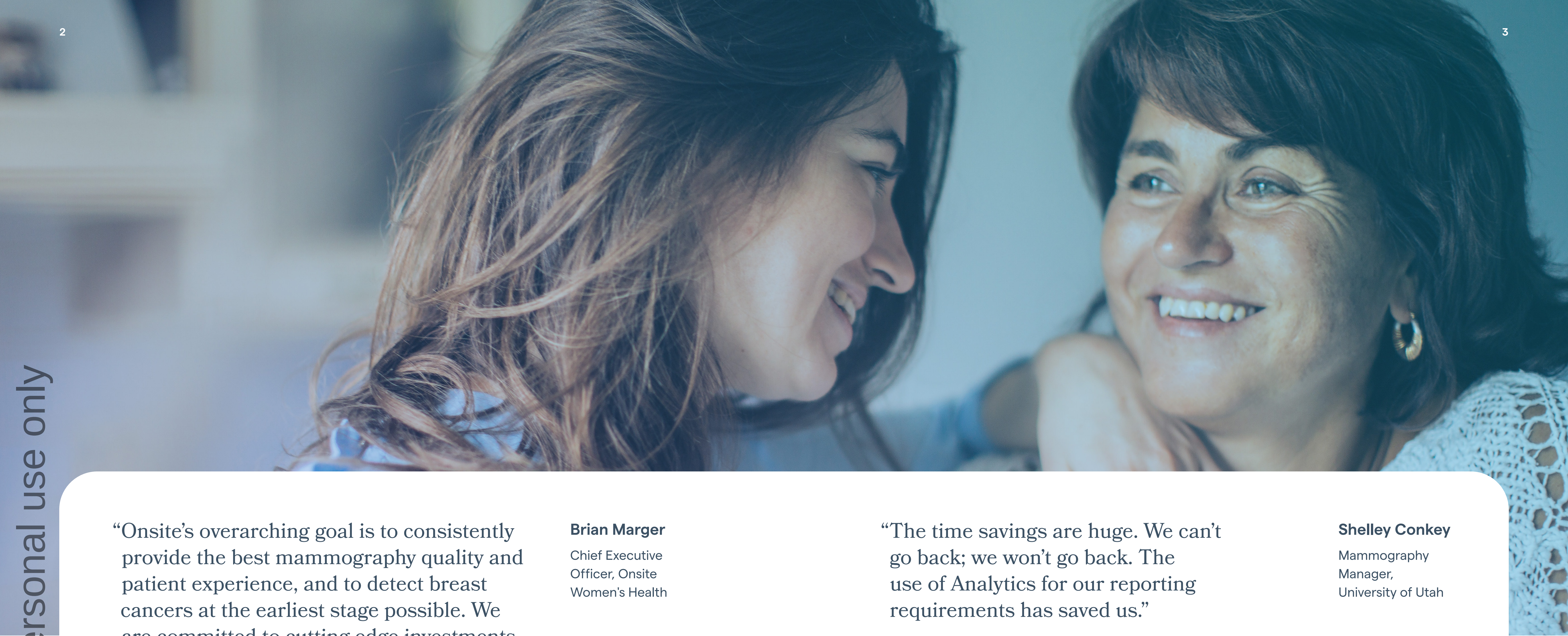
Annual Report 2023

Saving families from cancer



"Onsite's overarching goal is to consistently provide the best mammography quality and patient experience, and to detect breast cancers at the earliest stage possible. We are committed to cutting-edge investments that improve breast healthcare. We appreciate Volpara's commitment to quality as we embark on achieving new levels of breast care with their AI tools."

Brian Marger

Chief Executive Officer, Onsite Women's Health

"The inspector loved the Volpara Thumbnail letter. The visual for the patient is a great tool for patient education, which we all know is half the battle."

Diana Iglewski ARRT(R)(M)

Director of Clinical Care & Women's Imaging, Southtowns Radiology

"The time savings are huge. We can't go back; we won't go back. The use of Analytics for our reporting requirements has saved us."

Shelley Conkey

Mammography Manager, University of Utah

"With each of our 16 breast imaging centers now equipped with the latest Volpara software tool suite, Charlotte Radiology can better fulfill our most important mission—diagnosing breast cancer early and supporting our patients through their treatment. Implementing advanced technologies like these helps us continuously improve both experiences and outcomes for our patients across the Carolinas."

Lindsay Muns

Group President, Physician Practices for US Radiology & Chief Executive Officer of Charlotte Radiology and Upstate Carolina Radiology

Table of contents

CARR

US$26.5m

+19%

REVENUE

NZ$35.0m

+34%

GROSS MARGIN

92.5%

+1.3%

ARPA

US$37.4k

+30%

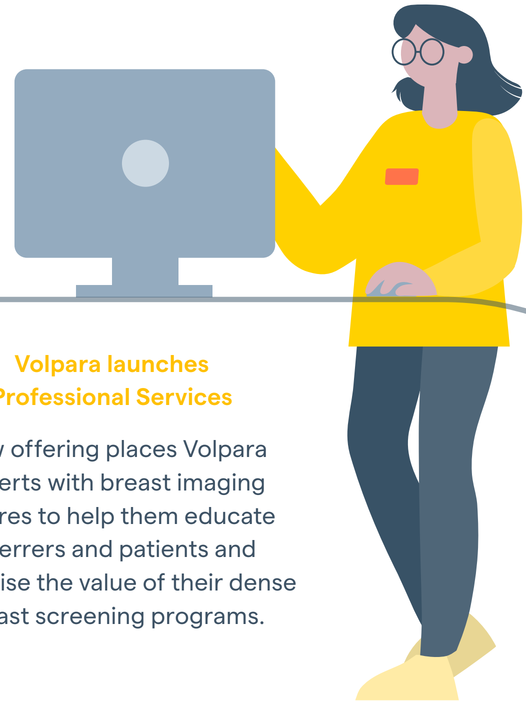
Highlights

Volpara **signs its biggest contract to date with RadNet**, the largest US provider of outpatient imaging services.

Volpara and Microsoft collaborate on software to identify heart disease

Microsoft machine learning experts joined Volpara's AI team to accelerate development of a mammogram-based product that detects and quantifies breast arterial calcifications (BAC), clusters and patterns that may indicate cardiovascular disease.

Volpara Analytics **awarded Gold in Digital Design at 2022 Good Design Awards,** Australia's highest honour for design and innovation.



Volpara launches Professional Services

New offering places Volpara experts with breast imaging centres to help them educate referrers and patients and maximise the value of their dense breast screening programs.

Senior healthcare strategist **Mark Bouw appointed to Board.**

Volpara achieves B Corp Certification

Volpara becomes one of the first companies in our industry to meet B Lab's high standards of performance, accountability, and transparency, signalling our belief that profitable growth goes hand in hand with a commitment to transformative social and environmental change.

Volpara's Q4 second consecutive quarter to reach **operating cash flow positive.**

About Volpara Health Technologies Limited (ASX:VHT)

Volpara Health Technologies makes software to save families from cancer. We help leading healthcare providers have a positive impact on communities around the word. They use Volpara solutions to better understand cancer risk, empower patients in personal care decisions, and guide recommendations about additional imaging, genetic testing, and other interventions.

Our focus on customer value means that our AI-powered image analysis enables radiologists to quantify breast tissue with precision and helps technologists produce mammograms with optimal image quality. In an industry facing increasing staffing shortages, our software streamlines operations and provides key performance insights that support continuous quality improvement.

Volpara holds the most rigorous security certifications and numerous patents and regulatory registrations, including FDA clearance and CE marking. Since listing on the ASX in April 2016, Volpara has raised A$132 million. Volpara is based in Wellington, New Zealand, with an office in Seattle.

Volpara-supported US legislation empowers women

The US Food and Drug Administration (FDA) recently announced a federal regulation requiring all women to be notified if they have "dense" or "not dense" breasts in their mammography results letters. Effective 10 September 2024, all US women will be told, in standardised language, that dense tissue makes it harder to find cancer on mammograms and raises the risk of developing breast cancer.

The ruling is expected to encourage women to discuss their density and other risk factors with their radiologist or healthcare provider, and therefore increase the likelihood that cancers missed by mammography are detected via screening tests such as ultrasound and MRI.

The new legislation comes after decades of advocacy by Volpara and likeminded organisations. One of these, DenseBreast-info.org (DBI), also supports a new federal insurance bill, the Find It Early Act, which aims to ensure that all health insurance plans cover additional imaging at no cost to the patient. In recognition of DBI's tireless efforts to increase awareness of breast density, Volpara announced its expanded sponsorship of DBI at the 2023 Society of Breast Imaging (SBI) annual symposium in Maryland. For the next 12 months, Volpara will donate five percent of the profits from all sales of its Volpara® Scorecard breast density assessment software to the grassroots advocacy group.

"We need to continue advocating for accessible and affordable healthcare, so that no woman is left behind when it comes to following up on necessary testing. Volpara supports the work of organisations that align with us in the goal of empowering women. Let's work towards a future where every woman has the resources and support she needs to prioritise her well-being. It's the right thing to do."

Teri Thomas, Chief Executive Officer, Volpara Health

Science and research highlights

Here's a look at the Volpara research team's accomplishments over the past year:

Volpara paper wins International Workshop of Breast Imaging's "Best Scientific Contribution" award

The paper, "Mammographic compression pressure as a predictor of interval cancer," authored by Melissa Hill, with Linda Martis, Ralph Highnam, and Ariane Chan in collaboration with the Royal Surrey NHS Foundation, was recognised with an "Award for the Best Scientific Contribution" at the 16th annual International Workshop of Breast Imaging (IWBI) hosted in Leuven, Belgium. The award is sponsored by Hologic's "Science of Sure" program.

Volpara abstracts earn top-five placement at the EUSOBI Annual Scientific Meeting 2022

"Radiation dose in screening mammography, learnings from United States clinical practice" by Melissa Hill, Rob McDonald, and Ralph Highnam, showed that radiation dose can vary substantially by vendor, acquisition protocol, and breast density, factors which should be used to weigh the potential harms of ionising radiation against the potential benefits of digital breast tomosynthesis (DBT) sensitivity.

"Reduced technical repeat and recall rates after implementation of artificial intelligence driven quality improvement software," by Chan and Martis, showed a 78 percent reduction in technical repeats and recalls following installation of Volpara Analytics.

Volpara Analytics used in largest image quality evaluation to date

The Chan-Martis abstract cited above described a study which was a collaboration with Peter R. Eby, MD, of Virginia Mason Medical Center. Dr Eby presented the study at the 2022 Radiological Society of North America (RSNA) Annual Meeting in Chicago. The reduction in technical repeats and recalls showcased AI's potential to automate a traditionally manual process and pointed to lower costs and improved workflows for imaging centre.

The evolution of Volpara's customer base

The growing demand for Volpara's breast software, which brings together cancer risk assessment, density scoring, image-quality optimisation, and patient tracking and reporting, reflects a transformation in the healthcare industry. More and more of the leading US institutions are turning to Volpara to provide data-driven, personalised, high-quality care. Here's a look at some of the prominent healthcare providers that signed major contracts for Volpara software this year:

RadNet, the largest owner and operator of outpatient imaging centres in the United States, implemented Analytics to consistently manage mammography quality across its 300+ sites and Risk Pathways to allow patients to receive personalised lifetime risk assessment.

Banner Health, one of the largest nonprofit hospital systems in the United States, expanded its contract to include upgrades and new installations of Patient Hub, Analytics, and Risk Pathways across a fully integrated health system that operates 30 hospitals, including three academic medical centres.

Sutter Health, a not-for-profit integrated health delivery system that operates 24 acute care hospitals and over 200 clinics in Northern California, expanded its relationship with Volpara by adding Risk Pathways to its existing Support for MRS software.

Onsite Women's Health, a leading US provider of breast health services, adopted Analytics to improve mammography quality as part of its AI-driven strategy to ensure that preventive breast care is convenient, accessible, and personalised to the individual risk profile of each patient.

Bon Secours Mercy Health, the United States' fifth-largest Catholic healthcare ministry with 48 hospitals and one of the nation's 20-largest healthcare systems, adopted Risk Pathways.

Adventist Health, a faith-inspired, not-for-profit integrated health system serving more than 80 communities on the West Coast and in Hawaii, contracted for Patient Hub, Risk Pathways, and Scorecard.

Northside Hospital, one of Georgia's leading healthcare systems, serving 5 million patients annually, signed on for Patient Hub, Risk Pathways, and Scorecard.

Duly Health & Care, the largest independent, multi-speciality physician-directed medical group in the US Midwest, added Analytics, Risk Pathways, and Scorecard to its offerings.

From the Chair

Shortly after I started my role as Chair of Volpara's Board, I noted in that year's annual report the FDA's announcement of draft regulations that would mandate density notification for all women in the United States. Now, four years later, the FDA has at last issued its "final rule," requiring that every state provide density notification in its patient reports and summaries by September of next year. This ruling—one likely to save many lives—is the result of over a decade of hard work by Volpara and its advocate allies, leading clinicians and researchers the world over, to make critical information about women's breast composition and its link to breast cancer more readily available. Already, Australia's I-MED Radiology Network is following the FDA's lead, requiring all its radiologists to include density notification within their mammography reports. For this important work, it recommends that its sites use Volpara.

The new legislation only supports Volpara's continued growth. During the four-year period mentioned above, for example, the Company saw the number of customers using its software grow from 148 to 709; and its data set of cloud-based de-identified mammogram images jump from 2.5 million to nearly 90 million. But the bigger growth, it seems to me, is in Volpara's evolution: its broadening and deepening influence, its impact on public health outcomes, its efforts and increasing ability to save families from cancer.

That Volpara has been able to accomplish what it has during challenging market conditions is something to celebrate. FY23 was profoundly positive, another banner year. It was one in which we capitalised on the multitude of opportunities including the appointment our new CEO, Teri Thomas. Financially, our overall performance again produced our best results to date, across nearly every metric, including the signing of our biggest contract to date. In Q3, we posted our first quarter to reach operating positive net cash flow, and then in Q4 we did it again. Our strategy is paying off, and we are making good progress towards reaching profitability.

Volpara evolved in other ways, too. For example, in October we achieved B Corp Certification, a status we expect will attract socially conscious investors and customers who value sustainability. It also reflects our sense of accountability as corporate stewards determined to do our part in transforming the global economy into a system predicated on inclusion, equity, and renewal.

Along these lines, our Board of Directors saw the appointment of Teri Thomas as Managing Director in October and of Mark Bouw as a Non-Executive Director in January. Their expertise in global healthcare growth and strategy is already being put to good use. In addition, these changes have resulted in a Board composition that is now 43 percent female and 57 percent male, a gender balance more closely aligned with the goals of our environmental, social, and governance reporting.

Volpara is closer than ever to realising the vision of its founders. This vision included not only impact on the scientific community but advocacy for women and influence on public policy and healthcare legislation. It's fitting, then, in the wake of the FDA's policy announcement, that Volpara co-founder Ralph Highnam should be honoured for his role in this work by being named Wellingtonian of the Year 2022.

In closing, the Board thank our management team and all employees for helping Volpara contribute to saving families from cancer. For her leadership this year, I give special thanks to Teri, who, in her new role, has more than risen to the occasion. Finally, I thank you, our shareholders, for providing the support that has powered our ingenious solutions and made our successes possible.

Yours sincerely,

Paul Reid
Chair

From the CEO

In my first letter to you 12 months ago, I was only one week into taking the helm as CEO. Today, I remain enthralled with the company purpose and the talented team well aligned with me on wanting to challenge the status quo and make a meaningful impact on patients and healthcare. After assessing Volpara's operations, partnerships, sales, marketing, and product portfolio, I shared the mantra of the inspiring nun and former CEO of SSM Healthcare—"no money, no mission"—as a foundational concept to shape our refreshed strategy. This phrase highlights the importance of balancing purpose and profit.

Enhancing the financial strength of our business enables us to serve our purpose in bigger and better ways. By challenging our team to examine both how we spend our time and how our software is used through the lens of value, we grow more efficient in our work. Talking about return on investment, we help customers achieve success with our software in ways that make it easy to justify renewals of their SaaS contracts. This is not in opposition to Volpara's mission of saving families from cancer but in support of it: we can do more discovery, advocacy, and education when we expand our base of large customers and grow in a healthy way.

This is the right thing to do whether it's a time of global financial uncertainty or not.

Driving to profitability is a stated goal of the strategy we announced in August, and the Board and leadership team are aligned in our value-driven growth plan. We took some concrete but simple steps. Early in our fiscal year—long before the layoffs happening today by companies like Meta, Xero, Amazon, and others—Volpara reduced operating costs by taking advantage of opportunities to cross-train and consolidate divisions and staff roles following two company acquisitions. These moves created efficiency by pulling functions from separate business units into company-wide units; saved approximately $3M in the second half of the year; and allowed for expansion of other essential roles. These include a new US-based Head of Product who works closely with our more cost-effective New Zealand–based engineering team.

