15 March 2022

Dear Shareholder

Please find **enclosed** notice of Promisia Healthcare Limited's (**PHL**) special meeting of shareholders which will be held virtually via Link Market Services' virtual meeting platform at www.virtualmeeting.co.nz/phlsm22 on Wednesday, 30 March 2022 starting at 11am.

Capitalised terms used in this letter will, unless otherwise defined, have the meaning given to them in the Glossary, contained in the enclosed Notice of Meeting.

Background

On 23 December 2021, PHL's wholly owned subsidiary Aldwins House Limited entered into a conditional Agreement for Sale and Purchase of Real Estate with the Vendor to acquire the freehold title to the Aldwins Facility. AHL currently leases the Aldwins Facility from the Vendor and provides rest home, respite, hospital level and palliative care to the elderly with the capacity to care for up to 145 residents.

AHL currently operates the Aldwins Facility at a financial loss. PHL has been funding these losses from the profits it generates at its other three facilities. The key driver of revenue at the Aldwins Facility is its occupancy level, which has built gradually to approximately 50 residents since opening.

As was recently announced to the market, an opportunity to have up to 40 new residents transferred to the Aldwins Facility from another Christchurch facility has arisen. AHL is in the process of speaking with those potential residents and seeking their agreement to transfer to the Aldwins Facility. If a large proportion do agree to transfer to the Aldwins Facility, the Aldwins Facility could become profitable for the 2023 financial year. PHL will update the market on the outcome of these discussions in around one week's time.

A significant expense for the Aldwins Facility is rent. Rent exceeds the interest cost that AHL would incur through acquiring the Aldwins Facility using debt funding under this transaction, improving its profitability. In addition, the Board considers that there is a good prospect of the Aldwins Facility appreciating in capital value over time. For these reasons the Board has decided to proceed with the Acquisition subject to shareholder approval.

Aldwins Facility Acquisition

The Purchase Price of the Aldwins Facility is $13,000,000 plus GST (if any). The Aldwins Facility is situated on a freehold title of approximately 8,244m^2 in central Christchurch.

The Board proposes to finance the Acquisition from the following sources:

- AHL drawing a term loan from the Vendor of $4 million at Completion;
- AHL drawing a new $7.5 million debt facility from Bank of New Zealand; and
- PHL drawing on a $1.5 million extension of its current debt facility with Senior Trust Retirement Village Income Generator Limited.

The Acquisition is conditional on PHL shareholder approval under Listing Rule 5.1.1(b). Subject to this condition being satisfied or waived, the Acquisition will settle on 31 March 2022 or five working days from the date all conditions are waived or satisfied (whichever date is earlier).

Benefits of the Acquisition

The Board considers the Acquisition to be in the best interests of PHL, as it will:

- enlarge PHL's property portfolio and bring the Aldwins Facility in line with PHL's strategy of owning rather than leasing its aged care facilities;

- reduce PHL's short term cash burn associated with the Aldwins Facility (by bringing the Lease to an end) and improve the profitability of the Aldwins Facility; and

- support PHL making further investment in the Aldwins Facility, particularly in sales and marketing initiatives to increase occupancy.

If the Acquisition does not proceed, PHL may incur losses in AHL for a longer period. The Board will need to consider whether PHL allocating capital to fund those losses is the best use of that capital or whether AHL's current operations at the Aldwins Facility should be sold or wound down.

Approvals Sought

Under the Listing Rules, approval of PHL's shareholders is required to proceed with the Acquisition. A description of the Acquisition and the requirement for the Resolution to be considered at the Meeting are set out in the enclosed Notice of Meeting.

The Resolution being put forward at the Meeting will, if passed, authorise the Board to proceed under the Listing Rules with the Acquisition.

Board Recommendation

The Board considers that the Acquisition is in the best interests of PHL and its shareholders and recommends that shareholders vote in favour of the Resolution outlined in the enclosed Notice of Meeting. The Board encourages you to read the Notice of Meeting and to exercise your right to vote.

