

Promisia Integrative Limited

Consolidated Interim Financial Statements

For the ten months ended 30 October 2020

Promisia Integrative Limited

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Promisia Integrative Limited
 Consolidated Interim Statement of Comprehensive Income
 For the 10 months ended 30 October 2020

	10 months ended 30 October 2020	10 months ended 30 October 2019
Notes	Audited \$000	Unaudited \$000
Revenue	-	-
Administration expenses	(1,084)	(549)
Operating expenses	-	-
Depreciation and amortisation expense	-	-
Finance Costs	(53)	(34)
Total Expenses	(1,138)	(583)
Net Loss before income tax	(1,138)	(583)
Income tax expense	-	-
Net loss for the period from continuing operations	(1,138)	(583)
Discontinued operations		
Profit/(Loss) for year after tax from discontinued operations	31	(1,469)
Other comprehensive income		
<i>Items that may be later reclassified to profit or loss</i>		
Gain / (Loss) on translation of foreign currency	(50)	-
Total other comprehensive income	(50)	-
Total comprehensive income	(1,156)	(2,052)
Earnings Per Share (dollars per share)		
Basic & diluted earnings per share from continuing operations	(0.0005)	(0.0003)
Basic & diluted earnings per share from discontinued operations	0.000015	(0.0007)

The accompanying notes form part of these financial statements

Promisia Integrative Limited Consolidated Interim Statement of Changes in Equity For the 10 months ended 30 October 2020

	Issued Capital	Foreign Currency Reserve	Pooling of Interests Reserve	Accumulated Losses	Total
	\$000	\$000	\$000	\$000	\$000
Year ended 31 December 2019 audited					
Opening balance	58,278	182	-	(57,662)	798
Net loss for period	-	-	-	(2,401)	(2,401)
Other comprehensive income / (loss)	-	1	-	-	1
Share issue	248	-	-	-	248
Closing balance at 31 December 2019	58,526	183	-	(60,063)	(1,354)
10 months ended 30 October 2020 audited					
Opening balance	58,526	183	-	(60,063)	(1,354)
Net loss for period	-	-	-	(1,156)	(1,156)
Other comprehensive income / (loss)	-	(50)	-	-	(50)
Pooling of interest reserve	-	-	(404)	-	(404)
Share issue	14,000	-	-	-	14,000
Less share issue costs	(297)	-	-	-	(297)
Closing balance at 30 October 2020	72,229	133	(404)	(61,219)	10,739

The accompanying notes form part of these financial statements

Promisia Integrative Limited Consolidated Interim Balance Sheet As at 30 October 2020
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	Notes	30 October 2020 Audited \$000	31 December 2019 Audited \$000
Equity			
Share capital	9	72,229	58,526
Accumulated losses		(61,219)	(60,063)
Pooling of Interest Reserve		(404)	-
Foreign currency translation reserve		133	183
Total / (negative) equity		10,739	(1,354)
 <i>Represented by:</i>			
Assets			
Cash and cash equivalents		712	21
Trade and other receivables		816	34
Prepayments		43	1
Taxation Receivable		-	6
Investment Property	5	39,450	-
Property, Plant & Equipment	4	3,512	3
NZX Deposit		20	20
Deferred Taxation		236	-
Right-of-use asset	10	9,563	-
Total assets		54,351	85
<i>less</i>			
Liabilities			
Trade and other payables	12	3,008	584
Other Loans	7	319	-
Related party loans	8	2,368	855
Lease Liability	10	10,231	-
Occupancy rights agreements	6	9,685	-
Interest Bearing Loans & Borrowings	7	18,000	-
Total liabilities		43,612	1,439
Net assets / (liabilities)		10,739	(1,354)

