encourages all Directors to undertake appropriate training and education so that they may best perform their duties. This includes attending presentations on changes in governance, legal and regulatory frameworks, attending technical and professional development courses and attending presentations from industry experts and key advisers. Promisia also facilitates regular visits to Promisia's facilities, meetings with senior management and engagement with Promisia's external advisers to ensure Directors are involved in and understand the needs of Promisia's business.

Promisia continues to invest in ensuring its Board has the optimum mix of skills, experience and independence required for executing Promisia's growth strategy. As part of these long-term plans, a review of the Board's composition was instigated in August 2022. The review is being carried out by an external governance expert, Richard Westlake, and involves a full review of Promisia's governance structure and practices. The review remains ongoing. As the Board review is completed, Promisia will ensure a continuous training programme for Directors is incorporated into the final structure.

PRINCIPLE 3: BOARD COMMITTEES

"The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee to act as a delegate of the Board on financial reporting, internal control and risk management issues. The Audit and Risk Management Committee is responsible for:

- assisting the Board in carrying out its responsibilities concerning accounting practices, policies and controls relative to the Company's financial position.
- making appropriate enquiries into any audit of Promisia's financial statements, including providing the Board with additional assurance about the quality and reliability of any financial information issued publicly by Promisia from time to time;
- reviewing the operation and effectiveness of Promisia's internal controls and risk management practices in consultation with senior management (see Principle 6 (Risk Management) below);
- providing an avenue of communication between auditors and Directors, particularly in relation to financial reporting and risk management matters; and
- otherwise maintaining Promisia's relationship with external auditors (see Principle 7 (Auditors) below).

The Committee operates under the Audit and Risk Committee Charter. The Audit and Risk Management Committee is comprised of Helen Down, Craig Percy and Thomas Brankin.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

The Committee was also supported during the year by Senior Manager, Stuart Bilbrough, who has strong financial management experience in the aged care sector. In addition, Craig Percy has also had substantial practical knowledge and experience with managing the financial management of aged care facilities and his expertise has been very useful in his role in the Audit and Risk Committee. As part of the governance review currently being undertaken the Board has identified that its accounting and financial experience could be strengthened. This will be a core skill set sought when recruiting a new director. In the interim the Board has engaged Baker Tilly to provide support to the Audit and Risk Committee in performing its functions.

Other Committees

Given that the Board only consists of three Directors at present, Promisia does not have a separate remuneration committee. The Board as a whole fulfils this function. When an additional independent director is appointed, it is intended to establish a remuneration committee.

The Board has not established a nomination committee. The view of the Board is that the nomination and appointment of directors is a matter for the whole Board and not for a committee.

The Board may establish other committees as required.

Takeover Protocols

In the case of a takeover offer, Promisia will form an Independent Takeover Committee to oversee a response to the offer and engage expert legal and financial advisors to provide advice and ensure compliance with the Takeovers Code.

Meeting attendance by non-committee members

Directors who are not members of the Audit and Risk Committee are able to attend Audit and Risk Committee meetings as they wish. Employees may only attend those meetings at the invitation of the Audit and Risk Committee.

Executive directors do not participate in deliberations relating to their own remuneration. Management can only attend Board meetings at which remuneration is discussed at the invitation of the Board.

Director Meeting Attendance

The Board meets as often as it deems appropriate including sessions to consider the strategic direction of Promisia and forward-looking business plans. Video and/or phone conferences are also used as required.

The table below sets out Director attendance at Board and Committee meetings during FY23.

	Board Meetings	Audit and Risk Management Committee
Total number of meetings held	7	2
Helen Down	7/7	2/2
Craig Percy[1]	5/7	1/2
Tom Brankin	7/7	0/2
Andrew Mitchell[2]	2/7	1/2
Stephen Underwood[2]	2/7	1/2

1. Craig Percy was appointed to the Board on 19 August 2022.
2. Andrew Mitchell and Stephen Underwood retired from the Board on 19 August 2022.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

PRINCIPLE 4: REPORTING & DISCLOSURE

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

Continuous Disclosure

The Board focuses on providing accurate, adequate and timely information both to its shareholders and to the market generally. This enables all investors to make informed decisions about Promisia. All significant announcements made to NZX, and reports issued, are posted on Promisia's website.