The **enclosed** Proxy Form has detailed instructions on how shareholders may lodge their vote or appoint a proxy to vote on their behalf if they are unable to attend the meeting online. Shareholders may submit specific questions to the Board at any time in advance of the meeting by emailing me at stephen@renouf.co.nz.

I look forward to seeing you at the meeting.

Stephen Underwood
Chairman

NOTICE OF SPECIAL MEETING

If you have sold or otherwise transferred all of your shares in PHL, please pass this Notice of Meeting, together with all accompanying documents, as soon as possible to the purchaser or transferee or to the broker or other person who arranged the sale or transfer of your shares.

Notice is hereby given that a special meeting (**Meeting**) of shareholders of Promisia Healthcare Limited (**PHL**) will be held virtually via Link Market Services' virtual meeting platform at www.virtualmeeting.co.nz/phlsm22 on Wednesday, 30 March 2022 starting at 11am.

Capitalised terms used in this Notice of Meeting have the meaning given to them in the Glossary to this Notice of Meeting.

AGENDA

A. Chair's introduction.

B. Presentation to shareholders.

C. Shareholder discussion.

D. Resolution.

RESOLUTION

To consider and, if thought fit, to pass the following ordinary resolution:

> **Approval of Acquisition**: That, under Listing Rule 5.1.1(b), PHL undertaking the Acquisition and entering all associated financing for the Acquisition on the basis described in this Notice of Meeting is approved.

PROCEDURAL NOTES

Proxies

Any shareholder of PHL who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on their behalf. A corporation which is a shareholder may appoint a representative to attend the Meeting on its behalf in the same manner as it could appoint a proxy. A proxy does not need to be a shareholder of PHL. A Proxy Form can be returned by delivery, mail, email or online (as set out below).

The Chair of the Meeting (Mr. Stephen Underwood) and any of the Directors are prepared to act as proxy. Where any Director is appointed as a discretionary proxy, each of the Directors intends to vote in favour of the Resolution.

To appoint a proxy you should complete and sign the enclosed Proxy Form and either return it by delivery, mail or email to the share registrar of PHL:

By delivery:
Promisia Healthcare Limited
C/- Link Market Services Limited
Level 30, PwC Tower
15 Customs Street West
Auckland 1010

By mail:
Promisia Healthcare Limited
C/- Link Market Services Limited
PO Box 91976
Auckland 1142

By email: meetings@linkmarketservices.co.nz (please put the words "*Promisia Healthcare Limited Proxy Form*" in the subject line for easy identification)

You may also lodge your proxy online at https://investorcentre.linkmarketservices.co.nz/voting/PHL. You will require your CSN/Holder Number and FIN to complete your proxy appointment. A shareholder will be taken to have signed the Proxy Form by lodging it in accordance with the instructions on the website.

The completed Proxy Form must be received by Link Market Services no later than 48 hours before the Meeting, being 11am on Monday, 28 March 2022. Online proxy appointments must also be completed by this time. Registered shareholders at that time will be the only persons entitled to vote at the Meeting and only the shares registered in those shareholders' names at that time may be voted at the Meeting.

Ordinary Resolution

The Resolution is an ordinary resolution. An ordinary resolution is a resolution passed by a simple majority of votes of those shareholders entitled to vote and voting on the resolution in person or by proxy.

Voting Restrictions

There are no voting restrictions applicable to the Resolution.

NZX No Objection

This Notice of Meeting has been reviewed by NZ RegCo. NZ RegCo has confirmed that it has no objection to this Notice of Meeting.

EXPLANATORY NOTES

ABOUT THE ALDWINS FACILITY

The Aldwins Facility opened to residents in December 2020 after undergoing earthquake strengthening work and completing a thorough refurbishment. The Aldwins Facility is located in central Christchurch and comprises of approximately 4,288 m2 of buildings on 8,241 m2 of land. The complex consists of 145 bedrooms, most with ensuite bathrooms. AHL currently employs 40 staff at the Aldwins Facility.

