

**Name of Listed Issuer: Promisia Integrative Limited**

## **UNAUDITED FINANCIAL SUMMARY**

**For the year ended 31 December 2017**

	<b>Full year 31-Dec-17 Unaudited \$000</b>	<b>% Up/(Down) on year 31-Dec-16</b>	<b>Half year 30-Jun-17 Unaudited \$000</b>	<b>Full year 31-Dec-16 Audited \$000</b>
Sales revenue	<u>2,332</u>	-12%	<u>1,318</u>	<u>2,665</u>
Operating loss before tax	(859)	87%	(344)	(459)
Net Loss	876	-295%	(349)	(450)
Total Assets	<u>2,295</u>	-28%	<u>2,915</u>	<u>3,192</u>
Basic Earnings per share	(0.002)		(0.001)	(0.001)
Diluted Earnings per share	(0.002)		(0.001)	(0.001)
Tangible Asset backing per share	0.004		0.006	0.006

## **REPORT OF THE CHAIRMAN**

On behalf of the directors I have pleasure in presenting the Unaudited Interim Financial Statements for Promisia Integrative Limited and its subsidiaries (the Group) for the year ended 31 December 2017.

### **Promisia Integrative Group Results**

The financial result for the year was a loss of \$876,000. This was a major disappointment to the board and for shareholders after the promising outcome in 2016.

The directors had budgeted for a breakeven result for the year but this was not to be due to several factors:

- The arrival in the market of several competitors had an impact on sales which were down 14% on 2016
- A change of contracted sales force that proved to be less effective than expected.
- The delay in the launch of Artevite, the canine product, resulted in the expensing of significant prelaunch costs of \$153,000, including preparation of television advertisement, but very low revenue
- The delay in entering the Australian market also incurred pre-launch costs of \$87,000 without any offsetting revenue

## **New Zealand**

The Arthrem sales of \$2,293,000 in New Zealand was a good outcome considering the change in marketing representatives and the advent of competition from two large competitors.

The contracted sales force engaged in late 2016 did not perform as expected and the arrangement was terminated in December 2017. The success of Arthrem in 2016 generated interest from well-established producers of dietary supplements and the release of well supported competing products was not expected. Arthrem remained the bestselling product in its product category and was generally the largest selling product in pharmacies each month by dollar value throughout 2017.

The new Chief Executive introduced a new sales and marketing strategy late in the year, including the use of a telemarketer who called every pharmacy in the country and generated significant sales. The directors considered that it was now appropriate for the company to employ its own dedicated sales team. It is important that the company strengthens its relationships with its pharmacy customers and a direct connection will provide better opportunities to respond to the market.

## **Australia**

The launch of Arthrem in Australia took considerably longer than expected. Registration as a Listed Complementary Medicine by the Therapeutic Goods Administration was achieved in April. By year end a distribution agreement had been concluded with Pharmabroker Sales Pty Ltd to represent Arthrem to pharmacies in the state of New South Wales. This state was chosen as the launch point for Arthrem in Australia because of the high number of independent pharmacies in the state. Supporting agreements with warehousing and distribution parties also needed negotiation and completion. This process proved to be considerably more difficult and time consuming than expected.

Pharmabroker commenced marketing activities in November but the cost of television advertising was prohibitive prior to Christmas. Promotion of Arthrem did not commence until late January and therefore no revenue was received from Australia in 2017 to offset the not inconsiderable costs and time expending during the year on this exercise. Arthrem is now available from over 600 pharmacies in NSW.

## **Artevite**

Finalisation of the formulation of Artevite also took considerably longer than anticipated and it was only the efforts of our in-house team that resulted in the formulation being finalised in a stable form late in the year. Brooklands Pet Products Ltd of New Plymouth was appointed in August as the wholesaler and distributor for Artevite. Brooklands began the process of filling the retail pipeline in November. Pre-Christmas advertising was not possible at an economical cost and therefore promotion of Artevite did not commence until late January 2018. Pre-launch costs of \$153,000, including the cost of preparing a television advertisement, were incurred during the year without any offsetting revenue.