Promisia has procedures in place to ensure that it complies with its continuous disclosure requirements under the NZX Listing Rules so that:

- All investors have equal and timely access to material information concerning Promisia, 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 Chair 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.

Promisia's Continuous Disclosure Policy governs the responsibilities and procedures for releasing material information to the market.

Key governance documents

Copies of the key governance documents, including the Continuous Disclosure Policy, Code of Conduct, Securities Trading Policy and Board and Committee Charters are available on Promisia's website at https://www.promisia.co.nz/investor-centre/#governance-&-policies.

Promisia's corporate governance policies were last reviewed in 2021 and are available to view at https://www.promisia.co.nz/investor-centre/#governance-&-policies. A review of these policies is a key item in Promisia's work plan for the upcoming year and will be carried out as required by recent updates to the NZX Code.

Financial Reporting

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of Promisia and have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements, estimates and for ensuring all relevant financial reporting and accounting standards have been followed.

The Audit and Risk Management Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews Promisia's full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit.

All matters required to be addressed, and for which the Committee has responsibility, were addressed during the reporting period.

For the 12 months ended 31 March 2023, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of Promisia and facilitate compliance with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

Senior management has confirmed in writing to the Board that Promisia's external financial reports present a true and fair view in all material aspects. Promisia's full and half year financial statements are available on Promisia's website.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

Non-financial Reporting

Promisia is committed to using its resources responsibly and will look for opportunities to reduce any negative environmental risk or impact from business operations, products and services. The Board encourages diversity and will not knowingly participate in business situations where Promisia could be complicit in human rights and labour standard abuses.

Promisia discusses its non-financial objectives and its progress against these objectives in the Chair and senior management's commentary in shareholder reports, and at other investor events during the year including investor presentations and the Annual Shareholders' Meeting.

Given Promisia's size, the Board has elected not to adopt a formal environmental, social and governance framework. The Company remains aware of changes to non-financial reporting standards, particularly changes to climate-related disclosures. Promisia's Continuous Disclosure Policy governs the responsibilities and procedures for releasing material information to the market.

PRINCIPLE 5: REMUNERATION

"The remuneration of directors and executives should be transparent, fair and reasonable."

Remuneration of directors

Shareholders fix the total remuneration available for Directors. Approval is sought for any increase in the pool available to pay Directors' fees, and any recommendations to shareholders regarding Director remuneration are provided for approval in a transparent manner. The current Director fee pool was approved by shareholders in 2020. The Board obtained legal advice in FY23 to ensure director remuneration was benchmarked appropriately against Directors fees for comparable listed companies and companies operating in similar sectors to Promisia. The Directors fees were reallocated between the Directors upon completion of the review, effective on and from 1 October 2022. Promisia believe the fees are set at a fair market rate as a result.

The amount payable currently to each non-executive Director is $45,000 per annum (other than the Chair). The Chair/Acting Chair is paid $75,000 per annum. Additional fees may be paid to Directors for work undertaken outside their Director's duties, as approved by the Board.

Promisia's Remuneration Policy is in line with best practice guidelines from the New Zealand Institute of Directors. Directors are entitled to be reimbursed for cost directly associated with carrying out their duties, including travel costs. Board policy is that no sum is paid to a Director upon retirement or cessation of office.

Details of Director remuneration in FY23 is detailed below.

	Director Fees	Committee Fees	Fees for Additional Services	FY23 Total
Helen Down[2]	55,000	-	-	55,000
Thomas Brankin	50,000	-	250,000[4]	300,000
Craig Percy[3]	24,750	-	-	24,750
Stephen Underwood[1]	31,250	-	100,000[5]	131,250
Andrew Mitchell[1]	11,554	-	-	11,554
Total Fees	172.6	-	350,000	522,554

1. Stephen Underwood and Andrew Mitchell stepped down from the Board on 19 August 2022
2. Helen Down was appointed Acting Chair on 19 August 2022
3. Craig Percy was appointed to the Board following the Annual Shareholders' Meeting on 19 August 2022
4. Additional fees paid to Thomas Brankin for executive services. See commentary below.
5. Additional fees paid to Stephen Underwood for services, following his retirement as a director. See commentary below.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

Fees for Additional Services

Following Stephen Underwood's retirement, Promisia engaged Stephen in a consulting role for a twelve-month term from 1 October 2022 to provide support to the Board and senior management.