The amenities at the Aldwins Facility include a reception foyer, open plan entertainment hall with adjoining kitchenette and hair salon/beauty room, dining room serviced by a large commercial grade kitchen, nurses' stations, sitting rooms, staffroom, administration offices, sheltered communal outdoor areas situated within two internal courtyards, 75 car parking spaces and two double-width bed sized elevators.

The Aldwins Facility has Ministry of Health certification for providing rest home, respite, hospital level and palliative care to the elderly. This certification enables the Aldwins Facility to receive Government funded residents and patient referrals from the Canterbury District Health Board. The Aldwins Facility is currently certified to 27 November 2024 and is subject to regular audits to assess the services provided to residents and the physical environment of the Aldwins Facility. In its October 2021 audit, the Aldwins Facility achieved full attainment of all standards it was audited against[1].

In addition to those referrals, the Aldwins Facility also obtains residents through families looking for care for their elderly relatives. Revenue is derived from the Canterbury District Health Board (on a per person per night basis) and from residents for additional services that they or their families fund directly.

The Aldwins Facility is owned by the Vendor with AHL as the tenant under the Lease. AHL commenced renting the Aldwins Facility on 1 March 2020. Annual rent for the Aldwins Facility is $1,060,000 plus GST.

DECISION TO ACQUIRE THE ALDWINS FACILITY

PHL acquired AHL in October 2020 as part of a wider transaction where it acquired three aged care facilities in the North Island. As part of the acquisition PHL also acquired an option to purchase the Aldwins Facility for $11,000,000. The Board decided to not exercise the option and it lapsed on 9 August 2021. At the time the option lapsed the Board was aware that further works and investment on the Aldwins Facility were needed and occupancy growth at the Aldwins Facility was slower than anticipated. For these reasons AHL was not positioned to seek debt finance and fund the exercise of the option at that time.

Over subsequent months occupancy rates improved and showed a more consistent trend at the Aldwins Facility. AHL has also developed a clearer understanding of the repairs and maintenance work needed in the Aldwins Facility. Under AHL's ownership some roof repairs to the Aldwins Facility will be needed together with various other minor works. The Board estimates that expenditure of $300,000 will be required in the next 12 months to remedy all outstanding repair and maintenance issues and these expenses can be funded out of Group cashflows as they arise, without further debt or a capital raising by PHL being required.

In addition to these investigations and as a more consistent occupancy improvement rate at AHL developed (see graph below), AHL commissioned a valuation report on the Aldwins Facility from CBRE Limited to assist its decision making in whether to acquire the Aldwins Facility. The valuation was prepared as at 9 September 2021 and valued the Aldwins Facility at $14,150,000. The valuation was prepared as a market valuation on a freehold going concern basis inclusive of land, buildings, chattels and business disregarding the Lease. The Board does not consider that the value of the Aldwins Facility will have changed materially since the date of this valuation. A new valuation has not been commissioned and made available to shareholders. The Board considers that the cash costs and time costs incurred in arranging such a valuation report outweigh the benefits that any such valuation report

[1] A copy of the audit report can be viewed at https://www.health.govt.nz/sites/default/files/prms/audit_summaries/AuditSummary_PRMS_CommunicatePublish_000019644001.docx

would provide to shareholders given that acquiring aged care and retirement village assets is part of the Group's core business.