Meet Kiko, our mascot

The work of saving families from cancer can be heavy, but the rare blue-footed boobies inspire us all to embrace joy and keep pushing to fulfil our mission. They are a reminder that our daily contributions, even the small ones, give women and their families hope.

When you look at life, and how it's sometimes cut short, those moments of joy and delight take on more meaning. We want to use this mascot to share a little bit of levity, and we embrace her cuteness and unexpected presence in business. She's blue, our corporate colour. Her feet are shaped like part of our logo. She's known as a booby, and we're all about breasts. And her name, Kiko, means "be happy" and "hope" in Japanese.

If this cute little blue-footed friend can initiate conversations, share awareness about the importance of caring for our boobies by getting someone screened, understanding their risk, and preventing or detecting cancer a little earlier, then Kiko will have accomplished something profound.

Another key component was implementing a focus on "elephants," or large healthcare organisations. While it can feel a little uncomfortable because you want to "love everyone the same," focusing on elephants makes sense both financially and in alignment with our purpose. Elephant-sized customers have a big impact, and they have the chance to lobby for changes, address many, many families, and execute at scale. From a profit-margin perspective it is much easier to get to that point of being consistently profitable if we focus our marketing and sales efforts on those that provide the biggest return. We can save a heck of a lot more families from cancer by engaging really well and closely with 20 large organisations than with 200 small ones. We ushered in over US$4.3M in net new annual occurring revenue growth by engaging with industry elephants like RadNet, the largest US provider of outpatient imaging services.

Our software delivers tangible value for our customers and prospects dealing with challenging market conditions such as staffing shortages. We love hearing breast centre managers tell us that Volpara Analytics software reduces their compliance process, sometimes from more than two weeks down to only two or three hours. That time savings frees up staff to focus on patient care and get in more mammograms—now, hundreds more patients have been screened that previously sat waiting in backlog.

I'm excited looking at the assets we have in our software, bank of data, world-leading breast expertise, and science IP to deliver new innovations that customers find essential and valuable. A great example is our research and development collaboration with Microsoft to accelerate the development of an algorithm that detects and quantifies breast arterial calcifications, which have been shown to be associated with cardiovascular disease.

As I reflect upon our progress this past year, I'm proud of how our company evolved and the strides we made towards profitability. We hit our first cashflow break-even quarters in our company's history, and they won't be the last! An investor can be comfortable that we are a solid investment while also being part of our purpose of doing good. As a socially responsible Certified B Corporation, we "do good really well".

I am grateful for the messages from our investors who have shared their personal stories of how cancer has affected them and their connections with Volpara. Your passion for supporting us in saving families from cancer inspires me. I do this job because I want my life to have a positive impact on others, and I'm grateful to be at the helm of a mission-driven, ethical company and driving it to strong financial health. I'm happy about the positive trend in our share price, which has risen 37 percent since 1 January 2023. Though some companies are existing on a hope and a prayer and not bringing in solid revenue, that's not our story. We are driving to continued growth, and we will be profitable.

Committed to saving families from cancer and delivering clear value,

Teri

Teri Thomas
Volpara CEO and Managing Director

Environmental, Social, and Governance Report

I am delighted to present to you Volpara Health's environmental, social, and governance (ESG) report for 2023. As a company dedicated to improving patient outcomes and delivering innovative solutions, we recognise the importance of addressing the social and environmental challenges facing our industry and society as a whole.

In this report, you will find comprehensive information about our ESG initiatives, progress, and challenges, as well as our strategy for continued improvement. We believe that transparent reporting is an essential part of our responsibility to our stakeholders, and we are committed to providing meaningful and reliable data on our ESG performance.

We have made significant strides in advancing our ESG goals, including achieving B Corp Certification and, for the first time, calculating our scope one and two carbon emissions. However, we recognise that there is much more to be done, and we remain committed to driving positive change in all areas of our business.

We hope that this report provides valuable insights into our ESG performance and progress, and we welcome your feedback and engagement as we continue to strive towards a sustainable and responsible future.

Sincerely,

Teri Thomas
Volpara CEO and Managing Director

At Volpara Health, we are committed to our purpose of saving families from cancer. We believe that this purpose requires us not only to develop advanced solutions for cancer prevention but also to operate our business responsibly and sustainably.

Our ESG framework reflects our commitment to creating a better future for our stakeholders and the planet. We believe that by embedding ESG principles into our business strategy, we can achieve our purpose while contributing to the health and well-being of the communities we serve.

Our framework is built on four pillars:

Improved cancer prevention

We are dedicated to enabling equitable access to personalised cancer care throughout the world by promoting screening protocols optimised by AI-based solutions. By doing so, we aim to identify cancers early and improve health outcomes for individuals and communities.

A principled, resilient business

We strive to operate our business with the highest ethical standards and governance practices to safeguard our intellectual property and protect the health information we are entrusted with. We also aim to ensure sustainable and continued growth for our stakeholders.

A thriving workforce

We believe that our workforce is our most valuable asset. We are committed to fostering an empowering environment for our diverse and skilled workforce to do their best work, while promoting a culture of inclusion, respect, and fairness.

Responsible climate stewardship

We recognise the urgent need to protect our world from climate change. We are committed to responsible climate stewardship by implementing best practices to reduce our environmental footprint, promote sustainable use of resources, and transition to a low-carbon economy.

We believe that our ESG framework reflects our commitment to creating long-term value for our stakeholders, our planet, and future generations. We are dedicated to continuously improving our performance in these areas and driving positive impact through our purpose-driven business.

In this, our second report, we have made progress towards phase two, and commenced identifying our scope one and two carbon emissions, a phase three activity.

1. Evolve and refine the base ESG framework.
2. Establish foundational climate governance and risk management practices.
Volpara's current phase.
3. Develop tighter definitions for metrics, targets, and the associated measurement process for climate disclosures.

Improved cancer prevention

OUR TARGETS

- Reach underserved populations
- Expand US personalised breast screening
- Impact the global cancer scientific community

OUR FOCUS AREAS

- Development of clinically validated AI solutions that improve the quality, efficiency, and personalisation of screening
- Optimised cancer screening protocols
- Independent scientific validation
- Empowerment of women to demand personalised cancer healthcare

OUR INDICATORS

- Used in 41 countries
- 17.29M women globally impacted by a Volpara product, including 16.35M US women
- 2,600 potential extra cancers detected in the US via supplemental screening (annually)
- 506 publications that include one or more Volpara products

UN SDG GOALS ALIGNMENT

3 GOOD HEALTH AND WELL-BEING
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

A principled, resilient business

OUR TARGETS

- Safeguard our IP
- Maintain our market-leading information security stance
- Maintain B Corp Certification

OUR FOCUS AREAS

- Purpose-driven, ethical governance to create sustained stakeholder value and protect against crisis
- Rigorous software development practices
- Preservation of health information privacy with the highest security measures
- Strategic partnerships and collaborations with leading risk and genetic companies

OUR INDICATORS

- 119 patents, 15 trademarks
- CE Marking/510(k)*
- ISO 13485:2016
- Microsoft Gold Partner
- 100+ years healthcare experience on Board
- Security certifications across aspects of the Group's operations:
  SOC 2 Type 2, ISO 270001:2013,
  MDSAP Certificate of Registration**
- Vendor neutrality: software compatible with 36 manufacturer/model types

UN SDG GOALS ALIGNMENT

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

* CE Marking enables EU sales and marketing of Volpara Scorecard and Volpara Live; 510(k) clearance enables US sales and marketing of Volpara Scorecard.
** MDSAP Certificate demonstrates compliance with QMS requirements for medical devices in Australia, Canada, Japan, and the USA.

A thriving workforce

OUR TARGETS

- Improve eNPS score to approach +50
- Strive for a balanced and inclusive team with 40% representation of both men and women, and the remaining open to individuals of any gender identity.

OUR FOCUS AREAS

- Empowered, diverse, and inclusive workforce
- A culture of technical excellence and continuous learning, including providing employees access to a library of over 80,000 e-learning courses and podcasts
- Access to meaningful employee benefits, including the ability to work anywhere in the world for up to three months each year
- Highly engaged staff having fun while changing the face of women's health

OUR INDICATORS

- +18 eNPS score
- 45% female, 54% male, 1% gender diverse workforce
- 43% female, 57% male Board composition
- 2,500+ annual training hours

UN SDG GOALS ALIGNMENT

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES

Responsible climate stewardship

OUR TARGETS

- Reduce our greenhouse gas emissions, with a long-term goal of net-zero carbon emissions

OUR FOCUS AREAS

- A culture of waste reduction
- Reduction in travel in favour of online engagement via video conferencing and our new online customer community portal
- Reduced carbon footprint via a digital-first customer engagement model

OUR INDICATORS

- Environmentally preferable purchasing policy
- 1,700+ hours of remote customer training

UN SDG GOALS ALIGNMENT

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

Commentary

A blue-footed booby. Volpara symbolically adopted more than 20 blue-footed boobies through generous support of the World Wildlife Fund's global conservation efforts to help save endangered animals.

B Corp Certification

In October 2022, Volpara achieved B Corporation Certification. Certified B Corporations represent a growing for-profit business community that puts people and the planet first. We're pulling our weight, digging deep, and focusing on our commitment to make improvements for the benefit of all.

B Corp Certification reinforces what's long been part of Volpara's DNA: to do right by everyone impacted by our decisions and actions, from employees and customers to business partners and investors, and of course the individuals whose lives we hope to better, even save, with science. Companies that become B Corp Certified lead in their ability to meet high standards for social and environmental performance:

- Achieving a score of 80 or higher on the B Impact Assessment
- Incorporating stakeholder governance in their legal structure
- Undergoing review and recertification every three years

"We take our responsibility to our local and global communities very seriously and, like B Lab, believe that profitable growth goes hand in hand with an expanded commitment to transformative social and environmental change."

Teri Thomas, Chief Executive Officer, Volpara Health

Carbon Emissions

In recent years, there has been growing awareness of the impact of climate change on the global economy, society, and environment. For Volpara, measuring and reporting on our scope one and two carbon emissions is another crucial step in demonstrating our commitment to environmental sustainability.

Scope one emissions are direct emissions that come from sources that are owned or controlled by a company, such as emissions from their own vehicles or manufacturing facilities. Volpara has no scope one emissions. Scope two emissions, on the other hand, are indirect emissions that result from our consumption of purchased energy, such as electricity or heat.

By measuring and understanding our emissions, we can identify areas where we have opportunities to reduce our carbon footprint or change our operations to become more sustainable.

Since 2021, Volpara has worked towards limiting our office footprint and associated use of purchased energy. Our Wellington office is now run on fully renewable energy. We have reduced our office footprint in Seattle by approximately one third and closed our Boston offices. With those actions, we have reduced our scope two emissions by 17.4% in the past year. In addition, 100% of our staff have taken up hybrid working options or are fully remote.

In FY23, we made the commitment to offset the remaining emissions by funding the planting of native trees in New Zealand. We have partnered with Trees that Count, an environmental charity that brings together business, community, and everyday New Zealanders to plant millions of trees across the country.

Climate Governance

During the past year, Volpara has begun incorporating climate governance and risk management practices into a wider organisational governance framework. We have used the Task Force on Climate-Related Financial Disclosures (TCFD) framework as a guide but, given our unique listing requirements, we are not currently required to report on or have climate disclosures in place; this may evolve over time as/when the ASX provides further guidance. However, given our commitment to creating long-term value for our stakeholders, our planet, and future generations, we felt it important to make a start.

The table below outlines our intended climate governance and associated risk management practices. Further work is underway to fully understand and identify our risks and opportunities.

Governance	Strategy	Risk Management
Disclose the organisation's governance around climate-related risks and opportunities.	**Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.**	**Disclose how the organisation identifies, assesses, and manages climate-related risks.**
Climate change impacts will be a consideration for our management team when reviewing long-term strategy and when assessing enterprise risk. Sources of information for strategy and enterprise risk management (ERM) will come from scenario modelling, materiality assessments, and baseline analysis. Identified enterprise risks will be reviewed by Volpara's management and Risk Committee and, where appropriate, presented to the Board, with a specific focus on the key opportunities and material risks across our operations.	Volpara's risks and opportunities will be prioritised based on: • Likelihood of the event occurring • Impact on our businesses, environment, people and communities (ranging from insignificant to extreme) Risk management strategies could include contingency plans (risk acceptance), elimination, risk transfer, and/or mitigation, while we look to leverage our competitive advantages to capitalise on climate change opportunities.	Identification of risks will be completed with internal stakeholder input (staff and management) and, where appropriate, industry consultation. These will be embedded within our existing ERM framework, which assesses risk at an operational and critical level. The assessment looks at the effectiveness and strength of underlying controls and mitigations against the impact and likelihood of occurrence. The evaluation allows key risks to be prioritised through the ERM process, which allocates resources to deliver appropriate risk strategies and treatments. Monitoring and reporting will be done regularly via the ERM framework.

Karmanos Cancer Institute Adopts Volpara Risk Pathways to Simplify Cancer Risk Assessment

“With Volpara, we’re assessing the patient’s total health. Until there is a cure, early detection is the best chance we can give patients if they face a cancer diagnosis. Volpara is one of the tools we use to inform us of what each patient may need so that we can find cancer early should it develop.”

The Barbara Ann Karmanos Cancer Institute has adopted Volpara Risk Pathways software to simplify risk assessment and patient management for various cancers, including breast, lung, ovarian, and colorectal cancer.

“The biggest danger with high-risk breast cancer patients is that they don’t know they’re high risk,” said Eric Brown, MD, FACS, surgical oncologist and coleader of the Breast Cancer Multidisciplinary Team (MDT) at Karmanos. Dr Brown has been implementing Volpara’s program in his everyday practice. He believes this system will help identify more women and the best course of prevention for each patient.

This new preventive tool has been implemented as part of Karmanos’ high-risk breast cancer program. When patients make an appointment at Karmanos for their mammography screening, they will receive an invite by email and text message to complete the assessment before their screening appointment. Once a patient’s personal risk information has been collected, Karmanos can access a set of risk models and clinical guidelines to accurately identify and triage high-risk patients for follow-up care, including genetic testing and additional medical imaging, such as more frequent mammography screenings, ultrasound, or breast MRI. With the family health history that the patient discloses in their assessment, specialists can also identify risk factors for lung, ovarian, and colorectal cancer.

“With Volpara, we’re assessing the patient’s total health,” said Natasha Robinette, MD, radiologist and clinical service chief of imaging. “Until there is a cure, early detection is the best chance we can give patients if they face a cancer diagnosis. Volpara is one of the tools we use to inform us of what each patient may need so that we can find cancer early should it develop.”

Headquartered in Detroit and proudly a part of McLaren Health Care, Karmanos is the largest provider of cancer care in Michigan.

Meet the Board

The Directors present their report on Volpara Health Technologies Limited (VHT) and the entities it controlled during and at the end of the year ended 31 March 2023.

Directors
The following persons held office as Directors of VHT for the financial year:

Paul Reid (Chair)

Teri Thomas (Managing Director, appointed 1 October 2022)

Dr Ralph Highnam (retired 21 April 2022)

Roger Allen AM

John Pavlidis

John Diddams (retired 18 August 2022)

Karin Lindgren

Ann Custin

Mark Bouw (appointed 1 January 2023)

Joint Company Secretaries

Craig Hadfield

Fred Struve (appointed 21 October 2022)

Paul Reid
Chair, Independent Non-Executive Director
BSc (Hons)

Paul joined the Board in March 2018 and brings extensive commercial experience gained across a range of technology/Software as a Service ("SaaS") businesses. He was the founding CEO and Chairman of Figured Limited, a fintech SaaS company that provides management accounting software to farmers in the United States ("USA"), the United Kingdom ("UK"), Australia, and New Zealand ("NZ"). Figured was the NZ Hi-Tech Startup Company of the Year in 2016 and has grown at an incredible pace, funded by private, corporate and venture capital (VC) investors.

He is also currently CEO of Author-it Software Corporation, which provides documentation software for clinical, medical, and labelling information to life sciences companies in Europe and the USA. Other key directorship roles include Christchurch International Airport Limited and Virsae Group Limited.

Prior to embarking on a startup and governance career, Paul held a number of key executive roles, from CEO to COO, in businesses such as Air New Zealand, MetService, Carter Holt Harvey, and Ernst & Young. He is based in Wellington, NZ.