Thomas Brankin was paid $250,000 for his executive services to Promisia during FY23. These services included the acquisition of Aldwins House, financing for that acquisition, the merger of Rannerdale residents and staff into Aldwins House, the acquisition of 74 & 76 Aldwins Road, assisting the Ranfurly Manor development and, investigating to various stages, five separate acquisition opportunities.

Promisia believe the fees paid as above reflect a fair market rate for the services provided to Promisia.

Disclosure under Rule 5.2.2(e)

The Board continues to invest a significant amount of time into identifying opportunities for future growth. This includes researching various sites and facilities, meeting with potential partners and undertaking due diligence on promising opportunities.

To assist in the identification of further opportunities, Promisia entered into an agreement to provide services (Agreement) with Design Care Group Limited under which Thomas Brankin is to provide executive and strategic services to Promisia in order to grow its operations and property holdings in the aged care sector. The Agreement commenced on 1 April 2023 and continues until terminated by either party on one month prior notice. Under the Agreement:

- Thomas Brankin will be paid a monthly fee of $10,000 plus GST. This payment replaces Directors fees previously paid to Thomas Brankin.
- A transaction fee is to be paid upon Promisia acquiring or disposing of any aged care business or real property as a result of Mr Brankin's services. The transaction fee will be the lesser of $75,000 plus GST and 1% of the aggregate purchase price paid or payable (or in the case of a disposal, received or to be received) by Promisia in respect of the transaction (plus GST).

Promisia did not seek approval of entry into the Agreement by shareholders in reliance on the exception under Rule 5.2.2(e) of the NZX Listing Rules.

Remuneration of Executives and Employees

Executive remuneration consists of a salary (including KiwiSaver contributions from Promisia) with the ability to participate in Promisia's Staff Share Scheme as an additional incentive, under which the ability to acquire shares may be granted .

The review and approval of senior management remuneration is the responsibility of the Board. The Board believes senior management remuneration is fair and reflects the performance requirements and expectations of the role. Senior management remuneration comprises a fixed base salary (which includes KiwiSaver contributions), and the ability to participate in the Group's Staff Share Scheme. The Staff Share Scheme acts as a long-term incentive by offering unpaid shares which may be paid up in tranches as they vest.

Promisia intends to develop a Remuneration Policy during its review of Promisia's internal policies, which outlines the processes and framework for remuneration of senior management and employees, including the relative weightings of remuneration components and performance criteria.

More information on executive remuneration, including entitlements, is set out on pages 44 and 49 of the financial statements.

		Salary	Benefits and Incentives	Total Remuneration
FY23	Stuart Bilbrough[1]	298,826	Nil	298,826
FY22	Chris Brown[2]	204,363	Nil	200,000

1. Stuart Bilbrough commenced the role of CEO from 9 May 2022. Stuart resigned as CEO on 28 March to refocus on his healthcare consulting business. Stuart's resignation will be effective from 30 June 2023.
2. Chris Brown was appointed as CEO on 23 August 2021 and resigned on 22 April 2022.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

PRINCIPLE 6: RISK MANAGEMENT

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Promisia is committed to managing risks proactively. The Audit and Risk Management Committee assists the Board in carrying out its risk management responsibilities by providing additional oversight regarding Promisia's risk management framework and monitoring compliance with that framework.

The Board delegates day to day management of the risk management framework to senior management. The executive team and senior management are required to regularly identify the major risks affecting the business and develop structures, practices, and processes to manage and monitor these risks. Individual risks are discussed with the Board in detail as required.

Key financial risks are set out on pages 30 to 32 of the financial statements.

Non-financial risks have been summarised as:

Government funding	The facilities receive residential care subsidy funding from Te Whatu Ora which may be subject to change. Any loss in aged care facility funding will have a material adverse effect on financial performance.
Changes to legislation	Aged care providers need to meet standards set by the Health and Disability Services Standards and all facilities that offer occupation right agreements need to comply with the Retirement Villages Act 2003. Significant changes to certification standards and requirements of retirement village operators may create additional obligations and costs on aged care operators. Any such additional obligations and cost may have a material adverse effect on financial performance.
Labour availability, cost and turnover	Aged care facilities rely on the staffing of care and non-care positions. These positions are paid at the lower end of pay scales, primarily due to underfunding by Te Whatu Ora. Labour availability and cost makes attracting staff to the aged care sector difficult.
Infection control	Processes and procedures to manage the risks of viruses such as norovirus and Covid-19 to both staff and residents have been developed and implemented successfully. The company will use its proven infection control policies and practices, amended as required, to manage any new viral outbreaks.
Occupancy	To generate revenue and cover its costs, Promisia must maintain certain levels of occupancy at its facilities. Any significant drop in occupancy will have a financial impact on Promisia's earnings.
Property Market	A downturn in the national or regional property market could impact the demand for and Promisia's ability to sell or re-sell units and, to a lesser extent, care suites, as well as the value that can be achieved on the sale or resale of a unit or care suite and the timeframe to complete such sales. As Promisia's village units and care suite portfolio increases in size, a sustained downturn in the national or regional property market could have a material adverse effect on financial performance.
Property Development	Promisia's development at Ranfurly Manor remains ongoing. Most risk associated with the development has been contracted out. However, Promisia anticipates further developments, in particular at Aldwins House and Eileen Mary, where Promisia has acquired adjoining land in the last reporting period. Promisia will have to manage the risks associated with construction when instigating and implementing these projects.

CORPORATE GOVERNANCE

The Board is satisfied that Promisia has in place a risk management process to identify, manage effectively and monitor Promisia's principal risks. Promisia maintains insurance policies that it considers adequate to meet its insurable risks.

Health and Safety

The Board recognises that effective management of health and safety is essential for the operation of a successful business, and its intent is to prevent harm and promote wellbeing for employees, contractors, and customers. Promisia's health & safety risks are monitored on a daily basis and any issue that is deemed a moderate or high risk is documented and provided to the Board of Directors on a monthly basis. This includes a clear directive action plan to resolve. The Board is responsible for ensuring that the systems used to identify and manage health and safety risks are fit for purpose, being implemented effectively, reviewed regularly, and improved continuously.

Health and Safety reports, including incident reports, for all business units are included in the compliance section of Board papers. There were no reportable incidents during FY23.

PRINCIPLE 7: AUDITORS

"The Board should ensure the quality and independence of the external audit process."

External Auditors

The Audit and Risk Committee Charter governs the Board's relationship with its external auditors. Promisia's compliance with the Audit and Risk Committee Charter ensures that:

- audit independence is maintained, both in fact and appearance, such that Promisia's external financial reporting is viewed as being reliable and credible.
- free and open communication between the Directors and external auditors is maintained.

In relation to Promisia's relationship with external auditors, the Audit and Risk Committee is responsible for:

- Reviewing and enquiring into Promisia's financial statements, including providing the Board with additional assurance about the quality and reliability of any financial information issued publicly by the Company from time to time.
- Approving the auditor's engagement letter and setting audit fees.
- Pre and post audit meetings, including any meetings with auditors or senior management as required.
- Reviewing the Company's annual audit plan and audit timetable.
- Reviewing the management letter, auditor performance and ensuring rotation of the audit partner.
- Approving any non-audit engagements performed by the audit firm.

For FY23, William Buck Audit (NZ) Limited was the external auditor for Promisia Healthcare Limited. William Buck Audit (NZ) Limited was first appointed as auditor on 31 May 2019. Rotation of the audit partner occurs every five years.

All audit work at Promisia is separated from non-audit services, to ensure that appropriate independence is maintained. William Buck Audit (NZ) Limited provided only audit work in FY23. The amount of fees paid to William Buck Audit (NZ) Limited during FY23 is identified on page 35.

William Buck Audit (NZ) Limited has provided the Audit and Risk Management Committee with written confirmation that, in its view, it was able to operate independently during the year.

Auditor attendance at the Annual General Meeting

William Buck Audit (NZ) Limited is available to attend each Annual Meeting of the Company (either virtually or in person), and the Audit Director is available to answer questions from shareholders at that Meeting.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

Internal Audit

Promisia does not have a dedicated Internal Auditor role. Promisia has several internal controls overseen by the Audit and Risk Management Committee, including controls for computerised information system, security, business continuity management, insurance, health and safety, conflicts of interest, and prevention and identification of fraud.