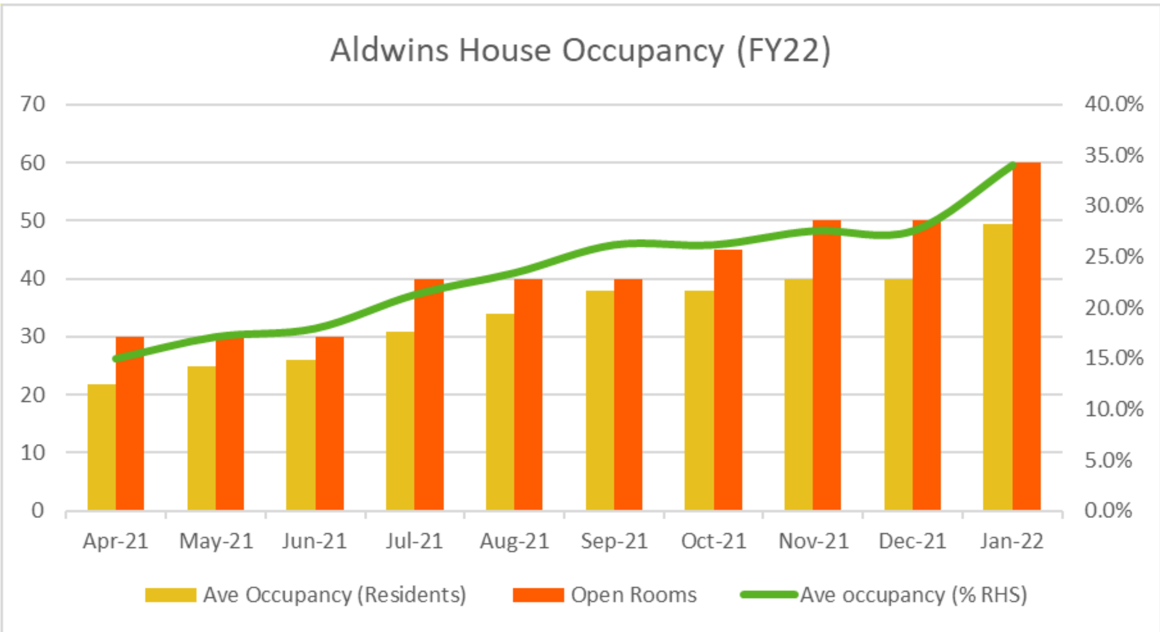
With this additional information the Board decided to negotiate with the Vendor with a view to acquiring the Aldwins Facility and, to part fund the transaction, negotiated the Vendor Finance aspect of the transaction. The outcome of these negotiations was a purchase price of $13 million and the Vendor Finance terms as set out further below.

The Board approved these key terms and entered a sale and purchase agreement on 23 December 2021. The agreement was subject to a finance condition. This enabled the Board to ascertain total interest costs in acquiring the Aldwins Facility and assess them against rent costs that would otherwise be incurred. The finance condition was satisfied on 4 March 2022 following receipt of finance offers for the BNZ Finance and the Senior Trust Finance which are detailed further below. In addition, the Board considered the operating losses being incurred at the Aldwins Facility and projections for increases in revenue at the Aldwins Facility (using an assumption of increasing occupancy at a rate of between 3-4 additional residents per month). This assessment was done for reassurance that the Group had the financial capacity to fund AHL through to profitability. The Board was satisfied following these assessments that acquiring the Aldwins Facility on the negotiated terms with the Vendor was in the best interests of the Group and that there was a reasonable prospect of AHL becoming a contributor of profit to the Group.

In completing due diligence enquiries and negotiating the Acquisition, the Board has relied on its executive team (given its depth of sector and financial experience) together with external legal advice. Other external consultants, such as building and engineering consultants were not engaged to assist in the Acquisition given major strengthening and refurbishment works were undertaken on the Aldwins Facility only two years ago and, since then, AHL has developed an extensive understanding of the Aldwins Facility through its tenancy under the Lease.

OPERATING PERFORMANCE AT THE ALDWINS FACILITY

The Aldwins Facility is currently operating at a loss. The key driver of revenue for the Aldwins Facility is occupancy rates. At the present time, 60 rooms (the downstairs of the Aldwins Facility) have been opened. As at 4 March 2022, 52 of the 145 rooms are occupied by residents. The average monthly occupancy is currently 34%.



AHL has an operating loss of $1.169m for the period 1 April 2021 to 31 January 2022. The monthly loss is reducing as occupancy increases, resulting in increasing revenues, improving operational efficiencies and fixed overheads being spread across higher gross earnings.

The Board estimates that breakeven for AHL will be achieved at an occupancy level of 80 residents (55% occupancy) where the Aldwins Facility is leased. It is estimated that this will reduce to 70 residents (48% occupancy) if the facility is owned. Cash breakeven is expected to reduce from 70 residents (55%) to 60 residents (41%) if the facility is owned.