Authorised on behalf of the Board



Stephen Underwood
Chairman



Thomas Brankin
Director

Wellington
23 December 2020

The accompanying notes form part of these financial statements

Promisia Integrative Limited Consolidated Interim Statement of Cash Flows For the 10 months ended 30 October 2020
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	10 months ended 30 October 2020	10 months ended 30 October 2019
Notes	Audited \$000	Unaudited \$000
Operating Activities		
Receipts from customers	106	178
Interest received	-	-
Payments to suppliers and employees	(1,234)	(994)
Interest paid	(12)	-
Net operating cash flows	(1,140)	(816)
Investing activities		
Sale of property, plant and equipment	-	17
Refund of NZX deposit	-	55
Acquisition of aged care assets	(23,385)	-
Purchase of property, plant & equipment	(262)	-
Net investing cash flows	(23,647)	72
Financing activities		
Drawdown of interest bearing loans	18,000	-
Drawdown of loans	1,776	-
Issue of share capital, net	5,702	247
Net cash flow from financing activities	25,478	247
Net increase / (decrease) in cash and cash equivalents	691	(497)
Cash and cash equivalents and beginning of period	21	512
Cash and cash equivalents at end of period	712	15

The accompanying notes form part of these financial statements

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
For the 10 months ending 30 October 2020

Statement of compliance

The financial statements presented are those of Promisia Integrative Limited (the Company), and its subsidiaries (the Group). Promisia Integrative Limited is a profit-oriented entity incorporated in New Zealand. Promisia Integrative Limited principal activities are transitioning from developing and marketing research based natural dietary supplements to the ownership and operation of retirement villages, resthomes, and hospitals for the elderly within New Zealand.

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

The audited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Principles in New Zealand (NZ GAAP). The statements comply with New Zealand equivalents to International Accounting Standard 34 (NZ IAS 34) *Interim Financial Reporting*.

Basis of preparation

The financial statements for the 10 months ending 30 October 2020 have been audited.

The comparative figures for the 10 months ending 30 October 2019 are unaudited. These comparative figures, while they are for the same period of the previous year, have limited relevance as the principal activities of the Group have transitioned from developing and marketing research based natural dietary supplements to the ownership and operation of retirement villages, resthomes, and hospitals for the elderly within New Zealand. The financial periods shown in these financial statements capture this transition.

These financial statements are prepared under the same accounting policies and methods as the Company's Annual Report at 31 December 2019. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report for the year ended 31 December 2019.

The financial statements were approved by the Board of Directors on 23 December 2020.

The information is presented in New Zealand dollars which is the Group's functional and presentation currency and rounded to the nearest thousand dollars unless stated otherwise.

There is no seasonality or cyclical nature of the interim operations.

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
For the 10 months ending 30 October 2020

1. Summary of significant accounting policies

These financial statements have been prepared in accordance with the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS).

Pooling of Interest Method

Promisia Integrative Limited has applied the pooling of interest method when measuring the value of the acquired aged care facilities. The pooling of interest method requires acquisition at the net book value at 30 October 2020.

Investment Property

Promisia Integrative Limited is applying the accounting policies under NZ IAS40 for *Investment Property*.

Investment property has been valued at fair-value by an independent registered valuer on acquisition. Investment property will be subsequently valued at each reporting period with any gains or losses resulting from the revaluation recorded in profit or loss.

Property, Plant & Equipment

There has been a change in accounting policy for Property, Plant & Equipment reported under NZ IAS16 *Property, Plant & Equipment*.

Property Plant & Equipment is measured at fair-value. This property will be revalued from time to time with the resulting gain or loss in value recognised in other comprehensive income. Losses in excess of previous revaluation gains will be recognised in profit or loss.

Adoption of new and revised standards and interpretations

In the current period, the Group adopted all mandatory new and amended standards and interpretations.

Standards and interpretations on issue but not yet adopted

We do not consider that any NZ IFRS standards or interpretations that have recently been issued or amended that have not yet been adopted by the Group that would materially impact the Group for the current period ending 30 October 2020.

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
For the 10 months ending 30 October 2020

2. Acquisition of aged care facilities

The Group has completed the purchase of three aged care facilities for \$31.385m on 30 October 2020. These aged care facilities are Ranfurly Residential Care Centre in Feilding, Nelson Residential Care Centre in Feilding, and Eileen Mary Residential Care Centre in Dannevirke.

The acquisition involves the purchase of assets and the assumption of certain liabilities. This has been financed via debt of \$18m, new equity issued of \$14m, of which \$8m has been issued to the vendor and \$6m to various private placement participants. All shares have been issued at a price of \$0.001 per share.