PRINCIPLE 8: SHAREHOLDER RIGHTS & RELATIONS

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Access to information

Promisia is committed to ensuring that its shareholders are kept up to date with key activities and are provided with relevant information about the Company and its performance. The Company communicates with shareholders during the financial year through annual and half year reports and at the Annual Shareholders Meeting .

Promisia maintains an investor relations section on the company's website available to access at https://www.promisia.co.nz/investor-centre/. This provides access to key corporate governance documents, copies of all major announcements, company reports and presentations.

Investor communication

Written communications and reports are available on the Company's website, as well as emailed to shareholders that elect to be emailed. All shareholders are given the option to elect to receive electronic communications from the Company.

NZX announcements are also available on the NZX website www.nzx.com/companies/PHL/announcements.

In addition to shareholders, Promisia has a wide range of stakeholders and maintains open channels of communication for all audiences, including the investing community, Promisia's staff and residents and parties involved in the aged care industry.

Voting on major decisions

In accordance with the NZX Listing Rules, shareholders have the right to vote on major decisions which may change the nature of the Company. Each shareholder has one vote per share and voting is conducted by polls.

Additional equity offers

Should Promisia consider raising additional capital, Promisia will structure the offer having regard to likely levels of shareholder participation and optimising and enhancing the ability to maximise the level of capital raised. The Board will look to give all shareholders an opportunity to participate in any capital raising.

Notice of meetings

Promisia aims to provide at least 20 working days of the notice of the Annual Shareholders Meeting, which is posted on Promisia's website, announced on the NZX and sent to shareholders prior to the meeting each year. In 2022, due to Board changes, only eleven days' notice was provided. The Board remains very conscious of managing costs for shareholders. Therefore, the 2022 Meeting was an in-person only event. The Board will review the format of the Meeting each year, taking into account shareholder feedback and cost to shareholders.

Variance to NZX Corporate Governance Code in FY23

The following variances to the NZX Corporate Governance Code have occurred in FY23 and been approved by the Board.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

NZX Code Principle	NZX Co Recommendation	Key Difference	Status
Code of Ethics	1.1 Training should be provided regularly	PHL does not have a formal training schedule. New employees are encouraged to read the Code and it can be easily found on the company website.	A more formal training schedule will be reviewed.
Board Composition	2.5 An issuer's Diversity Policy should include measurable objectives	PHL does not have measurable objectives in place	Management encourages a culture of diversity and inclusiveness at PHL and provide regular reporting and monitoring on diversity to the Board
Board Committees	3.1 Membership of the Audit Committee should comprise non-executive directors of the Issuer	In order to comply with NZX Listing Rule 2.13.1 that at least three directors by on the Committee, executive director, Thomas Brankin, is a member of the Committee	This will be a core skill set sought when recruiting a new director.
	3.3 An Issuer should have a Remuneration Committee	PHL does not have a Remuneration Committee	While the Board only consists of three directors, matters ordinarily dealt with by the remuneration committee are dealt with by the full Board.
	3.4 An issuer should have a Nomination Committee	PHL does not have a Nomination Committee	Nomination of directors is a matter for the whole of the Board
Reporting and Disclosure	4.3 Non-financial disclosures including environmental, economic and social sustainability risks	PHL does not have a formal sustainability programme	Promisia is committed to using its resources responsibly
Reporting and Disclosure	5.2 Remuneration policy for remuneration of directors and officers	PHL does not have a Remuneration Policy	A review of internal policies is a key item in Promisia's work plan for the upcoming year. A Remuneration Policy will be prepared during this review.
Shareholder Rights & Relations	8.5 20 working days' notice of shareholder meeting	Eleven working days' notice was provided in 2022	Promisia aims to provide 20 working days' notice

OTHER DISCLOSURES

Section 140(1) of the New Zealand Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity. The following particulars were entered in the Company's Interests Register for the year ended 31 March 2023:

Directors Interests

Director	Company/Entity	Nature of Interest
Tom Brankin	Promisia Healthcare Ltd and subsidiaries	Shareholder and Director
	iAgri Ltd	Shareholder and Director
	iAgri 2003 Ltd	Shareholder and Director
	Design Care Group Ltd	Shareholder and Director
	OTB Properties Ltd	Shareholder and Director
	Zany Zeus 2020 Limited	Shareholder
Helen Down	Promisia Healthcare Ltd and subsidiaries	Shareholder and Director
	Advisory Boards NZ Limited	Shareholder and Director
	Helen Down Limited	Shareholder and Director
Craig Percy	Promisia Healthcare Limited	Director
	Greytown Retirement Properties Limited	Shareholder and Director
	The Orchards GP Limited	Shareholder and Director
	Crafted Solutions Limited	Shareholder and Director

Director Holdings

Director	Shares in which a director has a relevant interest
Tom Brankin	11,237,165,711
Helen Down	500,000

Securities dealings

There have been no dealings in the company's securities other than as disclosed in Notes 21 and 22.