As announced recently, another aged care facility in Christchurch is closing and AHL has offered to take on its 40 residents. Each resident must agree to transfer to the Aldwins Facility and an update on occupancy will be given at the meeting.

The following information sets out the cash and non-cash monthly costs of leasing the Aldwins Facility against the anticipated monthly costs of owning the Aldwins Facility:

Impact of moving from Lease to ownership of Aldwins Facility

Lease Scenario	**$**
Monthly Lease payment	88,333
IFRS16 profit & loss lease reporting	
Monthly depreciation of right to use asset	55,596
Monthly interest cost on Lease	47,688
Monthly Lease related costs charged to P&L	103,284

Notes:

1. Other costs such as insurance, rates and routine repairs and maintenance are already covered by AHL under the lease and will also be incurred from an ownership perspective

2. Under ownership scenario the IFRS16 lease costs shown above are replaced by interest expense.

Ownership Scenario	
Expected monthly loan interest costs are as follows	
BNZ Finance	7,500,000
Interest Rate	5.22%
Senior Trust Finance	1,500,000
Interest rate	10.75%
Vendor Finance	4,000,000
Interest rate	6%
Estimated monthly interest costs	$ 66,100
Incremental depreciation on building	
Purchase price	13,000,000
Government valuation of land	1,430,000
Estimated value of building & PPE	11,570,000
Estimated monthly depreciation over 50 years	19,283
Total estimated interest cost plus depreciation	$ 85,383
Estimated reduction in reported expenses	$ 17,901

Under IFRS rules the current lease is capitalised as a right of use asset (**ROU**) with a corresponding lease liability. The ROU asset is then depreciated and interest, associated with the lease liability, is charged on a monthly basis. These two items generate a charge to the AHL profit and loss of $103,000 per month. This compares to the monthly lease cash cost of $88,333 (plus GST) per month. The following information sets out the anticipated balance sheet adjustments that will arise following the Acquisition:

Impact of Aldwins Facility Acquisition

Current Balance Sheet related to Aldwins House Property	
As at 31 Jan 2022	
Right to Use Asset	10,007,396
Right to Use Asset - Accumulated depreciation	- 722,756
	9,284,640
Lease Liabilty	- 10,039,854
Net Liability	- 755,214
After acquisition	
Aldwins House Land & Buildings (at purchase cost)	13,000,000
Debt on acquisition (at a Group level)	- 13,000,000
Net position	-
Net increase in assets	3,715,360
Net Increase in liabilities	2,960,146
Net improvement in reported net asset position relating to transaction	755,214

Note: on acquisition the lease liability will be washed out of the balance sheet and replaced with the acquired asset and loans

If AHL purchases the facility, operating costs will reduce by approximately $10,000 per month (difference between IFRS accounting for the lease when compared to the loan interest costs plus building depreciation). From a cash perspective operating cash flow will improve by approximately $20,000 per month (difference between lease cost and interest on loans). These amounts may vary with changes in interest rates on the BNZ Finance. In addition, two years following Completion, AHL will commence making principal repayments on the Vendor Finance. AHL will need to continue to increase revenue through occupancy growth at the Aldwins Facility to meet such medium to longer term payment obligations or rely on financial support from the Group.

Following Completion, AHL will focus on increased sales and marketing activity at AHL to lift occupancy rates to break even. The Board considers that the demographics driving the need for aged care facilities will support its efforts to increase occupancy. AHL will also investigate development opportunities at the Aldwins Facility to see if further investment (in the medium term) may increase its revenue earning potential and capital value.

THE DEBT FACILITIES

The Purchase Price for the Acquisition is $13,000,000 plus GST (if any). The Purchase Price is to be funded from three sources of debt:

- **Vendor Finance:** finance to be provided by the Vendor to AHL from Completion of $4 million;

- **BNZ Finance:** AHL drawing down a new debt facility from Bank of New Zealand of $7.5 million at Completion; and

- **Senior Trust Finance:** Ranfurly Manor (the owner of the group's Feilding based aged care facility) increasing its existing debt facility with Senior Trust Retirement Village Income Generator Limited by $1.5 million (from $5 million to $6.5 million) and making an intra group advance to AHL.