The agreed price for the aged care facilities was \$31.385m, however the fair-value of all property has been determined at 30 October 2020 by independent valuer CBRE, at a value of \$33.015m. The difference between the agreed purchase price and the fair value of the property and other net assets acquired at 30 October 2020 comes to \$0.52m and shown as a reserve in equity.

As part of this acquisition, the development land surrounding Ranfurly Residential Care Centre has been purchased with a fixed price agreement with the vendor to complete the development within seven years, for a fixed price of \$14.18m, payable from occupancy rights agreement (ORA) sale proceeds from the developed units.

A long-term lease has been signed for Aldwins House in central Christchurch, for the operation of a rest home and hospital, which is expected to open in mid-December 2020. An option to purchase the property has been signed at a fixed price of \$10m, available until 1 June 2021. As part of this agreement the landlord is providing a loan up to a maximum of \$1m for the fit-out of Aldwins House to be repaid over equal monthly instalments beginning 1 June 2021 for the remaining term of the lease and incurring interest at a rate of 12% per annum.

Promisia Integrative Limited purchased shares Ranfurly Manor No: 1 Limited and Eileen Mary Age Care Property Limited. These Companies own the investment property. The aged care business and assets were acquired from the trading entities of the vendor.

The pooling of interest method has been used for the acquisition of the aged care businesses. Pooling of interest requires the existing balances from the acquired entities to be combined with the balances of Promisia Integrative Limited.

Property was valued at fair-value based on an independent valuation from CBRE Limited at acquisition date.

Any differences between the book values of the acquired entities and the purchase price is recorded as an equity reserve.

Of the \$1.1m of expenses showing for the 10 months ending 30 October 2020, primarily all of the administration expense relates to the acquisition of the aged care facilities.

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
For the 10 months ending 30 October 2020

3. Going concern

The acquisition of the aged care facilities has recapitalised the Company. This provided tangible assets to the group with the expectation of both profits and positive cash flows from operations. The acquisition has allowed shareholders to retain their shares, providing them with an interest in an established business in the aged care sector with strong growth prospects.

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 their cash flow requirements as they fall due.

4. Property, Plant & Equipment

The land and buildings at 38 Nelson Street, Feilding have been valued at acquisition date by independent valuer CBRE Limited. This fair-value was determined to be \$3.25m.

Fit-out of Aldwins House was partially complete at balance date, the cost to date of the fit-out is \$262,007, which has been funded via a loan from the landlord (see note 7).

5. Investment Properties

The fair value of investment properties at reporting date are \$39.5m with a value owing to residents of \$9.7m under the occupancy rights agreements, resulting in a net fair value of \$29.8m.

The carrying value of investment property is the fair-value as determined by an independent valuation prepared by registered valuers CBRE Limited, at 30 October 2020.

Uncertainty due to COVID-19 pandemic

The valuation of investment properties at 30 October 2020 is based on the information available to CBRE Limited at the time of the valuation and relies on several key inputs and assumptions.

The valuations are highly sensitive to changes in key inputs. The valuer has elected a value at a point between valuation on a capitalisation approach (based on forecast EBITDAR) and a direct comparison approach. This is summarised as:

	\$000
Estimated Value by capitalisation approach	29,165
Estimated value by direct comparison	30,245
Valuation adopted	29,775

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
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Given the COVID-19 pandemic there is an increase in the uncertainty in determining the fair-value of investment property. CBRE Limited has commented on the New Zealand market uncertainty in the valuation report.

Given this heightened uncertainty surrounding the impact COVID-19 may have on real estate markets in the future, a high degree of caution should be exercised when relying upon the valuation. Values may change more rapidly and significantly than during standard market conditions.

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:

Key Assumptions of Investment Properties

Growth rates	0% to 3%
Discount rate	16.5% to 18.0%
Average occupancy	85.0% to 91.3%
Discounted cash flow period	20 years

6. Occupancy Advances

	10 months ended 30 October 2020 Audited \$000	Year ended 31 December 2019 Unaudited \$000
Balance at beginning of financial period	-	-
Amounts repaid on termination of ORAs	-	-
Amounts received on issue of new ORAs	-	-
Amounts from acquired villages	9,685	-
Balance at end of financial period	9,685	-

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
For the 10 months ending 30 October 2020

Occupancy advances are amounts payable to Promisia Integrative Limited by a resident on being issued the right to occupy one of the Group's units or serviced apartments under an occupation right agreement ("ORA"). The ORA confers a right of occupancy until such time as the right is effectively terminated.

