

UPDATE ON RANFURLY DEVELOPMENT

Promisia Healthcare Limited (NZX:PHL) wishes to update the market on construction of PHL's Ranfurly Development.

About the Ranfurly Development

The Ranfurly Development involves the expansion of PHL's Ranfurly Manor Facility (**Ranfurly**) in Feilding. The development includes the construction of thirty-two villas and ten care suites units on bare land adjoining the existing facilities at Ranfurly. Once the construction of each unit is complete and Retirement Villages Act requirements are satisfied with Ranfurly's statutory supervisor, PHL sells occupation rights agreements (**ORAs**) for the new units.

The Development to date

The Ranfurly Development is now partially complete, ten care suites are now fully constructed and all thirty-two villas are currently under construction or completed, to be delivered onto the market shortly.

PHL is pleased with the level of interest for acquiring the new villas. Seven of the completed villas have had ORA's sold and are occupied. Another seven have been contracted for sale either conditionally or unconditionally. PHL recently employed a new Village Sales Executive to promote new sales across its facilities and there is a pleasing level of demand being shown for them.

The Ranfurly Development is an existing 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 PHL 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 PHL. Since that time, Colspec has taken an assignment of the development agreement from Design Care and is now financing and constructing the development.

The Ranfurly Development has been undertaken on a fixed cost basis financed by Colspec. Colspec is repaid from the proceeds of each initial sale of an ORA for a new villa or care suite. PHL is entitled to the proceeds of each subsequent ORA sale. The amount payable to Colspec from ORA proceeds reflects an agreed minimum sales price for each suite or villa in the Ranfurly Development agreement. If that minimum sale price is exceeded, PHL is entitled to such excess and Colspec only to the minimum sale price. The minimum sale price was set in 2019 and was intended to fairly reflect the prevailing market value of the suites and villas.

Variation to the Development arrangement

There have been significant shifts in economic conditions since work on the Ranfurly Development began. Construction costs have materially increased to the detriment of Colspec, while corresponding

increases in the market value of the villas at the Ranfurly Development have materially increased to the benefit of PHL. Colspec has approached PHL and explained that under the current arrangement Colspec would be completing the development at a loss. Colspec has seven years in which to complete the development and it has signalled it may have to halt or slow work on the Ranfurly Development while it waits for more favourable economic conditions.

The independent directors have considered the matter and consider it in the best interests of PHL to ensure completion of the Ranfurly Development as soon as possible. Once the Ranfurly Development is completed and all initial ORA's sold, the Ranfurly Development will then be fully reflected as an asset in PHL's balance sheet.

The independent directors further consider that the increased sale prices (from which PHL benefits) are reflective of the increased construction costs for new builds (from which Colspec suffers detriment) and increased residential property values over a three-year period. These circumstances were not reasonably foreseeable when these arrangements were entered in December 2019.

The independent directors have therefore decided to lift the minimum sale price to increase payments to Colspec upon each initial sale of an ORA. The aggregate value of the variation to the original arrangement is an additional NZD \$1 million over the course of the Ranfurly Development. For clarity, this is funded entirely from ORA sales when they occur, and not from PHL's operating cash flows. In return, Colspec has agreed to shorten the contractual timeframe for completing the Ranfurly Development, bringing the contracted completion date forward from late 2027 to late 2024. The current expectation is that construction should be completed in mid-2023.

The Board considers that foregoing some of the additional sale proceeds of each ORA is in the best interests of the Company and is fair and equitable. The Board considers PHL should not receive a windfall from the unforeseen cost increases Colspec that has been incurring.

The Ranfurly Development remains self-funding. PHL will still enjoy the anticipated long term revenue benefits from the Ranfurly Development through the sale of subsequent ORAs. On completion of the Ranfurly Development, PHL will see an increase in the capital value of Ranfurly (commensurate with the market value of the completed Ranfurly Development at that time). These benefits have no corresponding interest cost and PHL will continue to not have any direct development/construction risk.

ENDS

Approved for release by Acting Chair, Helen Down, 021 776 212

About Promisia Healthcare

Promisia operates four aged care facilities, specialising in high needs and specialised aged care (being rest home, hospital, and dementia care). It also offers independent living in retirement villas and apartments. Promisia's facilities are located in established and well serviced towns with strong

communities close to main centres. The company has a diversified growth strategy that includes growing its portfolio, developing existing facilities and extending its revenue mix.

Promisia is listed on the NZX (NZX: PHL). www.promisia.com