Following Completion and based on the last completed valuations of the properties (which are between six and twelve months old) the Group will own properties of an aggregate value of $46.9m and will have total debt finance of $30.1 million representing 64.3% of the aggregate valuations.

Particulars of each Debt Facility and related security arrangements are as follows:

Vendor Finance

Term	Five years following Completion
Principal sum of the loan	$4,000,000
Ordinary interest rate	6% per annum (fixed for term)
Penalty interest rate	10% per annum
Interest payments	Monthly, in arrears
Repayment – first two years of the term	Interest only to be paid by AHL.
Repayment – final three years of the term	Interest and principal payable by AHL, with principal repayments to be no less than $20,000 per month
Security	To secure the Vendor Loan, the following will be granted to the Vendor: • a second ranking mortgage over the Aldwins Facility; and • a second ranking general security interest over all present and after acquired property of Aldwins House Limited (7832936) (a subsidiary of PHL).

BNZ Finance

Term	Three years.
Principal sum of the loan	$7,500,000
Ordinary interest rate	Indicative rate of 5.22% per annum. This rate is variable and the Board may look at fixing the rate in respect of all or part of the loan following Completion depending upon the prevailing interest rate environment. Fixed rates presently available are 1% - 1.7% higher than this indicative rate depending on the term for term for fixing.
Interest payments	Monthly, in arrears
Repayment	Interest only to be paid by AHL.

Financial Covenants	The Group must maintain a loan to value ratio of no more than 50%. Subordinated debt (such as the Vendor Finance) is excluded from this LVR calculation. Based on the last commissioned valuations for the Aldwins Facility and the properties that the Group owns, following Completion the LVR under this covenant will be 41.9% The EBITDA of the Group must be maintained at a minimum of 2.0 times gross interest expense. Management modelling of this covenant indicates the Group should satisfy this covenant with a ratio of just under 3 times. The core assumption underlying such modelling is maintaining occupancy rates at the Group's existing facilities and growing occupancy at the Aldwins Facility as detailed above.
Security	The following is to be provided to secure the Lender Facility: • first ranking mortgage over the Aldwins Facility. • first ranking general security over all present and after acquired property of AHL. • interlocking guarantee from AHL and each company in the Group where each Group company guarantees the obligations of the other to BNZ. This interlocking guarantee is supported by general security agreements over each member of the Group (which, other than in the case of AHL, are already in place).

Senior Trust Finance

Term	Four years from 30 October 2020
Principal sum of the loan	$1,500,000 (as an increase to the existing $5 million facility of which Ranfurly Manor is the Borrower)
Ordinary interest rate	10.75% per annum, fixed for the term of the loan.
Penalty interest rate	15.75% per annum
Interest payable from	Completion
Interest payments	Monthly in arrears
Repayment	Interest only payments are required during the Term with the facility repayable in full at the end of the Term. Ranfurly Manor may repay up to $1.25 million of the facility annually from 30 October 2022 onwards.
Financial Covenants	LVR ratio for Ranfurly Manor facility and the Nelson Street facility is not to exceed 75% during the term of the facility. Based on the last commissioned valuations for these properties, the LVR under this covenant is 59.7%.
Security	The following continues as security for the Senior Trust Finance: • Second ranking mortgage over the land and building owned by Ranfurly Manor.

	• Guarantee of Ranfurly Manor's obligations by PHL, Aged Care Holdings Limited, Nelson Street Resthome Limited and Ranfurly Manor Limited.