Occupancy advances are non-interest-bearing and are repayable to the exiting resident, net of any amount owing to the Group, when a new ORA for the unit or serviced apartment is issued to an incoming resident.

7. Interest bearing loans and borrowings

Bank loans

Acquisition of the aged care facilities resulted in the drawdown of \$18m of debt, of which \$13m was provided by Bank of New Zealand Limited term loans with a first mortgage security over the aged care facilities.

A further \$5m was provided by Senior Trust Retirement Village Income Generator Limited as a second mortgage security over the aged care facilities. This loan is interest only with an interest rate of 10.75%p.a. Repayment is required in full on 30 October 2024.

	30 October 2020 Audited \$000	31 December 2019 Unaudited \$000
Interest bearing loans		-
Current Portion	670	
Term portion	17,330	-
Total interest bearing loans	18,000	-

Comprised of:

BNZ - Eileen Mary Age Care Property Limited	2,900	-
BNZ - Ranfurly Manor No: 1 Limited	5,430	-
BNZ - Ranfurly Manor No: 1 Limited	3,500	-
BNZ - Nelson Street Resthome Limited	1,170	-
Senior Trust - Ranfurly Manor No: 1 Limited	5,000	-
Total interest bearing loans	18,000	-

Promisia Integrative Limited
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The Bank of New Zealand Limited funding facilities are detailed as follows:

Borrowing entity: Eileen Mary Age Care Property Limited
Amount borrowed: \$2.9m
Maturity date: 20 October 2023
Terms: Interest only
Interest rate: 4.56%p.a. floating
Current portion: \$nil

Borrowing entity: Ranfurly Manor No: 1 Limited
Amount borrowed: \$5.43m
Maturity date: 20 October 2023
Terms: Interest only
Interest Rate: 4.56%p.a. floating
Current portion: \$nil

Borrowing entity: Ranfurly Manor No: 1 Limited
Amount borrowed: \$3,5m
Maturity date: 30 October 2025
Terms: Monthly payments of \$61,962 comprising principal & interest
Interest Rate: 2.40%p.a. fixed for 5 years
Current portion: \$670,406

Borrowing entity: Nelson Street Resthome Limited
Amount borrowed: \$1.17m
Maturity date: 20 October 2023
Terms: Interest only
Interest Rate: 4.56%p.a. floating
Current portion: \$nil

Other loans

Finance was provided by Monument Finance Limited for the funding of the insurance premiums. At acquisition date a balance of \$56,683 remained payable to Monument Finance Limited.

Under the agreement with Teltower Limited, the landlord of the property at 62 Aldwins Road, Christchurch, a loan facility was made available by the landlord up to \$1m for funding the fit-out costs of the Aldwins House facility. At balance date \$262,007 of this facility had been utilised. This loan is interest free however if the option to purchase 62 Aldwins Road is not exercised by 1 June 2021, this loan will incur interest at 12%p.a. from that date.

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
For the 10 months ending 30 October 2020

8. Related party loans

	10 months ended 30 October 2020 Audited \$000	Year ended 31 December 2019 Unaudited \$000
Transactions with related parties		
Directors fees accrued	83	100
Interest	53	34
Total transactions with related parties	<u>136</u>	<u>134</u>
Related party loan balances outstanding at end of period	<u>2,368</u>	<u>855</u>

On 1 October 2018 the loan of \$798,175 from Wells Investment Limited was assigned to the Brankin Family Interest Trust, with interest to be charged at a rate of 6.5%p.a. from 1 February 2019. In March 2020, the Brankin Family Interest Trust has undertaken not to make a request for repayment of the loan until at least March 2021.

Since November 2019 the Brankin Family Interest Trust has advanced sums of money to the Company at an interest rate of 8% per annum to assist with working capital requirements. At acquisition date this balance (including interest) came to \$557,683.

A further advance of \$1m was made as part of the acquisition of the aged care facilities to assist with working capital.