Indemnity and Insurance

Promisia maintains Directors' and Officers' liability insurance for its Directors and Officers.

NZX Listing Rule Waivers

The Company has not relied on any waivers from the NZX Listing Rules in the year ending 31 March 2023.

Credit rating

Promisia has no credit rating.

OTHER DISCLOSURES

Employee remuneration

The number of employees or former employees of the company, not being directors of the company, who, during the accounting period, received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum.

$	FY23	FY22
$100,000 - $140,000	3	1
$190,001 - $200,000		1
$240,001 - $280,000	1	

Directors Remuneration

Included on page 49 under Principle 5.

Director appointment dates

The date of each Director's first appointment to the position of Director is provided below. Since the date of first appointment, Directors have been re-appointed at annual meetings when retiring by rotation as required.

Director	Date first appointed	Date last appointed
Stephen Underwood (retired 19 August 2022)	8 June 2005	31 May 2019
Tom Brankin	7 May 2013	31 May 2019
Helen Down	30 May 2017	11 June 2020
Andrew Mitchell (retired 19 August 2022)	23 December 2021	-
Craig Percy	19 August 2022	-

Donations

The Group made no donations during the period 1 April 2022 to 31 March 2023.

OTHER DISCLOSURES

Top 20 shareholders as at 31 March 2023

Rank	Holder	Number Held	% Held
1	Thomas David Brankin & Michael John Kirwin Lay	11,237,165,711	52.42%
2	Jillian Mary O`Brien	1,089,329,066	5.08%
3	Andrew Raymond Mitchell	1,022,102,561	4.77%
4	Donald Hamish Mackintosh	908,789,242	4.24%
5	Public Trust Limited	515,000,000	2.40%
6	Derek Montgomery Daniel & Aka Trustees Limited	500,000,000	2.33%
7	Jarden Custodians Limited	500,000,000	2.33%
8	Stephen Underwood	265,602,227	1.24%
9	Aeneas Edward O`Sullivan	265,000,000	1.24%
10	CPH Hospitality Limited	241,501,600	1.13%
11	3 J`S Limited	214,695,834	1.00%
12	Brian John Drake	200,000,000	0.93%
13	Christchurch Treeman Limited	200,000,000	0.93%
14	Ian David Penny & Alexander James Mcphail & David Kenneth Brown	200,000,000	0.93%
15	Paul Ainsworth	194,388,861	0.91%
16	Paul Allen Nielsen	122,515,899	0.57%
17	William Noel Coughlan & Judith Wynne Coughlan	120,000,000	0.56%
18	Andrew Alan Bardsley & Jacquiline Anne Bardsley	115,000,000	0.54%
19	George Craig Royal	113,508,830	0.53%
20	Douglas John Braithwaite	109,999,999	0.51%

Spread of shareholders

Holding Range	No. of Holders	Total Shares	% Issued Capital
1-1000	2	4	0%
1001-5000	1	5,000	0%
5001-10000	2	20,000	0%
10001-50000	9	408,940	0%
50001-100000	11	1,030,351	0%
Greater than 100,000	624	21,433,510,859	100%

Management commentary
(no financial statements)

DIRECTORY

Registered office
Duncan Cotterill
Level 2, 50 Customhouse Quay
Wellington, 6011

Directors
Stephen Underwood (resigned 19 August 2022)
Thomas Brankin
Helen Down
Andrew Mitchell (resigned 19 August 2022)
Craig Percy (appointed 19 August 2022)

Auditor
William Buck Audit (NZ) Limited

Bank
Bank of New Zealand
Kiwibank

Solicitors
Duncan Cotterill
Wellington

Management commentary
(no financial statements)

Promisia
HEALTH AND CARE

www.promisia.co.nz

Management commentary
(no financial statements)