The following sets out the current debt facilities and key debt terms of the Group together with summary information on the new Debt Facilities:

Group Debt Structure

Existing Drawndown Facilities

	Current Loan Value ($)	Interest Rate	Term (Months)	Repayable	Comments
Senior Trust					
Ranfurly Manor	5,000,000	10.75%	48	Sep-24	Interest only
BNZ					
Eileen Mary	2,900,000	Floating	36	Oct-23	Interest only
Ranfurly Manor	5,430,000	Floating	36	Oct-23	Interest only
Ranfurly Manor	2,659,940	2.29%	60	Oct-25	P&I
Nelson St	1,170,000	Floating	36	Oct-23	Interest only
	12,159,940				
Total Existing Loan Facilities	17,159,940				
Proposed New Lending					
Vendor Finance	4,000,000	6%	60	Mar-27	Interest only (2 years) then also $20k principal per month
BNZ Finance	7,500,000	5.22%	36	Mar-25	Three year interest only
Senior Trust Finance	1,500,000	10.75%	30	Sep-24	Extension to existing facility
	13,000,000				
New Total Debt Facilities	**30,159,940**				

The Board has decided to finance the Acquisition through the Debt Facilities rather than raise new capital as it considers that at the present time any capital raising would likely require such a raise to be undertaken at a discount to PHL's market price to be successful. The Board would prefer to raise capital on terms advantageous to shareholders and believes that is more likely to occur where the capital is being raised to support an entirely new acquisition and expansion of the Group's operations.

The Vendor Finance was secured as an alternative to the Group raising capital to fund the Acquisition. As the Vendor Finance has a fixed rate of interest at 6% per annum and a five year term, the Board considered that this gave expense certainty and time for the Aldwins Facility to become a contributor of profit to the Group. BNZ, as the Group's principal financier offered to provide up to $7.5 million of first mortgage finance on the Aldwins Facility. Senior Trust, as the Group's current mezzanine finance provider agreed to finance the $1.5 million difference. The Board considered that this mix of lending and its average interest cost (compared to rental under the Lease) justified proceeding with the Acquisition.

As shown in the table above, no debt facilities of the Group mature for another 30 months. Over this time debt will be paid down through profits earned from the Group's operations. In addition, the Board will pursue its growth strategy and continue to investigate new acquisitions in the aged care sector which would likely involve the Group raising new capital and taking on more debt. As its debt facilities mature, the Group will look to refinance based on the prevailing circumstances of the Group and the prevailing availability of credit.

OTHER PROVISIONS TO THE ACQUISITION

If the Acquisition is approved by shareholders, Completion will occur on or before 31 March 2022 unless an extension is agreed with the Vendor. Shareholder approval is the sole outstanding condition.

The Acquisition is documented in a customary form of agreement for sale and purchase of real estate and, in light of AHL currently tenanting the Aldwins Facility, provides that AHL is acquiring the Aldwins

Facility on an ‘as is, where is’ basis. All fixtures and fittings at the Aldwins Facility are included in the Acquisition.

EFFECTS OF RESOLUTION

Effect of Resolution passing

If the Resolution is passed and Completion occurs:

- AHL will own Aldwins Facility, adding to its portfolio of owned aged care facilities in New Zealand. The Aldwins Facility will be the first aged care facility that PHL has acquired in a main city of New Zealand and its first in the South Island;

- AHL’s operating expenses will immediately reduce by paying interest costs rather than rent costs; and

- AHL will place an increased sales and marketing focus on building occupancy at the Aldwins Facility with a goal of reaching profitability as quickly as possible.

The key risks associated with the Acquisition are:

- failing to increase occupancy levels to reach profitability at the Aldwins Facility and operating profits at PHL’s other three other aged care facilities being insufficient to fund continued losses at the Aldwins Facility.

- As occupancy grows at the Aldwins Facility, securing the necessary staffing (particularly nurses). As reported widely in the media there is a national shortage of nurses at the present time. The COVID-19 pandemic has exacerbated this issue for the aged care sector due to border closures and vaccine mandates reducing the availability of labour. As pandemic restrictions are lifted it is expected that this risk will reduce.

- The increase in group debt associated with funding the acquisition of the Aldwins Facility. The BNZ Finance is on a variable interest rate and interest costs associated with that lending may increase. In addition, when Group debt facilities mature, the Group must either refinance those facilities or repay them from the proceeds of a capital raising or asset sales. There is no assurance that they will be able to be refinanced.