These advances form a vendor loan totalling \$1,557,683, which is interest free until 31 March 2022. The Company must, when requested, convert all, or part of this loan into new ordinary shares at a price of \$0.001 per share (proportionally adjusted to take account any share consolidation). If the vendor loan has not been converted into ordinary shares by 31 March 2022, the Brankin Family Interest Trust may give three months written notice requesting repayment of the vendor loan, together with interest at a rate of 8% per annum on the amount outstanding from 29 October 2020 until the vendor loan is repaid.

The Brankin Family Interest Trust is a related party to T D Brankin, a shareholder, and a Director of the Group.

D Priest loaned the Company \$20,000 during the period, at balance date \$7,500 has been repaid, leaving \$12,500 owing at balance date, repayable on demand. D Priest is a shareholder and a Director of the Group

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
For the 10 months ending 30 October 2020

9. Share Capital

	10 months ended 30 October 2020 Audited shares 000	Year ended 31 December 2019 Unaudited shares 000
Balance at beginning of financial period	2,151,797	1,901,797
Shares issued	14,000,000	250,000
Balance at end of financial period	16,151,797	2,151,797

As part of the acquisition of the aged care facilities from the Brankin Family Interest Trust an additional 8bn shares were issues at a price of \$0.001 per share, equating to a value of \$8m.

A further 6bn shares were issued to equity subscribers to assist with the purchase of the aged care facilities at a price of \$0.001 per share, equating to a value of \$6m.

To summarise, the opening balance of share capital for the period was \$58.5m, a further \$14m of shares were issued during the period, with associated costs of \$297,000. This results in a closing share capital balance of \$72.2m.

10. Leases

A lease has been entered for the facility at 62 Aldwins Road, Christchurch from 1 March 2020 for a period of 15 years.

NZ IFRS16 requires the initial recognition of a right-of-use asset valued at the present value of future lease payments, along with the recognition of a lease liability.

Subsequent measurement of the right-to use asset will require depreciation of the asset over the lease term along with any impairment losses.

Subsequent measurement of the lease liability is made to reflect the interest on the lease liability and the lease payments made.

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
For the 10 months ending 30 October 2020

11. Taxation

As part of the agreement for purchasing the shares in Ranfurly Manor No: 1 Limited Eileen Mary Age Care Property Limited, it was agreed that the vendor would pay any income tax liabilities prior to acquisition date. This amount equates to \$762,244 and is shown as a current asset in trade and other receivables.

12. Trade & Other Payables

The breakdown of trade and other payables is as follows:

	30 October 2020 Audited \$000	31 December 2020 Unaudited \$000
Trade payables	672	565
Employee entitlements	738	19
Revenue received in advance	842	-
Taxation payable	756	-
Total trade and other payables	3,008	584

13. Subsequent events

The Aldwins House facility opened for residents from 14 December 2020.

The Brankin Family Interest Trust requested on 2 November 2020 for the loan of \$1.56m to Promisia Integrative Limited to be converted to shares at a price of \$0.001 per share. This is subject to shareholder approval and will be considered by shareholders at a meeting in January 2021.

There are no other matters or circumstances since the end of the interim reporting period that have significantly or may significantly affect the Group's operations.

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
For the 10 months ending 30 October 2020

14. Audit

The interim financial statements for the 10 months ending 30 October 2020 have been audited. The comparative period for 30 October 2019 is unaudited.

15. Operating segments

The Group has acquired and will be operating a number of resthomes and retirement villages. These facilities all provide a similar product to a similar customer in the same regulatory environment. Therefore, it is appropriate to report solely on the Group performance.

During the period reporting period the Group has transitioned from developing and marketing research based natural dietary supplements to the ownership and operation of retirement villages, resthomes, and hospitals for the elderly within New Zealand. Assets and liabilities at the end of the period relate to the aged care business activity.

16. Capital commitments

There is a signed option to purchase the property at 62 Aldwins Road, Christchurch at an agreed price of \$10m at any time in the 18 months from 1 December 2019.

Fit-out of the Aldwins House facility may exceed the \$1m loan from the landlord, this will require additional funding from the Group to complete the fit-out requirements.