Teri Thomas
Chief Executive Officer, Managing Director
BSc (Hons)

Teri joined the Board in October 2022. She has a long history of executive management in healthcare IT ranging from strategy and operations to running global sales and marketing teams. This includes a 20-year career at Epic, a global leader in electronic health record (EHR) systems and other software solutions used by hospitals and healthcare organisations in the United States and internationally.

Teri is also a registered nurse with a Master of Science degree, which gives her a unique perspective on the intersection of IT, clinician workflow, and patient experience. Previously, she held executive roles with population health firm Orion Health and IT innovation at University of North Carolina Health Care. Teri was a key member of the decision-making team behind Volpara's successful acquisition of Harvard spin-out CRA Health in February 2021. Her focus is now helping the company drive profitable growth while serving its purpose of saving lives from cancer. She is based in Tauranga, NZ.

Roger Allen AM
Non-Executive Director
BA, FACS

Roger was Volpara's first major investor, joined the Board prior to FDA approval in June 2010, and was Chair from October 2015 to March 2019.

Roger is a well-known entrepreneur, venture capitalist (VC), and social impact investor and philanthropist whose global career has spanned over 50 years. He helped pioneer the Australian technology industry through the Computer Power Group, one of the first Australian-founded tech companies to scale globally and subsequently IPO in 1987, turning over approx. $1B in today's currency. Following the company's acquisition in 1995, he cofounded Allen & Buckeridge Pty Ltd, one of the first early-stage VC firms.

After helping establish two successor VC firms, Allen retired from the firm in 2007 and has since focused on his private VC portfolio and his many social impact investments. He also established and funded a Public Benevolent Institute called Indigenous Capital Limited (ICL) to focus on indigenous economic development using best practise experience from the technology world.

Roger has served on two Prime Ministers' Science and Technology Councils, chaired State Government ICT Advisory Boards, served as deputy Chairman of Austrade for seven years, and been an Adjunct Professor at Swinbourne University, UTS, and lectured at INSEAD school of Entrepreneurship in Paris & Singapore. Along with many prestigious industry accolades, in 2011 Allen was awarded the Order of Australia honour for services to IT and venture capital, and in recognition of his support of the Indigenous community and philanthropic sector. He is based in Sydney, AU.

John Pavlidis
Independent Non-Executive Director
BS, MS

John Pavlidis joined the VHT board in February 2015 and has more than 30 years of experience as a senior healthcare executive, CEO, or company director in the areas of women's health, diagnostic imaging, image analysis and artificial intelligence, and cardiovascular therapies.

John is currently the CEO of EosDx Inc. an early-stage start-up pioneering the accurate and non-invasive early detection of cancer using bio-crystallography. From 2015 through 2019, John served as the CEO of Vytronus, Inc., a venture-backed start-up using novel catheter-based ultrasound, machine learning and robotics technology to treat atrial fibrillation, a cardiac arrhythmia. Prior to Vytronus, John was the CEO of Endoscopic Technologies, Inc., a leader in minimally invasive and endoscopic treatment of atrial fibrillation, until it was acquired by AtriCure, Inc. in 2014. Since 2007, John has also served on the board of directors of several health technology companies, including U-systems, Inc., which pioneered automated breast ultrasound imaging as an adjunct to mammography for breast cancer screening and was acquired by GE Healthcare in 2012.

Previously, John served as the CEO of R2 Technology, Inc., the pioneer and leader in computer-assisted detection of breast cancer in mammograms, until Hologic, Inc. acquired the company in 2006. Before joining R2 Technology, John was the President of the global Ultrasound business at Siemens Healthcare, where he led the acquisition and integration of Acuson and subsequent growth of the combined organization to $1 billion in revenue.

John is Chair of the Remuneration and Nomination Committee. He is currently sharing his time between Europe and the USA.

Karin Lindgren
Independent Non-Executive Director
BS, JD

Karin joined the Board in 2020. She brings over 35 years' experience in health information technology as a senior technology executive and law firm partner. As one of the earliest healthcare technology lawyers in the USA, Karin has an in-depth knowledge of data governance, data privacy, SaaS, and US healthcare, and has extensive professional networks across the IT landscape.

Her previous roles include General Counsel, Chief Compliance Officer & Chief Privacy Officer at the University Health System Consortium (which covers 90% of US academic medical centres); General Counsel & Chief Privacy Officer at ReedGroup, a data and informatics technology company responsible for absence management solutions at over 50 percent of Fortune 100 companies; and Senior VP, Legal Affairs, General Counsel, Corporate Secretary, Chief Compliance Officer, Chief Privacy Officer, and Chief Audit Executive at Availity, a revenue cycle management, electronic data interchange platform, PaaS IT company that operates the largest real-time information network in healthcare, connecting payers and providers in over seven billion transactions every year.

Karin was a founding faculty member in the Health Informatics Master's Programs at both Northwestern University (Chicago) and University of Colorado (College of Nursing), and has taught in schools of medicine, law, and business at numerous US universities. She is a board member of multiple private and non-profit organisations.

Karin is Chair of the Risk Committee and is based in Boulder, Colorado, USA.

Ann Custin
Independent Non-Executive Director
BA

Ann joined the Board in 2021 and brings a deep network of industry contacts from an extensive career in healthcare across Europe, the Americas, and Asia. Her most recent executive role was with Siemens Healthineers, where she served as both CFO and board director of Siemens Medical Solutions. Prior to this role, Ann served as Chief Operating and Financial Officer of Scient'x and President & CEO of USA Draeger Medical Systems, Inc.

Ann is also a Non-Executive Director of NASDAQ-listed Establishment Labs Holdings Inc., a medical technology company focused on women's health, initially in the breast aesthetics and reconstruction market, that has a market capitalisation of approximately US$1.7 billion.

Ann is a Non-Executive Director of Mayne Pharma Group, an ASX-listed pharmaceutical company based in Australia that develops, manufactures, and markets branded and generic pharmaceutical products globally.

Ann is a the Chair of the Audit Committee and is based in Bethlehem, Pennsylvania, USA.

Mark Bouw
Independent Non-Executive Director
eMBA, AMIPA, GAICD, B. Nursing

Mark joined the Board in January 2023. As an in-demand business leader, management consultant, and company director, Mark and his team at Mark Bouw Group work with talented people to build great organisations globally. Mark's clients include C-suites, family offices, VC and private equity firms, boards of management, investors, and entrepreneurs. He is acknowledged for his expertise in the health, consumer products, NFP, First Nations, and technology sectors. Since 2016, he has been a visiting consultant at Stanford University's Graduate Business School Seed and Ignite programs.

Mark is a member of the Audit Committee and the Risk Committee, and is based in Victoria, AU.

Craig Hadfield
Chief Financial Officer & Joint Company Secretary
H Dip Acc (Hons)/CA (SA)

Craig joined Volpara in July 2016 and was appointed Chief Financial Officer and Company Secretary on 1 March 2017, prior to which he worked as an Associate Director at Deloitte. Craig is a Chartered Accountant who holds a Higher Diploma in Accounting. He is a member of the South African Institute of Chartered Accountants and is an affiliate member of Chartered Accountants Australia & New Zealand. He is based in Wellington, NZ.

Fred Struve
General Counsel & Joint Company Secretary
BSc, JD

Fred brings global expertise in technology, data, healthcare, and corporate law. As General Counsel, he is responsible for overseeing legal, regulatory, and compliance matters across the enterprise. Prior to joining Volpara, he was an attorney with Stoel Rives, LLP where he led complex IT and outsourced services transactions in the healthcare industry. Fred was appointed Joint Company Secretary on 21 October 2022. He is based in Portland, Oregon, USA.

Directors' Report

Principal activities

The Group's principal activities during the year remained focused on the sale of Analytics (incl. Scorecard), Patient Hub (incl. Volpara Risk), and Risk Pathways (fka CRA Risk). Analytics is a comprehensive cloud-based breast imaging analytics software that delivers quality assurance and performance monitoring. With dynamic, role-specific dashboards, and wide-ranging benchmarking analytics to help clinics manage their business more efficiently, Analytics is supported by the Company's market-leading Volpara Scorecard, powered by the TruDensity, TruRadDose, TruPressure, and TruPGMI clinical functions. Patient Hub and Lung are patient tracking and reporting software solutions specifically designed to help customers' staff become more productive in the operation and administration of their practice. Risk Pathways continued to be sold as a stand-alone, cloud-based risk modelling product. The Risk Pathways integration into Volpara's suite of products is almost complete and will replace Volpara Risk in FY24. We also conducted our first deployment of Volpara Live software via Fuji, as Live was identified as a product that we are not focusing on.

Significant changes in the state of affairs

There were no significant changes to Volpara in FY23.

Operating results for the year

Statutory results
Some of the key statutory results have been summarised below. Total revenue from contracts with customers and SaaS-only revenue has continued to show solid growth, both organically and inorganically. The 34% and 44% (or 20% and 29% constant currency) increases in total revenue and SaaS-only revenue, respectively, have been driven by a combination of Analytics, Patient Hub, and Volpara Risk/Risk Pathways. Importantly, Volpara accelerated the growth of SaaS-only revenues from 24% in FY22 to 29% in FY23 (in constant currency), continuing to reduce reliance on lumpy capital revenues and service maintence revenues which are not contracted.

Capital revenues increased in FY23, +5% on a constant currency basis, partly due to price increases implemented during the year. Although service maintenance agreements (SMAs) revenues increased 10% year on year, on a constant currency basis they declined 1%. We remain focused on transitioning customers from legacy MRS (capital and SMAs) to SaaS contracts and therefore expect and have forecast capital and SMA revenues to decline over the coming years. Lung revenues increased 17%, or 5% constant currency.

Volpara's net loss before tax decreased 30% year on year. Where revenues increased 34%, costs were well contained, increasing only 7%, or 1% constant currency. With the change in CEO in April 2022, a change in strategy was announced and part of that change included various cost-cutting measures, including a reduction in headcount of approximately 15%, together with a focus on reducing costs in areas of the business that were not contributing to revenue growth or were a drain on resources.

Refer to the SaaS, non-GAAP metrics, and constant currency section below for further commentary.

IFRS	2023 NZ$'000	2022 NZ$'000	Variance NZ$'000	Variance %
SaaS	25,057	17,395	7,662	44%
SMA	6,753	6,114	639	10%
Capital	1,375	1,193	182	15%
Revenue from Lung contracts	1,518	1,301	217	17%
Revenue from Collaboration Fees	307	110	197	179%
Total revenue from contracts with customers	**35,010**	**26,113**	**8,897**	**34%**
Net loss for the year before tax	(11,380)	(16,154)	4,774	-30%
NON-GAAP				
Revenue from contracts with customers pre-revenue adjustment	35,010	26,402	8,608	33%
Revenue adjustment[1]	-	(289)	289	-100%
Revenue from contracts with customers[2]	**35,010**	**26,113**	**8,897**	**34%**

1. Accounting standards require assets and liabilities acquired within a business combination to be measured at fair value. Deferred revenue balances are therefore valued at the cost of fulfilling the service plus a small margin. This differs to the normal basis of recognition of deferred revenue. Furthermore, it is important for the users to understand that this was a one-off, non-cash, technical accounting adjustment which will not impact revenue in future periods once fully unwound, and neither impacts, nor has impacted, the cash generation of the business.
2. As per consolidated statement of profit or loss and other comprehensive income.

	2023 NZ$'000	2022 NZ$'000	Variance NZ$'000	Variance %
IFRS Net loss for the year after tax	**(9,801)**	**(16,441)**	**6,640**	**-40%**
Non-cash and non-operating items				
Net interest expense/(income)	193	(29)	222	-766%
Tax (benefit)/expense	(1,579)	287	(1,866)	-650%
Business integration and acquisition expenses	4	45	(41)	-91%
Share-based payments expense	1,014	1,102	(88)	-8%
Depreciation and amortisation	5,483	4,659	824	18%
(Gains)/losses on foreign exchange transactions	(2,186)	(578)	(1,608)	278%
Revenue adjustment	-	289	(289)	-100%
Bad debts writen off	-	(3)	3	-100%
Release of employee retention plan	(130)	(928)	798	-86%
Redundancy costs	897	-	897	100%
PPP loan forgiveness	-	(2,478)	2,478	-100%
Normalised non-GAAP loss before interest, tax, depreciation, amortisation, impairment, one-off items, and non-cash items	**(6,105)**	**(14,075)**	**7,970**	**-57%**

Constant currency

Constant currency (CC) analysis is non-GAAP financial information that is not prepared in accordance with IFRS. CC information has been provided to assist users of financial information to better understand and assess the Group's financial performance without the impacts of foreign currency fluctuations.

	2023 (CC) NZ$'000	2023 NZ$'000	2022 NZ$'000	Change in CC %	Reported change %
For the year ended 31 March					
Revenue from contracts with customers	31,435	35,010	26,113	20%	34%
Cost of revenue	(2,386)	(2,643)	(2,290)	4%	15%
Operating expenses					
Sales and marketing	(13,808)	(15,264)	(14,121)	-2%	8%
Product research, development, and engineering	(17,057)	(17,680)	(16,838)	1%	5%
General and administration	(12,723)	(13,300)	(12,259)	4%	8%
Total operating expenses	**(43,588)**	**(46,244)**	**(43,218)**	**1%**	**7%**
Normalised non-GAAP loss before interest, tax, depreciation, amortisation, impairment, one-off items, and non-cash items	(7,037)	(6,105)	(14,075)	-50%	-57%

SaaS, non-GAAP metrics, and constant currency

Volpara ended the year with Contracted Annual Recurring Revenue (CARR) of ~US$26.5M (or ~NZ$42.6M), an overall increase of 19% year on year, all organic. Annual Recurring Revenue (ARR) increase from US$17.3M to US$20.9M at the end of FY23, an increase of 21% year on year.

In the Volpara Group's chief market, the United States, 42.2% of women getting screening mammography have at least one of the Group's products applied on their images and data. This is up from 35.5% at end FY22.

On a normalised non-GAAP loss before interest, tax, depreciations and amortisation, impairments, and other one-off or non-cash items, Volpara improved by 57% year on year from NZ$14.1M to NZ$6.1M. This was mostly driven by a combination of increased revenues and the aforementioned cost-cutting intiatives (e.g., reducing headcount from 189 at end FY22 to 156 at end FY23), resulting in significant cost savings in the second half of the year. Importantly, in CC, all operating cost categories showed either small increases, well below inflation, or decreases in the case of sales and marketing costs. Despite these cost constraints, revenues and new business (CARR) won both showed strong growth, indicating that the business has reached a cost base which is scalable.

Non-GAAP measures have been included as we believe they provide useful information for users of the financial statements that assist in understanding Volpara's financial performance. The non-GAAP financial information does not have a standardised meaning prescribed by IFRS and therefore may not be comparable to similar financial information presented by other entities. The non-GAAP financial information has not been subject to audit or review.

Matters subsequent to the end of the financial year

There were no significant events between balance date and the date these financial statements were authorised for issue.

Likely developments and expected results of operations

It's been an exciting year with Dr Ralph Highnam stepping down as CEO (and taking up the position of Chief Science and Innovation Officer) and Teri Thomas taking over as CEO and then Managing Director. This immediately prompted a revised strategy that saw a laser focus on costs and right-sizing the business in order to get the company to a cash-flow-positive position. As a result of those changes, significant progress has been made in a number of areas of the business: record revenues, record new business (CARR) won, record cash receipts, a material improvement in the net loss, normalised Non-GAAP losses and net operating cash outflows, and the first postive net operating cashflow quarter (immediately followed by a second). Promisingly, we also started to see green shoots in some new revenue streams such as risk in primary care, genetics, and Analytics in Action, Volpara's client-centred service that helps breast imaging facilities develop a culture of learning and continuous performance improvement. Volpara's balance sheet remains strong with over NZ$12.7M of cash on hand and a NZ$10M revolving credit facility available. Volpara continues to invest in its best-of-breed product suite with the integration of Risk Pathways into Patient Hub slated to be completed in the first half of the year. In addition, a number of new product ideas are moving through various stages of Volpara's Innovation Pipeline, including testing of the breast arterial calcifications algorithm at customer sites via Volpara Lab. Infrastructure has been put in place to evaluate and rapidly test new ideas, supporting our industry position as leaders in mammography along with growth into new areas outside of mammography.

Dividends paid or recommended

No dividends have been paid or declared for payment during the financial year.

Environmental issues

The Group is not affected by any significant environmental regulation in respect of its operations.

Diversity policy

The Company has adopted a Diversity Policy, which includes the requirement for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. As part of the Company's ESG reporting, the Board has set a diversity target of maintaining a minimum of 40% female and 40% male employees, with the remainder open to individuals of any gender identity.

There were four men and three woman on the Board at the end of the 2023 financial year.