## **New Chief Executive**

On 9 October 2017 the company welcome Mr Rene de Wit as the new Chief Executive of the company. Rene has an extensive commercial background and has already added considerable value to the management team.

In the period between the departure of the former CEO and the appointment of Rene de Wit the company was fortunate to have the services of Tom Brankin, a director of the company and one of its largest shareholders, in the role of Acting CEO. Tom made a significant commitment to the company and pushed through the launch of both Arthrem in Australia and Artevite in New Zealand. The only cost to the company for Mr Brankin's time was his out of pocket travel and related expenses. On behalf of his fellow directors and shareholders I wish to acknowledge and thank Tom for his input over several months as Acting CEO.

## **Events since Balance Date**

### **Share Placement**

In January 2018 the company completed a placement of 47.75 million shares at a price of 2 cents per share to raise \$955,000 of additional capital. The directors wish to thank those participating in the placement for their confidence in the company.

### **Medsafe Alert**

On 15 February 2018 Medsafe issued an Alert advising that there was a risk of harm to the liver from taking Arthrem. This Alert generated a high level of media coverage which did not provide any context about the very low level of adverse reaction relative to the number of bottles of Arthrem sold in the same period. The company has noted that Arthrem is one of a number of soft gel capsule products containing *Artemisia annua* extract and grape seed oil and that it was unreasonable to single out Arthrem when competing products are alleged by their manufacturers to be the same as Arthrem.

A total of 14 adverse reactions in the form of liver toxicity have been reported to Medsafe in the period from February 2016 until December 2017, a period of 23 months. During that same period well in excess of 200,000 bottles of Arthrem were sold. The reported adverse reaction rate is approximately 1 in 14,000 or 0.007%. The World Health Organisation describes an adverse reaction at a rate of 1 in 10,000 as being very rare.

Arthrem is sold in a 150 mg capsule and the recommended dose is one capsule to be taken twice daily, morning and night. Competing products are sold in a single 300mg capsule to be taken once a day.

It is important to acknowledge that many thousands take Arthrem every day and experience only beneficial outcomes. The company takes adverse reactions seriously but notes that the rate of adverse reaction is extremely low.

Arthrem is one of the very few dietary supplements that has been subject to a placebo controlled double blind clinical trial (results published in the December 2015 issue of Clinical Rheumatology) and a follow up safety study (results published in the October 2016 issue of the New Zealand Medical Journal).

In response to the Medsafe Alert the company has undertaken the following:

- Responded to both Medsafe and the Centre of Adverse Reactions Monitoring (CARM)
- Provided additional information to the Australian Therapeutic Goods Authority
- Worked closely with its pharmacy retailers in both New Zealand and Australia to provide assurance about the safety of Arthrem
- Revised product labelling and point of sale material

The company has requested more details of the adverse reaction reports to determine if there is a batch or other specific issue that has been responsible for a recent increase in the number of reported incidents.

A significant majority of pharmacies contacted by the company have been supportive and continue to stock and sell Arthrem.

### **Priorities for 2018**

There will undoubtedly be an impact on sales as a result of the Medsafe Alert and budgets have been revised accordingly. The priorities for 2017 will be:

- Restoring pharmacy and consumer confidence in Arthrem
- Creation of an in-house sales and marketing team. A Marketing Manager has joined the company based in the Wellington office. A sales representative to service pharmacies in the lower North Island has been appointed. An appointment is being negotiated for an Auckland based representative.
- Building Arthrem as a credible brand in Australia where the product is sold as a Listed Complementary Medicine with considerably greater freedom to describe its benefits
- Build the Artevite brand as a credible and effective product providing joint support to dogs
- Two new products have been finalised but the launch of those products will be cash flow dependant and may be deferred until late in 2018 or sometime in 2019.

The company is well funded and has amended its budgets to reflect recent events. The directors are confident that the setback of the last few weeks can be overcome and thank you for your continued support.

Stephen Underwood  
Chairman