The Group has entered into a fixed price agreement for the development land surrounding the Ranfurly Residential Care Centre, with the vendor. This provides a period of seven years for the development of 10 internal units, 2 1-bedroom villas and 30 2-bedroom villas to be completed at a fixed price of \$14.18m to be paid from the ORA sale proceeds from individual units.

If the ORA sale proceeds per unit fall below specified values, then the loss is borne by the vendor. If the ORA sale proceeds per unit exceed the pre-determined values, the amount in excess becomes a gain to the Group. This development will not require any capital cash commitments from the Group, the ORA sale proceeds will fully fund the development.

If the option to purchase the Property at 62 Aldwins Road is exercised the unpaid balance of the loan from the landlord becomes immediately payable. This would increase the cost of acquisition to \$10m plus the balance of the landlord's loan (capped at \$1m).

Promisia Integrative Limited
Notes to the Consolidated Interim Financial Statements
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17. Contingent liabilities

The vendor loan of \$1.56m (see note 7), while interest free until 31 March 2022, will incur an interest charge of 8% per annum from 29 October 2020 if not converted to ordinary shares by 31 March 2022.

Previously, the Company was served a notice of prosecution by the New Zealand Ministry of Health for alleged breaches of the Medicines Act 1981. All charges have since been withdrawn, with the requirement the Company cease advertising, manufacturing, and selling the product. The Company has met these requirements.

Promisia Integrative Limited

Independent auditor's report to the Shareholders

Report on the Audit of the Consolidated Interim Financial Statements

Opinion

We have audited the consolidated interim financial statements Promisia Integrative Limited and its subsidiaries (the Group), which comprise the consolidated interim Balance Sheet as at 30 October 2020, and the consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the 10 months then ended, and notes to the consolidated interim financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated interim financial statements give a true and fair view of the consolidated financial position of the Group as at 30 October 2020, and of its consolidated financial performance and its consolidated cash flows for the ten months then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 Integrative Limited or any of its subsidiaries.

Other Matter

The financial statements of the Group for the 10 months end 30 October 2019 have not been audited. Accordingly we are not in a position to and do not express an opinion on the comparatives included in the Statements of Comprehensive Income and Cash flows for the 10 months ended 30 October 2019.

ACCOUNTANTS & ADVISORS

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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.

ACQUISITION OF AGED CARE FACILITIES	
Area of focus - Refer also to Notes 1 & 2	How our audit addressed it
<p>On 30 October 2020 the Group completed the purchase of three aged care facilities for \$31.385m. This has been accounted for by the Pooling of Interests Method with effect from 30 October 2020.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Reviewing and analysing the contracts underlying the transaction — Analysing the Group's treatment of the acquisition as a Pooling of Interest Method — Completing substantive audit procedures over the transaction ensuring all balances were appropriately transferred at book value from the businesses acquired — Ensure appropriate disclosure has been included in the financial statements
INVESTMENT PROPERTY AND PROPERTY, PLANT & EQUIPMENT	
Area of focus - Refer also to Notes 4 & 5	How our audit addressed it
<p>The Group has acquired significant Investment Property of \$39.5m and Property, Plant & Equipment \$3.5m which have been recorded on the date of acquisition of 30 October 2020 at fair value at that time.</p> <p>The valuation of the Group's retirement village portfolio is inherently subjective and is based on unobservable inputs. A small variation of certain assumptions could result in a material adjustment to the carrying values.</p> <p>The property valuations were performed by an independent third party and registered valuer, CBRE Limited. The valuer is well known with extensive experience in the sector in which the Group operates.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — We reviewed the independent valuations reports and tested their calculations to ensure that the valuation methodology was in compliance with relevant accounting standards — Holding separate discussions with the Directors to gain an understanding of the assumptions applied and estimates used — Engaging 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 Valuers qualifications, expertise and their objectivity, and we found no evidence to suggest that was impaired — We considered the impact of COVID-19 on the valuation and current market conditions in the residential real estate market — Ensuring appropriate disclosure has been included in the financial statements

Directors' Responsibilities

The directors are responsible on behalf of the entity for the preparation of consolidated interim 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-for-assurance-practitioners/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 Darren Wright.

Restriction on Distribution and Use

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

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (NZ) Limited
Auckland

23 December 2020