As at the date of this Annual Report, the proportion of women in the Group as a percentage of its total employees was 73 out of 159, or 45.9%. The proportion of women as a total of the senior executive positions is 3 out of 6, or 50%.

Indemnifying officers

During or since the end of the financial year, the Company has given an indemnity, entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows.

The Company has entered into deeds of indemnity with each of the Directors in accordance with the constitution, under which the Company indemnifies each Director against:

1. costs incurred by the Director in any proceeding that relates to liability for any act or omission made by the Director as an officer of the Company and in which judgment is given in the Director's favour or in which the Director is acquitted or which is discontinued;
2. any liability to any third party for any act or omission by the Director as an officer of the Company; and
3. any costs incurred by the Director in defending or settling any claim or proceeding to any costs or liability of the nature referred to in (1) and (2).

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Directors of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Unissued shares

As at 31 March 2023, there were 7.285M unissued ordinary shares under employee share options, and a further 0.805M under restricted stock units. Refer to the remuneration report and Note 13 of the financial report for further details.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Share options

The following ordinary shares of Volpara Health Technologies Ltd were issued during the year ended 31 March 2023 on the exercise of options granted under the Legacy Employee Share Option Plan (LESOP).

Date options exercised	Average issue price of shares NZ$	Number of shares issued
29 July 2022	0.1600	63,828
16 February 2023	0.3100	192,000
		255,828

The following ordinary shares of Volpara Health Technologies Ltd were issued during the year ended 31 March 2023 on the exercise of options granted under the New Employee Share Option Plan (NESOP).

Date options exercised	Average issue price of shares A$	Number of shares issued
29 July 2022	0.6000	20,000
31 August 2022	0.5000	31,000
31 October 2022	0.5000	7,000
30 November 2022	0.5000	57,000
31 January 2023	0.5000	42,000
16 February 2023	0.5000	1,711,000
28 February 2023	0.5152	31,000
		1,899,000

Meetings of Directors

Attendances to meetings by each Director during the year were as follows:

	Board of Directors		Audit Committee		Remuneration and Nominations Committee		Risk Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Paul Reid	7	7	4	4	4	4	4	3
Dr Ralph Highnam[3]	1	1						
Teri Thomas[4]	3	3						
Roger Allen AM	7	5	3	1	2	1		
John Pavlidis	7	7			4	4	4	4
John Diddams[5]	4	4	1	1				
Karin Lindgren	7	7			4	4	4	4
Ann Custin	7	7	4	4				
Mark Bouw[6]	1	1	1	1			1	1

3. Dr Ralph Highnam stepped down from the Board in April 2022
4. Teri Thomas was appointed to the Board in October 2022
5. John Diddams stepped down from the Board in August 2022
6. Mark Bouw was appointed to the Board in January 2023

Non-audit services

During the year, there were non-audit services in the form of general training relating to environmental, social and governance (ESG) reporting.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out below.

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Volpara Health Technologies Limited for the year ended 31 March 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Volpara Health Technologies Limited and the entities it controlled during the period.

Kevin Brown
Partner
PricewaterhouseCoopers

Wellington
25 May 2023

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Remuneration Report

(Unaudited)

The Directors are pleased to present this report, which is intended to provide clarity about the ways we seek to reward and recognise the contribution Volpara Health Technologies Limited's Non-Executive Directors, Executive Directors, and other Key Management Personnel are making to the ongoing growth of the business.

In outlining the Director and Executive remuneration arrangements of the Company and the Group, this report is intended to provide greater transparency and insight into our practices, going beyond what we are required to disclose as a New Zealand incorporated company under the requirements of the Companies Act 1993 and its regulations.

This report defines Key Management Personnel (KMP) of the Group as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Parent company. The term "Executive" encompasses the Chief Executive and other KMP of the Parent and the Group.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on the remuneration arrangements for each of the Non-Executive Directors, Executive Directors, Chief Executive Officer, and KMP.

The Remuneration and Nomination Committee periodically assesses the appropriateness of the nature and amount of Executive remuneration by reference to relevant employment market conditions. Where appropriate the Remuneration Committee may engage external consultants to provide independent advice.

As of the date of this report the Remuneration Committee comprises the Non-Executive Directors listed here.[1] In accordance with best-practice corporate governance, the structure of Non-Executive Director and senior Executive remuneration is separate and distinct.

John Pavlidis (Chair)
Independent

Paul Reid
Independent

Karin Lindgren
Independent

1. The Committee above was appointed on 28 September 2022 with the following changes: Roger Allen AM and John Diddams stepped down as Directors from the Committee. Paul Reid stepped down as Chair but remained a Director with John Pavlidis appointed Chair. Karin Lindgren was also appointed Non-Executive Director.

Non-Executive Director remuneration policy

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain Directors of the highest calibre, while incurring a cost that is acceptable to shareholders.

Structure

It has been resolved that the total aggregate amount to be paid to the Directors (excluding any Executive Director) is NZ$700,000 per annum. Under the ASX Listing Rules, any increase to that aggregate annual amount will need to be approved by Shareholders. The Company does not utilise that full amount based on its current Board of Directors.

In addition to their annual remuneration, the Directors may also be reimbursed for expenses properly incurred by the Directors in connection with the affairs of the Company, including travel and other expenses. There are no retirement benefit schemes for Non-Executive Directors. Non-Executive Directors are encouraged to hold shares in the Company. The Non-Executive Directors also participate in the employee share option plans of the Company, which are not linked to performance.

The remuneration of Non-Executive Directors for the year ended 31 March 2023 is detailed later in this report.

Executive remuneration policy

Objective

Volpara Health Technology's purpose is to save families from cancer. This purpose is underpinned by our strategic plan and values that are fundamental to how we do things as a company.

Structure

In determining the level and makeup of Executive remuneration, the Board has reviewed reports detailing market levels of remuneration for comparable roles.
Remuneration consists of fixed and variable elements, with the variable component broken down further into short- and long-term incentives.

Component	Description	Link to strategy & performance
Fixed annual remuneration	• Base salary • Retirement benefits (superannuation/ KiwiSaver or local equivalent)	Reviewed annually based on individual skills, experience, accountabilities, performance, leadership, and behaviours
Short-term incentive (STI)	• An at-risk component set as a percentage of base salary • Calculated based on achievement against a range of company-wide operational targets (financial and non-financial) • Paid after a one-year performance period (1 April–31 March). • The aggregate pool of potential STI payments has been approved by the Remuneration and Nomination Committee	Rewards delivery of key strategic and financial objectives, in line with the annual business plan, and rewards outcomes aligned to Volpara's drive towards cashflow break-even
Long-term incentive (LTI)	• An at-risk component in the form of Restricted Stock Units • Participating Executives are granted Restricted Stock Units as outlined later in this section • Vesting is subject to continuing employment, which provides an additional time-based retention incentive • Some Participating Executives remain eligible for Share Options granted under the New ESOP plan; no Share Options were granted in the financial year	Rewards delivery against longer-term strategy and sustained shareholder value creation Provides alignment between shareholder and executive outcomes

Remuneration benchmarking

Executive remuneration is reviewed annually by the Remuneration and Nomination Committee; the process consists of a review of company-wide and individual performance, relevant comparative remuneration from external sources, and relevant comparison between roles within the company. As noted above, the Board draws on relevant industry remuneration data.

Employee share option plans (ESOP)

Volpara currently has two ESOPs, a Legacy ESOP and a New ESOP. Under normal conditions, for the New ESOPs, 40 percent of the options are exercisable on the second anniversary of the grant date. The remaining 60 percent of the options are exercisable in three tranches every 12 months thereafter. The Legacy ESOPs vest on a straight-line basis over a period of time, ranging from monthly over a few years to yearly over a few years. All Legacy ESOPs are now fully vested.

Should a Director (Executive or Non-Executive) or senior Executive cease to be employed by Volpara, then all options which have not yet vested will automatically lapse, unless the Board determines otherwise. Any options that have vested with that person must be exercised within 60 days of ceasing employment or those vested options will also lapse, unless the Board determines otherwise.

The exercise price of the options is determined relative to the prevailing market price of Volpara's shares as at the date of the issue. Options are usually issued at the higher of the 30-day VWAP (volume-weighted average price) and share price achieved at the last capital-raising event.

Historically, the options have had an exercise period of between five and 10 years from the date of issue; however, all issues of options under the New ESOP since March 2016 have an exercise period of seven years, and at any time during that period the Executive can decide to exercise any vested options.

Long-Term Incentive Plan (LTIP)

In FY23, Volpara commenced a new LTIP in replacement of any further New ESOP grants to Executives. The LTIP is in the form of Restricted Stock Units (RSUs), with a one-year performance period. Any resulting RSUs vest in three equal tranches over a three-year period.

Should a Director (Executive or Non-Executive) or senior Executive cease to be employed by Volpara, then all RSUs which have not yet vested will automatically lapse, unless the Board determines otherwise.

The RSUs are issued based on the five-day VWAP of the Company's shares on the ASX leading up to, but not including, the Issue Date, being the last day of the financial year.

Key remuneration components for the CEO

The CEO's cash-based remuneration mix is as follows:

Base salary

Base salary makes up 64% of the CEO's on-target cash-based remuneration, the remainder being made up of at-risk STI as outlined below.

At-risk short-term incentive (STI)

STI is an at-risk component of remuneration that is structured to reward progress towards the delivery of key strategic and financial objectives, in line with the annual business plan.

Purpose	Rewards delivery of key strategic and financial objectives, in line with the annual business plan
Target opportunity (% base salary)	30% (target)/37.5% (maximum)
Performance period[2]	21 April to 31 March
Financial objectives	• Subscription revenue • Cash outflow • Churn
Payment	• 100% cash

2. The performance period aligns with Teri's contract, appointed as CEO effective 21 April 2022.

The STI performance objectives have been chosen as they focus the CEO on sustainably growing the global business with a view towards cash flow break-even. The targets are set at the beginning of each financial year and are reviewed and approved by the Remuneration and Nomination Committee.

Performance against financial and non-financial objectives is determined at the end of each financial year after review of CEO performance by the Remuneration and Nomination Committee.

At all times the Remuneration and Nomination Committee retains discretion over the STI Plan and any resulting payments.

STI outcome
Based on Volpara's FY23 performance, the CEO achieved 92.3% of target STI and 73.8% of the maximum STI available.

Employment contracts

Chief Executive Officer/Managing Director from 21 April 2022.
Teri Thomas is employed by the Company in the role of both Chief Executive Officer and Managing Director. Under the terms of her contract:

- Ms Thomas is entitled to a base salary and benefits plus short-term and long-term incentives.
- Ms Thomas does not receive any additional payments for performance of her role as a Managing Director on the Board.
- Either the Company or Ms Thomas may terminate the employment by providing six months' written notice.
- Ms Thomas' remuneration and performance may be reviewed at the Company's discretion.
- The Company may terminate Ms Thomas' employment immediately for serious misconduct. Ms Thomas may under certain circumstances be subject to a post-employment restraint for a period of up to 12 months.
- Upon termination, any RSUs that are unvested will be forfeited, unless the Board determines otherwise.

KMP
All Executives have rolling contracts.

The Company may terminate the Executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the Executive's remuneration). The notice period is determined by the employment agreement for each Executive and can vary from 30 to 180 days. On termination or notice by the Company, any LTI RSUs that have vested or that will vest during the notice period will be released, subject to the standard exercise criteria, unless the Board determines otherwise. LTI options that have not yet vested will be forfeited. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive is entitled only to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested options and/or RSUs will immediately be forfeited, unless the Board determines otherwise.

Performance of Volpara Health Technologies Limited

Relationship between remuneration and Volpara Health Technologies Limited's performance.

The following table shows key performance indicators for the Group for this year and the prior year.

Consolidated	2023	2022	$ Variance	% Variance
Revenue from contracts with customers (NZ$'000)	35,010	26,113	8,897	34%
Operating expenses (NZ$'000)	(46,244)	(43,218)	(3,026)	7%
Net loss for the year after tax (NZ$'000)	(9,801)	(16,441)	6,640	-40%
Loss per share (NZ$)	(0.04)	(0.07)	0.03	-45%
Share price at financial year-end (A$)	0.76	0.88	(0.12)	-14%
Net cash utilised in operating activities	(3,849)	(11,358)	7,509	-66%

DETAILS OF REMUNERATION

2023			Short-term employee benefits	Post-employment benefits	Share- based payments[5]		
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Options	Restricted stock units	**Total**
Non-Executive Directors							
Paul Reid	115,000	-	-	-	6,785	-	**121,785**
Roger Allen AM	62,311	-	-	-	27,233	-	**89,544**
John Pavlidis	109,008	-	-	-	37,414	-	**146,422**
John Diddams[3]	38,699	-	-	-	34,948	-	**73,647**
Karin Lindgren	101,519	-	-	-	60,476	-	**161,996**
Ann Custin	99,714	-	-	-	82,403	-	**182,117**
Mark Bouw[4]	19,078	-	-	-	4,916	-	**23,993**
Subtotal[8]	**545,329**	**-**	**-**	**-**	**254,175**	**-**	**799,504**
Executive/Managing Directors							
Teri Thomas[6]	401,357	111,490	4,629	13,574	-	99,956	**631,006**
Dr Ralph Highnam[7]	22,222	6,730	1,275	4,997	2,969	4,355	**42,547**
Subtotal	**423,578**	**118,220**	**5,903**	**18,571**	**2,969**	**104,311**	**673,552**
Other KMP							
Craig Hadfield	304,634	68,156	-	10,904	119,441	46,136	**549,271**
Subtotal	**304,634**	**68,156**	**-**	**10,904**	**119,441**	**46,136**	**549,271**
Total KMP	**1,273,541**	**186,376**	**5,903**	**29,474**	**376,585**	**150,448**	**2,022,328**

3. John Diddams stepped down as a Director on 18 August 2022. He remained a Director for the subsidiary Volpara Health Australia until March 2023.
4. Mark Bouw was appointed a Non-Executive Director 1 January 2023.
5. These share-based payments are the accounting, non-cash cost of the share options granted based on NZ IFRS 2 - Share-based Payment. No cash payments are made in relation to these.
6. Teri Thomas was appointed Managing Director 1 October 2022. The table above includes her remuneration for the full financial year, including the period prior to her being appointed CEO.
7. Ralph Highnam stepped down as an Executive Director 21 April 2022. The table above includes his remuneration earned in that role for that period.
8. The total Directors' fee pool is $700,000.

2022			Short-term employee benefits	Post-employment benefits	Share- based payments	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Options	**Total**
Non-Executive Directors						
Paul Reid	110,000	-	-	-	16,453	**126,453**
Roger Allen AM	63,680	-	-	-	37,986	**101,666**
John Pavlidis	61,922	-	-	-	75,656	**137,578**
John Diddams	90,213	-	-	-	71,362	**161,575**
Dr Monica Saini[9]	29,167	-	-	-	29,687	**58,854**
Karin Lindgren	71,767	-	-	-	135,096	**206,863**
Ann Custin[10]	36,504	-	-	-	-	**36,504**
Subtotal	**463,252**	**-**	**-**	**-**	**366,240**	**829,492**
Executive/Managing Directors						
Dr Ralph Highnam	407,991	134,451	28,465	14,639	79,420	**664,965**
Subtotal	**407,991**	**134,451**	**28,465**	**14,639**	**79,420**	**664,965**
Other KMP						
Craig Hadfield	281,575	58,822	-	9,467	164,518	**514,382**
Subtotal	**281,575**	**58,822**	**-**	**9,467**	**164,518**	**514,382**
Total KMP	**1,152,818**	**193,274**	**28,465**	**24,105**	**610,178**	**2,008,840**

9. Dr Monica Saini stepped down as a Director on 18 August 2021 but remained a subcontractor until 31 October 2021. The table above includes her remuneration earned in that role for that period.
10. Ann Custin was appointed as a Non-Executive Director 1 September 2021.

The relative proportions of remuneration paid that are linked to performance are as follows:

	STI		LTI	
Name	2023 %	2022 %	2023 %	2022 %
Executive/Managing Directors				
Teri Thomas	18	-	16	-
Dr Ralph Highnam	16	20	10	-
Other KMP				
Craig Hadfield	12	11	8	-

Non-Executive Directors do not receive any remuneration linked to performance.

Share-based compensation

Remuneration options: granted and vested during the year

During the financial year, options were granted as equity compensation benefits to certain KMP. The options were issued for $nil consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the company at the specified exercise price.

Options are calculated at fair value using the Black-Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share, and the expected life of the option.