Effect of Resolution not passing

The effect of the Resolution not passing is as follows:

- AHL will not complete the Acquisition. AHL will continue to lease the Aldwins Facility from the Vendor at a cost that is higher than the cost of servicing the Debt Facilities meaning AHL will require greater financial support for longer from the Group before reaching profitability;

- PHL will consider the ongoing viability of the Aldwins Facility against other uses of capital for growing shareholder value. Alternatives would include looking to sell the business and Lease of the Aldwins Facility or otherwise winding up AHL; and

- The Group will incur sunk costs of approximately $120,000 in having pursued this acquisition through legal fees, registry fees, regulatory fees and finance establishment charges.

REQUIREMENTS FOR RESOLUTION

Shareholder approval is required under Listing Rule 5.1.1(b) by way of ordinary resolution.

Listing Rule 5.1.1(b) provides that, except with the prior approval by an ordinary resolution, PHL may not enter into any transaction or series of transactions to acquire, sell, exchange, or otherwise dispose of assets of PHL in respect of which the gross value is in excess of 50% of the average market capitalisation of PHL.

The Acquisition constitutes a ‘transaction’ under Listing Rule 5.1.1(b). In particular, the Acquisition involves PHL acquiring assets having a gross value that exceeds 50% of the average market capitalisation of PHL in that PHL’s average market capitalisation at 23 December 2021 (being the date that shareholders were publicly notified of the Acquisition through the NZX market) was approximately $21,285,000 and PHL will acquire the Aldwins Facility for a market value of $13,000,000.

The Acquisition does not constitute a major transaction for the purposes of section 129 of the Companies Act 1993.

GLOSSARY

The following terms have the following meanings where used in this Notice of Meeting unless the context otherwise requires:

Acquisition means the acquisition by AHL from the Vendor of the Aldwins Facility, further described in this Notice of Meeting;

AHL means Aldwins House Limited (company number 7832936), a wholly owned subsidiary of PHL.

Aldwins Facility means the land and buildings at 62 Aldwins Road, Phillipstown, Christchurch operating as an aged care facility;

BNZ Finance means the $7.5 million facility to be provided to AHL at Completion by Bank of New Zealand and described in this Notice of Meeting;

Board means the board of directors of PHL;

Completion means completion of the Acquisition under the Purchase Agreement;

Debt Facilities means the Vendor Finance, the BNZ Finance and the Senior Trust Finance;

EBITDA means earnings before interest, tax expense, depreciation and amortisation of intangibles;

Explanatory Notes means the explanatory notes that form part of this Notice of Meeting;

Group means PHL and subsidiaries;

IFRS means New Zealand equivalents to international financial reporting standards;

Lease means the lease of the Aldwins Facility between AHL (as tenant) with the Vendor;

Listing Rules means the NZX Listing Rules dated 10 December 2020 and **Listing Rule** means a rule contained in the NZX Listing Rules;

Meeting means the special meeting of shareholders of PHL to be held on 30 March 2022, starting at 11am;

Notice of Meeting or **Notice** means this notice of special meeting, including the Explanatory Notes;

NZ RegCo means NZX Regulation Limited;

PHL means Promisia Healthcare Limited;

Proxy Form means a proxy form in relation to this Notice of Meeting, a personalised copy of which accompanies this Notice of Meeting;

Purchase Agreement means the Agreement for Sale and Purchase of Real Estate between AHL and the Vendor dated 23 December 2021;

Purchase Price means $13,000,000 (plus GST, if any);

Ranfurly Manor means Ranfurly Manor No:1 Limited, a wholly owned subsidiary of PHL;

Resolution means the resolution set out in this Notice of Meeting;

Senior Trust Finance means the $1.5 million facility extension to be provided to Ranfurly Manor at Completion by Senior Trust Retirement Village Income Generator Limited and described in this Notice of Meeting;

Vendor means Teltower Limited (company number 1337170); and

Vendor Finance means the loan of $4 million to be provided by the Vendor to AHL at Completion as described in this Notice of Meeting.