For further details relating to the options, refer to Note 13 in the financial statements. Options granted to Non-Executive Directors, Executive Directors, and KMP during the year are detailed in the table below:

2023 EMPLOYEE SHARE OPTIONS (ESOPs)

Name	Number granted	Fair value per option grant date NZ$	Exercise price per share A$	Final vesting date	First exercise date	Last exercise date	Value of options granted during the year NZ$
Non-Executive Directors							
Paul Reid	-	-	-	-	-	-	-
Roger Allen AM	-	-	-	-	-	-	-
John Pavlidis	-	-	-	-	-	-	-
John Diddams	-	-	-	-	-	-	-
Karin Lindgren	-	-	-	-	-	-	-
Ann Custin	450,000	0.51	1.30	1/09/26	1/09/23	1/09/28	231,113
Mark Bouw[11]	-	-	-	-	-	-	-
Executive/ Managing Directors							
Teri Thomas	-	-	-	-	-	-	-
Dr Ralph Highnam[12]	-	-	-	-	-	-	-
Other KMP							
Craig Hadfield	-	-	-	-	-	-	-

11. For completeness, 450,000 ESOP's issued to Mark Bouw awaiting ratification at August 2024 AGM.
12. Dr Ralph Highnam stepped down as Executive Director on 21 April.

During the financial year, Volpara commenced a new Long-Term Incentive Plan (LTIP) in replacement of any further New ESOP grants to Executives. The LTIP is in the form of Restricted Stock Units (RSUs), with a one-year performance period. Any resulting RSUs vest in three equal tranches over a three-year period.

RESTRICTED STOCK UNITS (RSUs) AS AT 31 MARCH 2023

Name	Number granted	Fair value per RSU grant date NZ$	Final vesting date
Managing Director			
Teri Thomas	225,841	0.76	01/06/25
Other KMP			
Craig Hadfield	104,240	0.76	01/06/25

Equity instrument disclosures relating to KMP

Options holdings

The numbers of options over ordinary shares in the company held during the financial year by each Director of Volpara Health Technologies Limited and other KMP of the Group, including their personally related parties, are set out below.

HOLDERS OF OPTIONS UNDER ESOPS AND RSUS

Legacy ESOPs	New ESOPs		RSUs
John Pavlidis	Paul Reid	John Diddams	Teri Thomas
	Dr Ralph Highnam	Karin Lindgren	Craig Hadfield
	Roger Allen AM	Craig Hadfield	

2023 OPTIONS

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors							
Paul Reid	450,000	-	-	-	450,000	450,000	-
Roger Allen AM	450,000	-	300,000	-	150,000	60,000	90,000
John Pavlidis	650,000	-	-	-	650,000	470,000	180,000
John Diddams[13]	450,000	-	-	-	-	-	-
Karin Lindgren	450,000	-	-	-	450,000	270,000	180,000
Ann Custin	-	450,000	-	-	450,000	-	450,000
Mark Bouw	-	-	-	-	-	-	-
Total	**2,450,000**	**450,000**	**300,000**	**-**	**2,150,000**	**1,250,000**	**900,000**
Executive/ Managing Directors							
Teri Thomas	-	-	-	-	-	-	-
Dr Ralph Highnam[14]	1,002,200	-	-	-	-	-	-
Total	**1,002,200**	**-**	**-**	**-**	**-**	**-**	**-**
Other KMP							
Craig Hadfield	694,900	-	20,000	-	674,900	289,960	384,940
Total	**694,900**	**-**	**20,000**	**-**	**674,900**	**289,960**	**384,940**

13. John Diddams stepped down as a Director on 18 August 2022. These balances are up until this date.
14. Dr Ralph Highnam stepped down as Executive Director on 21 April 2022. These balances are up until this date.

2022 OPTIONS

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors							
Paul Reid	450,000	-	-	-	450,000	360,000	90,000
Roger Allen AM	300,000	150,000	-	-	450,000	300,000	150,000
John Pavlidis	650,000	-	-	-	650,000	380,000	270,000
John Diddams	450,000	-	-	-	450,000	180,000	270,000
Dr Monica Saini[15]	450,000	-	180,000	-	270,000	90,000	180,000
Karin Lindgren	450,000	-	-	-	450,000	180,000	270,000
Ann Custin	-	-	-	-	-	-	-
Total	**2,750,000**	**150,000**	**180,000**	**-**	**2,720,000**	**1,490,000**	**1,230,000**
Executive Director							
Dr Ralph Highnam	1,002,200	-	-	-	1,002,200	600,000	402,200
Total	**1,002,200**	**-**	**-**	**-**	**1,002,200**	**600,000**	**402,200**
Other KMP							
Craig Hadfield	734,900	-	40,000	-	694,900	40,000	654,900
Total	**734,900**	**-**	**40,000**	**-**	**694,900**	**40,000**	**654,900**

15. Dr Monica Saini stepped down as a Director on 18 August 2021 but remained a subcontractor until 31 October 2021. The table above includes her remuneration earned in that role for that period.

Shareholdings

The numbers of shares in the company held during the financial year by each Director of Volpara Health Technologies Limited are set out below:

2023 SHAREHOLDINGS

Name	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors				
Paul Reid	-	-	115,000	115,000
Dr Ralph Highnam[16]	16,213,561	-	-	-
Roger Allen AM	18,467,848	300,000	(300,000)	18,467,848
John Pavlidis	-	-	69,100	69,100
John Diddams[17]	1,142,294	-	-	-
Karin Lindgren	-	-	-	-
Ann Custin	-	-	-	-
Mark Bouw	-	-	-	-
Teri Thomas	-	-	110,000	110,000

16. Dr Ralph Highnam stepped down as a Director on 21 April 2022. These balances are up until this date.
17. John Diddams stepped down as a Director on 18 August 2022. These balances are up until this date.

2022 SHAREHOLDINGS

Name	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors				
Paul Reid	-	-	-	-
Dr Ralph Highnam	16,213,561	-	-	16,213,561
Roger Allen AM	18,467,848	-	-	18,467,848
John Pavlidis	-	-	-	-
John Diddams	1,142,294	-	-	1,142,294
Dr Monica Saini	-	180,000	(100,000)	80,000
Karin Lindgren	-	-	-	-
Ann Custin	-	-	-	-

Employee remuneration

Remuneration and other benefits (excluding commissions and non-cash share-based payments) of NZ$100,000 per annum or more received by employees (excluding Company Directors) in their capacity as employees during the period were as follows:

Remuneration range[18]			Number of employees	Remuneration range			Number of employees
100,000	to	110,000	10	420,001	to	430,000	-
110,001	to	120,000	12	430,001	to	440,000	-
120,001	to	130,000	6	440,001	to	450,000	-
130,001	to	140,000	15	450,001	to	460,000	1
140,001	to	150,000	11	460,001	to	470,000	-
150,001	to	160,000	11	470,001	to	480,000	-
160,001	to	170,000	8	480,001	to	490,000	-
170,001	to	180,000	9	490,001	to	500,000	1
180,001	to	190,000	6	500,001	to	510,000	-
190,001	to	200,000	3	510,001	to	520,000	-
200,001	to	210,000	5	520,001	to	530,000	-
210,001	to	220,000	5	530,001	to	540,000	-
220,001	to	230,000	5	540,001	to	550,000	-
230,001	to	240,000	6	550,001	to	560,000	-
240,001	to	250,000	-	560,001	to	570,000	-
250,001	to	260,000	1	570,001	to	580,000	1
260,001	to	270,000	3	580,001	to	590,000	-
270,001	to	280,000	5	590,001	to	600,000	-
280,001	to	290,000	-	600,001	to	610,000	-
290,001	to	300,000	1	610,001	to	620,000	1
300,001	to	310,000	1	620,001	to	630,000	-
310,001	to	320,000	2	630,001	to	640,000	-
320,001	to	330,000	1	640,001	to	650,000	-
330,001	to	340,000	-	650,001	to	660,000	-
340,001	to	350,000	-	660,001	to	670,000	-
350,001	to	360,000	1	670,001	to	680,00	-
360,001	to	370,000	1	680,001	to	690,000	-
370,001	to	380,000	-	690,001	to	700,000	-
380,001	to	390,000	-	700,001	to	710,000	1
390,001	to	400,000	1	710,001	to	720,000	-
400,001	to	410,000	1	720,001	to	730,000	1
410,001	to	420,000	1	730,001	to	740,000	-

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Paul Reid, Chair

18. Remuneration paid in USD is converted to NZD using an exchange rate of US$0.623: NZ$1.00

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Independent auditor’s report

To the shareholders of Volpara Health Technologies Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Volpara Health Technologies Limited (the Company), including its subsidiaries (together the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2023, its financial performance and its cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2023;
- the consolidated statement of profit or loss and other comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated statement of cash flows for the period then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group comprising a review of the interim financial statements and the facilitation of a workshop relating to the Group’s Environmental, Social and Governance reporting. The provision of these other services has not impaired our independence as auditor of the Group.

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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Description of the key audit matter	How our audit addressed the key audit matter
Assessing the appropriateness of revenue recognition for SaaS contracts As disclosed in note 4 to the financial statements, the Group recognises revenue from goods and services provided under three main product categories: 1. Software as a Service (SaaS) contracts which involve the sale of software on a subscription basis and where applicable, cloud-based support (and associated items); 2. Capital sales contracts which involve the outright sale of software and associated items; and 3. Software Maintenance Agreements (SMAs) to support previous Capital sales. Accounting for SaaS contracts requires the Group to exercise judgement, for example in determining the allocation of the transaction price for contracts with multiple performance obligations. Performance obligations for SaaS contracts also have differing patterns of revenue recognition. As a result, the allocation of the transaction price impacts upon the amount of revenue recognised within a period. Revenue recognition for SaaS contracts is a key audit matter as it is an area that requires significant audit attention. The key judgements made by management in determining that revenue has been recognised appropriately include: ● whether contracts contain elements which should be separated for revenue recognition purposes; and ● determining and applying the appropriate revenue recognition policy for the separable elements of the contract, including allocating contract revenue to the identified performance obligations, and determining the period over which revenue should be recognised.	We have understood the contractual terms within Volpara’s contracts with customers and note that a high level of standardisation exists. In responding to the key judgements involved in determining the recognition of revenue, we have: ● obtained an understanding of the systems, processes and controls for recognising revenue for all material revenue streams; ● reconfirmed and challenged our understanding of the judgements made by Volpara in identifying performance obligations for groupings of contracts with similar contractual terms; ● assessed Volpara’s allocation of the transaction price to each identified performance obligation, including assessing the system enforced controls that assist the Group to allocate the transaction price; and ● considered for each contract grouping the appropriate timing of revenue recognition (point in time, or over time). In addition, for a sample of revenue contracts, and with specific focus on SaaS contracts entered into during the period, we obtained an understanding of the contractual terms and compared the terms with the revenue recognised by Volpara. We also obtained evidence to support the performance of the obligation. We undertook these procedures to assess whether revenue was supported by contractual agreements, was recorded within the correct period, and was recognised at the appropriate amount. For SaaS contracts entered into in previous years (recurring), we have performed analytical procedures comparing current year recognised revenue to the comparative period. This reflects the expectation that, once established, recurring contracts should have a consistent year on year pattern of revenue recognition. We have no matters to report.

Description of the key audit matter	How our audit addressed the key audit matter
Recognition of research and development costs During the year, the Group expensed research costs of $7.65 million (2022: $9.02 million), and capitalised $2.4 million (2022: $2.1 million) of software development costs. Refer to note 22 for further disclosures. Judgement is required to determine whether the definitions of "research" and/or "development" are satisfied. Accordingly, the assessment of how intangible asset related costs should be treated requires careful consideration. Consistent with prior periods, costs incurred in the development phase that meet the NZ IAS 38 criteria are capitalised, while all other costs are expensed. Given the significant audit effort applied to this area, and the extent of judgement required by management in determining the appropriate stages and/or classification of each project, the treatment of research and development costs is considered a key audit matter. In addition, the costs are considered material to the financial statements.	We obtained an understanding of the processes and controls over the recognition of research and development costs. For a sample of both capitalised and expensed costs, we obtained an understanding of the nature of the research and development work undertaken. This included discussions with the respective Project Managers, and inspection of key support to corroborate the nature of the development activity. For each project we considered management's assessment. Our consideration included challenging management's assessment of the technical feasibility of the project and the certainty of future economic benefits resulting in management's conclusion to capitalise or expense software development costs. We then recalculated the amount expensed or capitalised, verifying the time charged to each project was being appropriately recognised, the hourly rates used, and the appropriateness of capitalisation of employee time based on their role within the organisation. We have no matters to report.

Our audit approach

Overview

Overall group materiality: $470,000, which represents approximately 1% of total cost of revenue and operating expenses. Given the losses incurred to date and the current focus on revenue growth, in our judgement, total expenses provides a more stable basis for calculating materiality.

Following our assessment of the risk of material misstatement, we performed:

- full scope audits for the Group's principal business units being Volpara Health Technologies Limited, Volpara Health, Inc. and CRA Health, Inc.;
- substantive audit procedures over consolidation entries; and
- analytical review procedures over the remaining group entities.

As reported above, we have two key audit matters, being:

- Assessing the appropriateness of revenue recognition for SaaS contracts
- Recognition of research and development costs.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We applied the Group materiality level to the full scope audits of the principal business units. This was appropriate as there is minimum aggregation risk between the subsidiaries' operations. Where financial statement balances were disaggregated across the business units we applied a portion of the Group materiality level, using auditor judgement, to these areas.

All audit procedures were performed by PricewaterhouseCoopers New Zealand.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, 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 on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, 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) and ISAs 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 the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state 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.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Brown.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

25 May 2023

Wellington

Consolidated Financial Statements

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March 2023

	Notes	2023 NZ$'000	2022 NZ$'000
REVENUE			
Revenue from contracts with customers	4	35,010	26,113
Cost of revenue	7	(2,643)	(2,290)
Gross profit		**32,367**	**23,823**
Government grants and other operating income	6	504	2,634
Sales and marketing	7	(15,264)	(14,121)
Product research, development, and engineering	7	(17,680)	(16,838)
General and administration	7	(13,300)	(12,259)
Foreign exchange gains		2,186	578
Net loss before interest and tax		**(11,187)**	**(16,183)**
Finance income		186	173
Finance expense		(379)	(144)
Net loss for the year before tax		**(11,380)**	**(16,154)**
Income tax benefit/(expense)	8	1,579	(287)
Net loss for the year after tax		**(9,801)**	**(16,441)**
OTHER COMPREHENSIVE INCOME			
Net loss for the year		(9,801)	(16,441)
Other comprehensive income/(expense)			
Items that may be reclassifed subsequently to profit or loss (net of tax)			
Exchange differences on translation of foreign operations		1,001	(78)
Other comprehensive income/(expense) for the year (net of tax)		**1,001**	**(78)**
Total comprehensive loss for the year, net of tax		**(8,800)**	**(16,519)**
Basic and diluted loss per share (NZ$)	12	(0.04)	(0.07)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 31 March 2023

	Notes	2023 NZ$'000	2022 NZ$'000
ASSETS			
Non-current assets			
Fixed assets	21	454	548
Intangible assets	22	46,633	44,987
Right-of-use assets	14	1,826	2,239
Contract costs	5	3,075	2,333
Deferred tax assets	8	764	85
Investments	23	401	359
Total non-current assets		**53,153**	**50,551**
Current assets			
Cash and cash equivalents	9	9,711	9,676
Cash on deposit	9	3,000	8,469
Trade receivables	10	8,780	8,111
Contract assets	10	2,146	1,356
Prepayments and other receivables		1,355	1,816
Forward exchange contracts	20	-	299
Contract costs	5	1,069	707
Total current assets		**26,061**	**30,434**
Total assets		**79,214**	**80,985**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	183,266	181,496
Share option reserve	13	4,368	4,351
Foreign currency translation reserve		(660)	(1,661)
Accumulated losses		(135,723)	(126,297)
Total equity		**51,251**	**57,889**
Non-current liabilities			
Lease liabilities	14	1,533	1,905
Deferred tax liabilities	8	-	286
Total non-current liabilities		**1,533**	**2,191**
Current liabilities			
Trade and other payables	11	5,246	5,366
Forward exchange contracts	20	438	-
Deferred revenue	4	20,199	14,965
Lease liabilities	14	547	574
Total current liabilities		**26,430**	**20,905**
Total liabilities		**27,963**	**23,096**
Total equity and liabilities		**79,214**	**80,985**

For and on behalf of the Board, who authorised the issue of these consolidated financial statements on 25 May 2023.

Paul Reid **Teri Thomas**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 31 March 2023

	Notes	Share capital NZ$'000	Share option reserve NZ$'000	Foreign currency translation reserve NZ$'000	Accumulated losses NZ$'000	Total equity NZ$'000
Balance at 1 April 2022		**181,496**	**4,351**	**(1,661)**	**(126,297)**	**57,889**
Net loss for the year after tax		-	-	-	(9,801)	(9,801)
Other comprehensive loss		-	-	1,001	-	1,001
Total comprehensive loss for the year, net of tax		**-**	**-**	**1,001**	**(9,801)**	**(8,800)**
Transactions with owners:						
Issue of share capital from exercise of share options	12,13	1,770	(634)	-	-	1,136
Forfeiture of share options	13	-	(309)	-	-	(309)
Expiry of share options	13	-	(375)	-	375	-
Recognition of share-based payments	13	-	1,335	-	-	1,335
Balance at 31 March 2023		**183,266**	**4,368**	**(660)**	**(135,723)**	**51,251**
Balance at 1 April 2021		**180,678**	**3,759**	**(1,583)**	**(110,057)**	**72,797**
Net loss for the year after tax		-	-	-	(16,441)	(16,441)
Other comprehensive income		-	-	(78)	-	(78)
Total comprehensive loss for the year, net of tax		**-**	**-**	**(78)**	**(16,441)**	**(16,519)**
Transactions with owners:						
Issue of share capital from placement and share purchase plan	12,13	818	(306)	-	-	512
Issue of share capital from exercise of share options	13	-	(293)	-	-	(293)
Forfeiture of share options	13	-	(201)	-	201	-
Recognition of share-based payments	13	-	1,392	-	-	1,392
Balance at 31 March 2022		**181,496**	**4,351**	**(1,661)**	**(126,297)**	**57,889**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 31 March 2023

	Notes	2023 NZ$'000	2022 NZ$'000
OPERATING ACTIVITIES			
Receipts from customers		38,595	28,485
Payments to suppliers and employees		(42,430)	(40,159)
Other income received		438	492
Interest received		185	173
Interest paid		(379)	(138)
Net taxes paid		(108)	(51)
Business integration and acquisition expenses		(4)	(55)
Payment of low-value-asset leases		(147)	(105)
Net cash utilised in operating activities	9	**(3,849)**	**(11,358)**
INVESTING ACTIVITIES			
Purchases of fixed assets		(33)	(4)
Payments for intangible assets		(2,535)	(2,170)
Acquisition of subsidiary net of cash acquired		-	(131)
Payments for investments		-	(357)
Payments into term deposits		(3,947)	(19,919)
Receipts from term deposits		9,454	35,777
Net cash provided by investing activities		**2,939**	**13,196**
FINANCING ACTIVITIES			
Proceeds from exercise of share options		1,125	511
Payment of principal portion of the lease liabilities		(589)	(536)
Net cash provided by/(utilised in) investing activities		**536**	**(25)**
Net (decrease)/increase in cash and cash equivalents		**(374)**	**1,813**
Net foreign exchange difference		409	(10)
Cash and cash equivalents as at 1 April		9,676	7,873
Cash and cash equivalents at the end of the period*	9	**9,711**	**9,676**

*Cash and cash equivalents do not include cash on deposit totalling NZ$3.0M (2022: NZ$8.5M). Refer to Note 9 for further details.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

for the year ended 31 March 2023

1. Corporate Information

The consolidated financial statements of Volpara Health Technologies Limited (the Company or Volpara) and its subsidiaries (collectively, the Group) for the year ended 31 March 2023 were authorised for issue in accordance with a resolution of the Directors on 25 May 2023.

Volpara (the Company and the ultimate Parent) is a limited liability company incorporated and domiciled in New Zealand and whose shares are publicly traded. Its principal place of business and registered office is at Levels 14–15, 40 Mercer Street, Wellington 6011, New Zealand.

Volpara is designated as a for-profit company incorporated under the Companies Act 1993 (NZCN: 2206998) and is listed on the Australian Securities Exchange. The Company is also registered in Australia (ARBN: 609 946 867). The Company's principal sales and services are in the medical device and practice management software industry. Information on the Group's structure and other related party relationships of the Group is provided in Note 24.

2 Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements for the year ended 31 March 2023 have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with International Financial Reporting Standards ("IFRS"), New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards as appropriate for for-profit entities.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

The consolidated financial statements are presented in New Zealand dollars, which is the Parent's functional currency and the presentational currency of the Group. All values are rounded to the nearest thousand ($'000) except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. The Group has provided further breakdown in Note 4 and Note 7 and comparative information has been updated to disclose information on a consistent basis.

2.2 Basis of consolidation

The Group's financial statements consolidate the financial statements of Volpara Health Technologies Limited and its subsidiaries. A subsidiary is a controlled entity over which the Group has power, is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to use its power to affect its returns.

2.3 New and amended standards and interpretations

There are no new standards or interpretations material to the Group to be applied during the year. The Group does not anticipate adopting any standards prior to their effective date. There are no standards or amendments that have been issued but not yet effective that are expected to have a material impact on the Group.

2.4 Significant accounting policies

Significant accounting policies, accounting estimates and judgments that summarises the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the accompanying notes:

Note 4: Revenue from contracts with customers

Note 13: Valuation of share-based payments

Note 22: Intangible assets

a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within 12 months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

b) Foreign currencies

For the purposes of presenting the Group financial statements, the assets and liabilities of the Group's foreign operations are expressed in New Zealand Dollars using exchange rates prevailing at the end of the reporting period.

Foreign currency transactions are translated into the functional currency using the average exchange rates for that month. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Exchange differences arising on translation for consolidation, are recognised in other comprehensive income (OCI) and accumulated as a separate component of equity in the Group's foreign currency translation reserve. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

c) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). This includes intangible assets such as patents and software and also includes goodwill acquired through business combinations.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount and an impairment loss is recognised immediately in the profit or loss.

Further disclosures relating to impairment of non-financial assets are also provided in Note 22.

2.5 Going concern

The considered view of the Directors of the Group is that the going concern assumption is valid. This view has been reached after making due enquiry and having regard to the circumstances which the Directors consider will occur and those which are reasonably likely to affect the Group during the period of one year from the date these consolidated financial statements are approved. While the Group has a small net current liability position, the Group's working capital position (cash, trade receivables, and trade and other payables) is positive.

The Group recorded a net loss of NZ$9.8M for the year ended 31 March 2023 (2022: NZ$16.4M) and is expected to make further losses in the following financial year.

During the financial year, Volpara secured a NZ$10M (on-demand) revolving credit facility with an initial term of three years. This provides non-dilutive funding for the business, to allow management flexibility regarding ongoing operations for the foreseeable future, with over NZ$22.7M in funding available including $12.7M of cash and term deposits.

Notwithstanding the above, the Group has prepared cash flow forecasts which indicate that funding on hand at year end, combined with the net cash flow as a result of operations, will enable the Group to continue operating as a going concern. The Directors will continue to monitor and assess the funding requirements of the Group, including the potential for capital raise, if required.

3. Segment information

The Board of Directors, assessed to be the Group's Chief Operating Decision Maker (CODM), receives financial reports for each region as defined by the four operating subsidiaries and head office (Corporate). The reporting to the CODM has been aggregated into three reporting segments based on region, with the remaining balance attributable to head office:

- North America
- Europe, Middle East, and Africa (EMEA)
- Asia Pacific (APAC)

This aggregation is based on products, customers, distribution methods, and the regulatory environment being similar in each region.

No single customer contributes more than 10% of the Group's revenue.

The Group derives its revenue from the sale of clinical functions and patient tracking software. The clinical functions business is sold worldwide, whereas the patient tracking software to date has been sold predominantly in North America.

The CODM assesses the performance of the reportable segments based on net profit/(loss) after tax.
The segment information provided to the Board of Directors for the year ended 31 March 2023 is as follows:

2023

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
Revenue from breast contracts					
• SaaS	24,068	11	978	-	25,057
• SMA	6,707	13	33	-	6,753
• Capital	1,191	81	103	-	1,375
Revenue from Lung contracts	1,518	-	-	-	1,518
Revenue from collaboration fees	307	-	-	-	307
Total revenue	**33,791**	**105**	**1,114**	**-**	**35,010**
Cost of revenue	(2,468)	(40)	(135)	-	(2,643)
Gross profit	**31,323**	**65**	**979**	**-**	**32,367**
Government grants and other operating income	51	14	-	439	504
Sales and marketing	(13,752)	(38)	(984)	(490)	(15,264)
Product research, development, and engineering	(5,894)	(335)	(33)	(11,418)	(17,680)
General and administration	(5,535)	(56)	(65)	(7,644)	(13,300)
Foreign exchange gains/(losses)	(1)	6	1	2,180	2,186
Net loss before interest and tax	**6,192**	**(344)**	**(102)**	**(16,933)**	**(11,187)**
Finance income	25	-	-	161	186
Finance expense	(73)	-	-	(306)	(379)
Net loss for the year before tax	**6,144**	**(344)**	**(102)**	**(17,078)**	**(11,380)**
Tax benefit	1,120	-	-	459	1,579
Net loss for the year after tax	**7,264**	**(344)**	**(102)**	**(16,619)**	**(9,801)**

2022

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
Revenue from breast contracts					
• SaaS	16,415	55	925	-	17,395
• SMA	6,067	24	23	-	6,114
• Capital	1,112	67	14	-	1,193
Revenue from Lung contracts	1,301	-	-	-	1,301
Revenue from collaboration fees	110	-	-	-	110
Total revenue	**25,005**	**146**	**962**	**-**	**26,113**
Cost of revenue	(2,118)	(47)	(126)	1	(2,290)
Gross profit	**22,887**	**99**	**836**	**1**	**23,823**
Government grants and other operating income	2,529	105	-	-	2,634
Sales and marketing	(12,752)	(99)	(997)	(273)	(14,121)
Product research, development, and engineering	(5,134)	(326)	(10)	(11,368)	(16,838)
General and administration	(5,962)	(111)	(57)	(6,129)	(12,259)
Foreign exchange gains/(losses)	-	(2)	(2)	582	578
Net profit/(loss) before interest and tax	**1,568**	**(334)**	**(230)**	**(17,187)**	**(16,183)**
Finance income	25	-	-	148	173
Finance expense	(71)	-	-	(73)	(144)
Net profit/(loss) for the year before tax	**1,522**	**(334)**	**(230)**	**(17,112)**	**(16,154)**
Tax benefit	(287)	-	-	-	(287)
Net loss for the year after tax	**1,235**	**(334)**	**(230)**	**(17,112)**	**(16,441)**

SEGMENT NON-CURRENT ASSETS

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
As at 31 March 2023	41,174	-	143	11,836	53,153
As at 31 March 2022*	37,473	-	153	12,925	50,551

* During the year the Group transferred IP from the North America segment to Corporate.

4. Revenue from contracts with customers

The Group recognises revenue from goods and services provided under three main product categories:

1. Software as a Service (SaaS) contracts which involve the sale of software on a subscription basis and, where applicable, cloud-based support (and associated items);
2. Software Maintenance Agreements (SMAs) to support previous Capital sales;
3. Capital sales contracts which involve the outright sale of software and associated items.

Volpara's lung software is sold on a subscription basis, and on occasion as an outright capital sale.

Collaboration fees relate to interfaces between Volpara's risk assessment software and genetic labs.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when control of a good or service is transferred to the customer. Refer below for more detail.

The Group has determined that no significant financing component exists in respect of the various revenue streams. This is due to there being no significant time lag between the delivery of goods or services and when payment is received.

Further information about the Group's three main product categories and related performance obligations is detailed below:

Software as a Service

The Group's SaaS contracts with customers generally comprise a range of goods and services. These may include the base software (and hardware in some instances), software updates and upgrades, installation, upfront training and ongoing technical support, integrations, and role and volume licences to access services.

As a result, a number of performance obligations exist. The transaction price is therefore allocated to each performance obligation on a relative stand-alone selling price basis. This allocation requires estimation because, while each separate performance obligation is identified in the contract, the contract price is set for the agreement as a whole. In the absence of comparable market prices for the various goods and services provided, the Group relies on internal information such as a master price list to determine the stand-alone selling price for each good or service. This internal information may be adjusted to reflect market conditions across the geographic locations, the nature of the customer and their expected use of the software, and other factors.

Revenue for each performance obligation is recognised as follows:

Performance obligation	Recognition
Base software (and hardware)	Point in time, upon installation
Upfront training	Point in time, upon completion
Installation	Over time, as installation is provided; typically over a short period of time
Role and volume licences which provide access to services where the Group is required to maintain access to analytical and other information	Over time, from the completion of installation through to the end of the contract
Software updates, upgrades and ongoing technical support	Predominantly "stand-ready" services which are recognised on a straight-line basis over the period of service

Most contracts involve pricing based on usage of the software (mammography volumes). Revenue based on usage is recognised on a straight-line basis as this is in line with expected usage patterns and for practicality purposes.

Most SaaS contracts are for one- to five-year terms, with a right to cancel at the end of each year without penalty. The Group's judgement is that these are one year contracts with a right to renew and accordingly revenue is recognised as the performance obligations are met over the annual period.

There are a number of contracts which are subject to variable consideration on volume based contracts.

There are no warranties to be accounted for on SaaS products for the current period.

SMAs

The Group's SMA contracts with customers generally comprise a number of distinct performance obligations, being the provision of the software updates, upgrades, provision of ongoing technical support, IT configuration changes, etc. SMA contracts usually begin one year after the commencement of a Capital Sale and contracts range in length between one and four years. SMA contracts are considered "stand-ready" performance obligations, where all elements are provided over time. Therefore, revenue is recognised on a straight-line basis over the period of the contract. Payment is usually due upon commencement of each year of the SMA.

Capital

Capital sales contracts involve the provision of software licences, server hardware (if applicable), installation services, integrations, and training. Customers enter into an arrangement with the Company by signing a contract, which grants the customer a non-transferable, non-exclusive licence to use the software for its internal purposes, generally for a perpetual period of time. The Company recognises revenue when persuasive evidence of an arrangement exists, performance has occurred, the fee is fixed or determinable, and collectability is probable. This is usually the date that the customer has been provided with the server (where applicable) and the licence key(s), and training (where applicable) has been completed. Software products are delivered either electronically or via delivery of the software on a device for the customer to install. Electronic delivery occurs when the Company provides the customer with access to the software via a secure portal.

Training and other services are not considered essential to the functionality of the Company's software products. These services are generally delivered on a time and materials basis, and are recognised when services are performed.

Capital contracts do not involve any variable consideration. Management considers whether revenue needs to be allocated to separate performance obligations only where significant elements of the contract remain outstanding at the reporting date (refer below for discussion on how revenue would be allocated if this were the case).

Contract modifications

There were several contract modifications that occurred during the year where customers on an existing SMA signed SaaS contracts with no additional work required and as a result they were accounted for as contract modifications. Separate performance obligations did not arise from the changes. The revenue recognition associated with these contracts changed as a result of these modifications.

Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following product categories:

For the year ended 31 March 2023

	Capital NZ$'000	SMA NZ$'000	SaaS NZ$'000	Lung NZ$'000	Collaboration fees NZ$'000	Total NZ$'000
Timing of revenue recognition						
Goods or services transferred at a point in time	1,375	-	4,036	244	7	5,662
Services transferred over time	-	6,753	21,021	1,274	300	29,348
Total revenue from contracts with customers	**1,375**	**6,753**	**25,057**	**1,518**	**307**	**35,010**

For the year ended 31 March 2022

	Capital NZ$'000	SMA NZ$'000	SaaS NZ$'000	Lung NZ$'000	Collaboration fees NZ$'000	Total NZ$'000
Timing of revenue recognition						
Goods or services transferred at a point in time	1,193	-	3,170	237	2	4,602
Services transferred over time	-	6,114	14,225	1,064	108	21,511
Total revenue from contracts with customers	**1,193**	**6,114**	**17,395**	**1,301**	**110**	**26,113**

Deferred revenue

Payment is usually due annually in advance either upon go-live or an agreed period after the contract is signed, whichever occurs first. If a customer pays consideration before the Group transfers goods or services to the customer, a deferred revenue liability is recognised when the payment is made. Deferred revenue liabilities are recognised as revenue when the Group performs under the contract.

	2023 NZ$'000	2022 NZ$'000
Opening balance as at 1 April	14,965	11,434
Amount recognised in revenue during the year	(28,806)	(22,812)
Contracts entered into in the year	34,040	26,343
Closing balance as at 31 March	**20,199**	**14,965**

Deferred revenue by contract type

As at 31 March	2023 NZ$'000	2022 NZ$'000
Capital	753	402
Collaboration fees	70	21
SMA contracts	3,597	3,962
SaaS contracts	15,779	10,580
Total deferred revenue	**20,199**	**14,965**

5. Contract costs

Cost to obtain a contract

The Group pays sales commissions to its employees for each contract that they obtain, subject to conditions. These commission costs are either amortised over the life of the contract, or for contracts recognised at a point in time, recognised when the performance obligation is satisfied. Contracts span up to five years in length and correspondingly, amortisation is spread over the contract's life. These costs are recognised in cost of revenue in profit or loss.

	2023 NZ$'000	2022 NZ$'000
As at 1 April	3,040	2,195
Costs to obtain contracts entered into in current year	2,363	1,544
Amortisation within cost of revenue	(1,259)	(699)
As at 31 March	**4,144**	**3,040**

6. Government grants and other operating income

For the year ended 31 March	2023 NZ$'000	2022 NZ$'000
Government grants – Callaghan Innovation	439	-
Other income	65	2,634
Total government grants and other operating income	**504**	**2,634**

Government grants are received for certain expenses incurred by the Group, and are recognised in profit or loss, when it becomes reasonably certain that the grants will be received. The Callaghan Innovation R&D Growth Grant ceased from 1 April 2021, with the final transition support payment made in FY2023. It has been replaced with the R&D Tax Incentive Scheme which offsets Income tax; refer to Note 8 for further information.

Other income in 2022 included income received includes income received relating to the US government's Paycheck Protection Program (PPP) loan scheme established in response to the COVID-19 pandemic.

7. Operating expenses and cost of revenue

Cost of revenue

Cost of revenue expenses consists of those expenses which are incremental in deriving additional revenue. This includes cloud costs, commission expenses, hardware, and any travel costs associated with the onboarding process. Cost of revenue also includes variable costs associated with revenue contracts.

Overhead allocation

The presentation of the consolidated statement of profit or loss and other comprehensive income by function requires certain overhead costs to be allocated to functions. These allocations require management to apply judgement.

Sales and marketing

Sales and marketing expenses consist of personnel and related expenses (including salaries, benefits, and bonuses) directly associated with the sales and marketing teams and the cost of educating and onboarding customers. Other costs included are external advertising, marketing, and conference costs for events such as the Radiological Society of North America (RSNA) conference, as well as allocated overheads.

Product research, development, and engineering

Product research, development, and engineering costs consist primarily of personnel and related expenses (including salaries, benefits, and bonuses) directly associated with our product research, development, engineering, regulatory and quality employees, as well as allocated overheads.

Under NZ IFRS, the proportion of product research and development costs that create a benefit in future years is capitalisable as an intangible asset and is then amortised to profit or loss over the estimated life of the asset created. The amount amortised relating to Volpara's products is included as a product research, development, and engineering cost. Refer to Note 22 for further details.

General and administration

General and administration expenses consist of personnel and related expenses (including salaries, benefits and bonuses) for the Chief Executive Officer (CEO) as well as the finance, human resources, and administrative employees. It also includes legal, accounting and other professional services fees, insurance premiums, other corporate expenses, and allocated overheads. Share-based compensation is included for all Directors, Key Management Personnel (KMP) and employees.

For the year ended 31 March	Notes	2023 NZ$'000	2022 NZ$'000
Salaries and benefits [1]		19,615	19,552
Research, development, and other product engineering costs not capitalised		7,655	9,022
Depreciation and amortisation	14, 21, 22	5,483	4,659
Superannuation contributions		2,551	2,355
Advertising and marketing		1,813	1,642
Consulting and subcontracting		1,360	1,543
Customer cloud costs		1,043	1,252
Software subscriptions		2,445	2,082
Insurance		810	630
Share-based payments expense	13	1,014	1,102
Directors' fees		560	453
Fees paid to auditors (see below)		288	320
Travel		559	290
Low-value lease expenses		105	105
Business integration and acquisition expenses		4	45
Bad debts written off		-	(3)
Movement in provision for expected credit losses	10	(13)	(59)
Redundancy costs		897	-
Release of employee retention plan [2]	11	(130)	(928)
Other operating expenses		2,828	1,446
Total cost of revenue and operating expenses [3]		**48,887**	**45,508**

AUDITORS' REMUNERATION

The auditor of the Group is PwC	2023 NZ$'000	2022 NZ$'000
Audit of financial statements	220	205
Review of interim financial statements	35	35
Non-assurance engagement [4]	17	64
Total	**272**	**304**

FEES TO A NON-PWC AUDIT FIRM

Audit of financial statements	16	16
Total	**16**	**16**

1. Excludes salaries and benefits associated with research for $7,362,000 (2022: $8,725,000). These are included as part of "Research and development costs not capitalised".
2. As part of the acquisition of CRA Health LLC, Volpara entered into a retention plan agreement with key employees of CRA. Refer to note 11 for more details.
3. This total excludes foreign exchange gains/(losses).
4. The Group engaged PwC to perform general training relating to environmental, social, and governance (ESG) reporting.

8. Taxation

Current income tax

The income tax benefit for the year comprises current and deferred tax. Tax is recognised in the income tax component of the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The research and development tax credit is based on the eligible R&D expenditure incurred during the period and is recognised as a deduction to current tax expense and offset in current tax payable. The R&D tax credit is only recognised when there is reasonable certainty the Group will comply with the conditions of the tax incentives.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

As at 31 March	2023 NZ$'000	2022 NZ$'000
RECONCILIATION OF EFFECTIVE TAX RATE		
Net loss before tax	(11,380)	(16,154)
Prima facie taxation at 28% (2022: 28%)	(3,186)	(4,523)
Less tax effect	-	-
Income not subject to tax	(11)	(68)
Difference in effective tax rate	(32)	(63)
Gain on transfer of intellectual property	-	677
Expenses not deductible for tax purposes	(257)	962
Tax differences not recognised	2,989	3,770
Deferred tax on temporary differences relating to earlier periods	-	(508)
Tax losses recognised relating to earlier periods	(623)	40
R&D tax credit receiving during the year	(459)	-
Tax expense/(benefit)	**(1,579)**	**287**
Represented by:		
Current tax	(654)	291
Deferred tax	(925)	(4)
Income tax expense/(benefit)	**(1,579)**	**287**
The Group has unrecognised deferred tax assets consisting of:		
Temporary differences	3,885	3,870
Accumulated losses	16,941	13,481
Total unrecognised deferred tax assets	**20,826**	**17,351**

The Group has tax losses in New Zealand of NZ$65,876,000 (2022: NZ$51,329,000); tax losses in the US of nil (2022: nil); tax losses in Australia of nil (2022: nil); and tax losses in Europe of GBP62,000 (2022: GBP47,800) that are available for offset against future taxable profits of the companies in which those losses arose, subject to satisfying relevant jurisdiction income tax loss carry forward rules and maintaining minimum levels of shareholder continuity; and therefore realisation is currently uncertain.

DEFERRED TAX ASSETS/(LIABILITIES)	Intangible assets	Tax losses	Other	Total
Balance at beginning of year	(2,397)	1,041	1,155	(201)
Charged to profit or loss	(495)	796	624	925
Gain/(loss) from movement in exchange rates	(105)	16	129	40
Balance at end of year	**(2,997)**	**1,853**	**1,908**	**764**

Deferred tax assets of the Group relating to tax losses and other temporary differences have been recognised to the extent of deferred tax liabilities, where the benefit of those tax losses and other temporary differences are available for offset within the entity or jurisdiction in which the deferred tax liabilities arise.

9. Cash, cash equivalents, and cash on deposit

	2023 NZ$'000	2022 NZ$'000
Cash at bank and on hand	7,308	9,676
Short-term deposits	2,403	-
Cash on deposit*	3,000	8,469
Total cash and cash equivalents and cash on deposit	**12,711**	**18,145**

* Cash on deposit is in the form of term deposits that require a notice period of between 91 and 365 days to access.

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates (Note 16). Short-term deposits are made for varying maturity periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. They are subject to an insignificant risk of changes in value.

At 31 March 2023, the Group NZ$10,000,000 (2022: NZ$0) revolving credit facility.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and on hand and short-term deposits.

Reconciliation of operating cash flows

For the year ended 31 March	2023 NZ$'000	2022 NZ$'000
Net loss for the year after tax	(9,801)	(16,441)
NON-CASH AND NON-OPERATING ITEMS		
Depreciation and amortisation	5,484	4,659
(Gains)/losses on foreign exchange transactions	(1,751)	(322)
Share-based payments	1,014	1,102
Loss on disposal of inventory	-	42
Bad debts write-off	-	(3)
Movement in provision for expected credit losses	(18)	(59)
Deferred tax benefit	(1,000)	(4)
Interest on loan	-	6
Loan forgiveness	-	(2,478)
CHANGES IN WORKING CAPITAL		
Decrease/(Increase) in trade and other receivables	1,211	(481)
Increase in contract costs	(759)	(838)
Increase in trade and other payables	(868)	777
Increase in deferred revenue and contract assets	2,891	3,011
Effect of foreign exchange variance	(252)	(329)
Net cash used in operating activities	**(3,849)**	**(11,358)**

10. Trade receivables and contract assets

Trade receivables are amounts due from customers for the sale of goods or services performed in the ordinary course of business that are unconditional. If collection is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets.

	2023 NZ$'000	2022 NZ$'000
Trade receivables	8,417	8,150
Allowance for expected credit losses	(27)	(39)
Tax receivable	390	-
Total trade receivables	**8,780**	**8,111**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

	2023 NZ$'000	2022 NZ$'000
Opening balance as at 1 April	1,356	862
Amount recognised in revenue during the year	3,004	1,998
Amounts transferred to trade receivables during the year	(2,259)	(1,506)
Gain from movement in exchange rates	45	2
Closing balance as at 31 March	**2,146**	**1,356**

	2023	2022
Contract assets	2,151	1,362
Allowance for expected credit losses	(5)	(6)
Total contract assets	**2,146**	**1,356**

Customer credit risk
The Group seeks to trade only with reputable third parties, and as such collateral is typically not requested nor is it the Group's policy to securitise its trade and other receivables. In addition, outstanding customer receivables and contract assets are monitored on an ongoing basis with the result that the Group's experience of bad debts is not significant.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECLs). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type). The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for an extended period (e.g., one year) and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables and contract assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are generally large institutions.

For trade receivables and contract assets, the Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables and contract assets.

Customers have been categorised into different groups based on the ageing of their invoices as shown in the below table.

31 March 2023	**Contract assets**			**Trade receivables**			**Total**
				Days past due			
		Current	<30 days	31–60 days	61–90 days	>90 days	
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Expected credit loss rate	0.22%	0.17%	0.21%	0.49%	0.75%	1.26%	**0.30%**
Estimated total gross carrying amount at default	2,151	4,805	1,945	421	500	746	**10,568**
Expected credit loss	5	8	4	2	4	9	**32**

31 March 2022	**Contract assets**			**Trade receivables**			**Total**
				Days past due			
		Current	<30 days	31–60 days	61–90 days	>90 days	
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Expected credit loss rate	0.44%	0.28%	0.30%	0.71%	0.59%	1.32%	**0.47%**
Estimated total gross carrying amount at default	1,362	4,338	1,331	984	511	986	**9,512**
Expected credit loss	6	12	4	7	3	13	**45**

Set out below is the movement in the allowance for expected credit losses of trade receivables and contract assets:

	2023 NZ$'000	2022 NZ$'000
As at 1 April	45	104
Movement in provision for expected credit losses (Note 7)	(13)	(59)
As at 31 March	**32**	**45**

11. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are classified as non-current liabilities.

	2023 NZ$'000	2022 NZ$'000
Trade payables	1,079	1,283
Accrued expenses	570	441
Employee entitlements	3,597	3,245
Retention plan provision	-	118
Tax payable	-	279
Total trade and other payables	**5,246**	**5,366**

Trade payables are generally on terms of 14–30 days.

Employee entitlements comprise entitlements for annual leave, superannuation contributions in their various forms (401(k), UK pension, Super and KiwiSaver), salaries, commissions for sales staff, and an accrual for the CRA Health LLC retention plan. Employee entitlements expected to be settled within 12 months of the reporting date are recognised in respect of employees services up to the reporting date.

As part of the acquisition of CRA, Volpara entered into a retention plan agreement with key employees of CRA. This retention plan involved two US$2M payouts which were to be made if CRA achieved certain ARR performance and staff-retention targets by 31 December 2021 and 30 June 2022. These retention payments related to employee remuneration and were not treated as consideration for the purchase of the business. Both targets were not met and resulted in a US$1.8M writeback to the statement of profit or loss in the year ending 31 March 2022 and a further US $0.1M in July 2022.

12. Share capital and earnings per share (EPS)

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new ordinary shares or options are shown in equity as a deduction from proceeds.

(a) Ordinary shares
All issued shares are fully paid and have no par value.

Ordinary shares are entitled to one vote per share at meetings of Volpara Health Technologies Limited.

All ordinary shares rank equally with regard to Volpara Health Technologies Limited residual assets.

(b) Capital management
The Group's capital includes share capital, accumulated losses, and reserves.

The Group's policy is to maintain a sound capital base so as to maintain investor and creditor confidence, sustain future development of the business, and continue as a going concern. The Group's policies in respect of capital management and allocation are reviewed by the Board of Directors.

		2023		2022	
Ordinary shares issued and fully paid	Notes	NZ$'000	000's	NZ$'000	000's
In issue as at 1 April		181,496	251,935	180,678	251,019
Exercise of share options	13	1,770	2,155	818	916
In issue as at 31 March		**183,266**	**254,090**	**181,496**	**251,935**

Dividends
No dividends have been declared or paid for the year ended 31 March 2023 (2022: $nil).

Earnings per share
Basic earnings per share is calculated by dividing net loss for the year after tax by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has potential ordinary shares in the form of share options. However, as these are anti-dilutive due to the Company being in a loss position, the earnings per share and diluted earnings per share are the same.

The following reflects the income and share data used in the basic and diluted EPS computations:

As at 31 March	2023	2022
Net loss after tax (NZ$'000)	(9,801)	(16,441)
Ordinary number of shares ('000's)	254,090	251,935
Weighted average number of shares on issue ('000's)	252,202	251,375
Basic and diluted loss per share (NZ$)	**(0.04)**	**(0.07)**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

13. Share-based payments

The Group operates equity-settled, share-based compensation plans for directors, executives and employees of the Company; including employee share option plans (ESOP) and restricted stock units (RSUs). The value of the employee services rendered for the grant of ESOPs and RSUs is recognised as an expense over the vesting period. The amount is determined by reference to the fair value of the options is calculated using the Black-Scholes option model, and RSUs calculated using five-day VWAP.

Share options scheme

There is a legacy employee share option plan (Legacy ESOP) that was in operation from 2009 until the Initial Public Offering (IPO) in April 2016. Since the IPO, a new employee share option plan (New ESOP) has been in operation.

Legacy ESOP

There were no new options issued under this model for the period ended 31 March 2023 (2022: nil). No further options are granted under the Legacy ESOP.

The options tranches vest within 36 months service from grant date. The vesting conditions on all options were met in prior periods. As a result, there is no expense recognised for the year ended 31 March 2023 for the Legacy ESOP share options (2022: nil). The contract life is 10 years.

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
	2023 000's	2023 NZ$	2022 000's	2022 NZ$
Outstanding at 1 April	906	0.41	1,296	0.43
Exercised during the period	(256)	0.27	(390)	0.46
Outstanding as at 31 March	**650**	**0.47**	**906**	**0.41**
Vested as at 31 March	650		906	

The options outstanding at 31 March 2023 have an exercise price of NZ$0.4667 (2022: $0.1567 to $0.4667) and weighted-average contractual life of 2.5 years (2022: 2.8 years).

Legacy ESOPs oustanding at 31 March fall within the following ranges:

Grant year (financial year)	NZ$ exercise price	Number of share options 2023 '000's	Number of share options 2022 '000's
2013	0.1567	-	64
2014	0.3117	-	192
2015	0.460–0.467	200	200
2016	0.4667	450	450
Total		**650**	**906**

New ESOP

In accordance with the terms of the plan, Options are granted to selected employees, Executives, and Directors. Options are conditional on the necessary years of service (the vesting period). Vested options can be exercised at set times during the year, 30 days prior to expiry or at the time of an exit event.

The options granted expire or are forfeited after seven years of their issue or on termination of employment within the vesting period, whichever occurs first. All options are to be settled by the issue of ordinary shares.

The expense recognised for the year ended 31 March 2023 for the New ESOP share options was $680,000 (2022: $1,102,000).

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
	2023 000's	2023 A$	2022 000's	2022 A$
Outstanding as at 1 April	9,227	1.21	9,190	1.18
Granted during the year	450	1.30	1,500	1.38
Exercised during the year	(1,899)	0.51	(526)	0.60
Forfeited during the year	(735)	1.53	(715)	1.47
Expired during the year	(408)	1.62	(222)	1.70
Outstanding 31 March	**6,635**	**1.36**	**9,227**	**1.21**
Vested as at 31 March	3,204	1.31	3,805	0.94

The options outstanding at 31 March 2023 had an exercise price in the range of A$0.60 to A$1.84 (2022: A$0.50 to A$1.84) and weighted-average contractual life of 4.0 years (2022: 4.0 years).

ESOPs oustanding at 31 March fall within the following ranges:

Grant year (financial year)	A$ exercise price	Number of share options 2023 '000's	Number of share options 2022 '000's
2016	0.50	-	1,482
2017	0.50	-	185
2018	0.60–0.68	490	510
2019	0.60–1.19	604	866
2020	1.51–1.84	2,390	2,820
2021	1.30–1.49	1,931	1,904
2022	1.30–1.35	770	1,460
2023	1.30	450	-
Total		**6,635**	**9,227**

Valuation model assumptions

The Black-Scholes model was used to assess the value of the New ESOPs. Key variables in the model include, where relevant, the expected life used in the model has been adjusted based on Management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on the historical volatility in share price along with the volatility in comparable companies in the biomedical field over the past seven years.

Option series	2023
Grant date share price	A$ 1.19–1.49
Exercise price	A$ 1.30–1.49
Expected volatility	50.00%
Expected life	5.23 years
Dividend yield	0.00%
Risk-free interest rate	0.63%–3.38%
Estimated forfeiture rate	23.06%

Restricted Stock Units

RSUs are issued to certain employees and executives of the Company. On the grant date, an RSU agreement is entered into between employee and Company stipulating the number of units granted and their vesting schedules. On the vest date, the RSUs are converted to ordinary shares in the Company.

No cash consideration is required to be paid on vesting of the RSUs. The fair value of RSUs granted in the year 31 March 2023 was A$0.76 as determined by the volume weighted–average share price. The RSUs are conditional on the employees completing a specified period of service (the vesting period) and are, for the most part, converted to shares in equal amounts over the vesting period.

Movements in the number of RSUs outstanding and their related weighted-average grant prices are as follows:

	Number of RSUs	Weighted-average grant date fair value
	2023 000's	2023 AU$
Outstanding at 1 April	-	-
Granted during the period	805	0.76
Outstanding as at 31 March	**805**	**0.76**
Vested as at 31 March	-	-

The expense recognised for the year ended 31 March 2023 for restricted stock units was $334,000 (2022: $0).

14. Lease liabilities and right-of-use assets

The determination of whether a contract is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of a lease agreement, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset and the lease liability are initially measured at the present value of the minimum lease payments not yet paid at that date.

Subsequently the right-of-use asset is depreciated on a straight-line basis over the expected period of the lease. The carrying amount of the lease liability is increased to reflect interest and reduced by the lease payments made during the period.

Lease liabilities

During the year the following changes occurred to the Group's lease portfolio:

- The lease for Level 2, 204 Second Ave, Waltham, MA, USA was cancelled in November 2022 at a contractually agreed termination point.

LEASE LIABILITIES	2023 NZ$'000	2022 NZ$'000
Balance as at 1 April	2,479	2,899
Leases entered into during the year	-	86
Principal repayments	(578)	(536)
Interest expense on lease liabilities	134	138
(Loss)/gain from movement in exchange rates	45	(108)
Balance as at 31 March	**2,080**	**2,479**
Current	547	574
Non-current	1,533	1,905
Total	**2,080**	**2,479**

The details for the leases are as follows:

	Level 14–15, 40 Mercer Street	Suite 130, 19000 33rd Ave W	Suite 220, 19000 33rd Ave W
Start date	1 Aug 19	1 Jul 13	1 Jul 16
Initial lease period	6 years	15 years	4 years
Extension options	6 years	N/A	3 years
Extension options exercised	N/A	N/A	Yes
Termination options	After 6 years	After 15 years	After 3 years
Incremental rate of borrowing	6.00%	6.00%	6.00%
Market rent reviews	Every three years	None	None

The total cash outflow for leases for the year ended 31 March 2023 totalled $712,000 (2022: $650,000).

The total cash inflow from subleasing Suite 220, 19000 33rd Ave W, Lynnwood, WA, USA, was $52,000 (2022: $43,000).

The Group considers laptop computers to be of "low value" and has therefore used the recognition exemption. The lease expense related to these items are therefore recognised as an expense on a straight-line basis over the lease term (2023: NZ$147,000, 2022: NZ$122,000).

Right-of-use assets

Right-of-use assets are recognised when the Group, as a lessee, has the right to use an underlying asset for the lease term. In the Group's case, the underlying asset relates to the office space as disclosed in the lease liability above.

	2023 NZ$'000	2022 NZ$'000
COST		
Balance as at 1 April	3,608	3,515
Leases entered into during the year	-	86
Lease modification	41	-
Disposals	(96)	-
Foreign exchange differences	233	7
Balance as at 31 March	**3,786**	**3,608**
DEPRECIATION		
Balance as at 1 April	(1,369)	(829)
Depreciation	(590)	(539)
Disposals	(41)	-
Foreign exchange differences	40	(1)
Balance as at 31 March	**(1,960)**	**(1,369)**
Net book value	**1,826**	**2,239**

15. Financial risk management objectives and policies

The Group has various financial instruments such as cash and cash equivalents, cash on deposit, trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, and liquidity risk (refer to Notes 16–19 for more detail). The Group's senior management oversees the management of these risks. The objective of the management of these risks is to support the delivery of the Group's financial targets while protecting future financial security. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

16. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents with floating interest rates. The Group holds NZ$1,723,000 with varying interest rates (2022: $2,512,000).

The cash on deposit has fixed interest rates between 4.10% and 5.08%.

The Group does not enter into interest rate swaps to manage the interest rate risk.

The Group consistently analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, and the mix of fixed and variable interest rates.

Sensitivity analysis

The following table summarises the sensitivity of the Group's post-tax loss and equity to interest rate risk.

At 31 March 2023 if interest rates had moved on the basis that all investments had rolled, as illustrated in the table below, assuming the amount of the financial instruments outstanding at balance date was outstanding for the whole year and all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post-tax loss higher/(lower)	
	2023 NZ$'000	2022 NZ$'000
+0.5% (50 basis points)	(35)	(55)
-0.5% (50 basis points)	35	55

17. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) receivables or payables in the statement of financial position related to the operating activities.

The Group has forward foreign exchange contracts in place to manage its estimated foreign currency exposure in respect of forecasted foreign currency receipts. Where possible, the Group maintains a portion of available funds in USD, AUD, and GBP to match the respective expected expenses. The following tables demonstrate the sensitivity to a reasonably possible change in USD, AUD, and GBP exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Carrying amount in USD	Carrying amount in GBP	Carrying amount in AUD
2023			
Cash & deposits	3,587	300	581
Trade receivables	5,432	40	22
Trade payables	(89)	(14)	(15)
Forward foreign exchange contracts	(16,350)	-	-
Total	**(7,420)**	**326**	**588**
2022			
Cash & deposits	4,206	630	496
Trade receivables	5,480	35	140
Trade payables	(536)	(20)	-
Borrowings	(5,850)	-	-
Total	**3,300**	**645**	**636**

SENSITIVITY ANALYSIS	Carrying amount US$'000	Change in USD rate %	Effect on loss before tax/equity NZ$'000
2023	(7,420)	10%	(1,081)
		-10%	1,321
2022	3,300	10%	430
		-10%	(526)

	Carrying amount in GBP	Change in GBP rate	Effect on loss before tax/equity NZ$'000
2023	326	10%	59
		-10%	(72)
2022	645	10%	110
		-10%	(135)

	Carrying amount in AUD	Change in AUD rate	Effect on loss before tax/equity NZ$'000
2023	588	10%	57
		-10%	(70)
2022	636	10%	62
		-10%	(76)

18. Credit risk

Credit risk arises from the financial assets of the Group; which comprise cash and cash equivalents, cash on deposit, and trade receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

There are significant concentrations of credit within the Group, with $3,000,000 in outstanding term deposits held at the end of the financial year (2022: $8,469,000). The Group holds some cash in current and savings accounts with various large and reputable financial institutions in NZ, Australia, the UK, and the USA. The credit risk is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. In the USA, deposits are insured by the government up to US$250,000 per bank. Volpara holds US$2,105,000 in excess of the US$250,000 threshold.

The Group does not hold any credit derivatives to offset its credit exposure.

The Parent has a policy of lending to its wholly owned subsidiaries to ensure their continued operations as required.

The fair value of all financial instruments held are measured at amortised cost.

19. Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group has established an appropriate liquidity risk management framework for the management of the Group's short-term, medium-term, and long-term funding and liquidity requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

All financial liabilities are due for payment in less than 12 months.

The following table shows the Group's undiscounted cashflows by maturity date.

	≤ 3 months NZ$'000	3 to 6 months NZ$'000	6 months to 1 year NZ$'000	>1 year NZ$'000	Total NZ$'000
FINANCIAL LIABILITIES AND ASSETS					
As at year ended 31 March 2023					
Trade and other payables	1,649	-	-	-	**1,649**
Lease liabilities	167	158	332	1,810	**2,467**
Provision for commissions	713	-	-	-	**713**
Gross settled (foreign exchange forward contracts)					
(Inflow)	(1,636)	(2,598)	(5,897)	(15,636)	**(25,767)**
Outflow	1,670	2,664	6,013	15,858	**26,205**
	2,563	**224**	**448**	**2,032**	**5,267**
As at year ended 31 March 2022					
Trade and other payables	1,724	-	-	-	**1,724**
Lease liabilities	170	173	347	2,237	**2,927**
Provision for commissions	312	-	-	-	**312**
Gross settled (foreign exchange forward contracts)					
(Inflow)	(671)	(671)	(1,347)	(6,117)	**(8,806)**
Outflow	647	649	1,302	5,909	**8,507**
	2,183	**150**	**302**	**2,029**	**4,664**

20. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Management assessed that the fair value of cash and cash equivalents, cash on deposit, trade receivables, trade and other payables, lease liabilities and loan payable approximate their carrying amounts largely due to the short-term maturities of these instruments and/or because the interest rates applied are variable in nature.

Non-derivative financial assets

Initial recognition and measurement
Non-derivative financial assets are classified, at initial recognition, as measured at amortised cost if the Group's intention is to hold the financial assets for collecting cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

The Group currently classifies its cash and cash equivalents, cash on deposit, trade receivables, and other receivables as financial assets measured at amortised cost.

Subsequent measurement
Where financial assets are measured at amortised cost, interest revenue, expected credit losses and foreign exchange gains or losses are recognised in profit or loss. On derecognition, any gain or loss is recognised in profit or loss.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for trade receivables and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Non-derivative financial liabilities

Initial recognition and measurement
The Group currently, upon initial recognition, classifies its financial liabilities made up of trade payables, accrued expenses, and loan payable at amortised cost.

Subsequent measurement
The Group's financial liabilities subsequently measured at amortised cost are measured using the effective interest method.

Financial instruments by category	2023 NZ$'000	2022 NZ$'000
FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Cash and cash equivalents	9,711	9,676
Cash on deposit	3,000	8,469
Trade receivables	8,780	8,111
Other receivables	191	203
Total	**21,682**	**26,459**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Trade and other payables	1,649	1,724
Total	**1,649**	**1,724**

Derivative financial assets and liabilities

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As a result of significant movements in foreign currency the Group is exposed to, the forward exchange contracts are in a loss position.

The Group had forward foreign exchange contracts of US$16,350,000 (2022: US$5,850,000) with the following amounts recognised in the statement of financial position in relation to foreign exchange currency contracts.

	2023 NZ$'000	2022 NZ$'000
DERIVATIVE FINANCIAL ASSETS AND LIABILITIES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Forward foreign exchange contracts	(438)	299
Total	**(438)**	**299**

21. Fixed assets

Fixed assets consists of leasehold improvements, property, computer equipment and vehicles. They are all initially measured at cost and subsequently depreciated.

Assets are either fully depreciated after acquisition where initial recognition amounts are less than a certain threshold or depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Leasehold improvements	*3 to 4 years*
Property	*3 to 15 years*
Computer equipment	*1 to 5 years*

Leasehold improvements or an item of property or computer equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no 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 proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives, and methods of depreciation of leasehold improvements, property, and computer equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Year ended 31 March 2023	Leasehold improvements NZ$	Property NZ$'000	Computer equipment NZ$'000	**Total** NZ$'000
COST				
Balance as at 1 April 2022	665	359	547	**1,571**
Additions	-	-	33	**33**
Disposals and write-offs	-	-	(36)	**(36)**
Foreign exchange differences	33	30	25	**88**
Balance as at 31 March 2023	**698**	**389**	**569**	**1,656**
DEPRECIATION AND IMPAIRMENT				
Balance as at 1 April 2022	(272)	(279)	(472)	**(1,023)**
Depreciation	(94)	(7)	(49)	**(150)**
Disposals and write-offs	-	-	36	**36**
Foreign exchange differences	(14)	(25)	(26)	**(65)**
Balance as at 31 March 2023	**(380)**	**(311)**	**(511)**	**(1,202)**
Net book value	**318**	**78**	**58**	**454**

Year ended 31 March 2022				
COST				
Balance as at 1 April 2021	664	357	560	**1,581**
Additions	-	1	3	**4**
Disposals and write-offs	-	-	(16)	**(16)**
Foreign exchange differences	1	1	-	**2**
Balance as at 31 March 2022	**665**	**359**	**547**	**1,571**
DEPRECIATION AND IMPAIRMENT				
Balance as at 1 April 2021	(179)	(269)	(413)	**(861)**
Depreciation	(93)	(9)	(75)	**(177)**
Disposals and write-offs	-	-	15	**15**
Foreign exchange differences	-	(1)	1	**-**
Balance as at 31 March 2022	**(272)**	**(279)**	**(472)**	**(1,023)**
Net book value	**393**	**80**	**75**	**548**

22. Intangible assets

Intangible assets consist of both internally generated intangible assets such as capitalised software development costs, and externally generated intangible assets such as patents and trademarks, customer relationships, and goodwill upon acquisition. Intangible assets acquired in a business combination are measured at fair value, while other intangible assets acquired are initially measured at cost. Internally generated intangible assets are measured at cost. Research costs are expensed in profit or loss. Development costs (internally generated software intangible assets) are capitalised in accordance with the software accounting policy below.

Where the useful lives of intangible assets are assessed to be finite, the assets are amortised over their useful life and tested for impairment annually. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with useful lives is recognised in profit or loss.

Where the useful lives of intangible assets are assessed to be indefinite, or where internally generated assets are not yet available for use, the assets are not amortised but are subject to an impairment test each year and whenever there is an indication that they may be impaired. The Group holds an intangible asset with an indefinite useful life in the form of Goodwill acquired and has software under development which is not yet available for use.

Software development

Research costs and costs associated with maintaining software products are expensed as incurred.

Costs that are directly associated with the development of new or substantially improved medical technology software products controlled by the Group are recognised as intangible assets only where all the following criteria can be met:

- it is technically feasible to complete the product so that it will be available for sale;
- management intends to complete the product and sell it;
- there is an ability to sell the product;
- it can be demonstrated how the product will generate future economic benefits;
- adequate technical, financial, and other resources to complete the development and to sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the sum of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

	Goodwill	Software development	Patents, trademarks & copyrights	Customer relationships
Useful lives	Indefinite		Finite	
Estimated useful lives	Indefinite but assessed annually for impairment	3–10 years	3–20 years	15 years
Estimated residual value		$nil		
Method used	Model developed by an external independent expert.	Amortised over the period of expected future benefit from the related project on a straight-line basis		
Internally generated/acquired	Acquired	Internally generated/acquired		
Impairment test/recoverable amount test	Management believes the most relevant indicators of impairment are where there is evidence of obsolescence or where unfavourable changes to the economic benefits derived from the assets have been experienced. Impairment assessment is performed annually.			

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The goodwill acquired through business combinations is allocated to the North America CGU when testing for impairment. The North American CGU is also a reportable segment.

North America CGU

The recoverable amount of the North American CGU was determined based on a fair value less cost of disposal (FVLCD) basis. FVLCD was used as it exceeded the value in use. The recoverable value was determined to be between US$87M and US$122M as at 31 March 2023. In order to determine the fair value using the market approach a multiple of revenue which a hypothetical buyer (i.e., average market participant) would pay for the business that reflects the size, growth potential, risks, and other characteristics of the business were considered by management, as was the appropriate revenue multiple. These estimates are deemed level 3 within the fair value hierarchy.

These assumptions were determined with reference to the Company's historic growth rates, future growth expectations, and the valuation expert's experience with valuations of a similar nature. The Company's Management also considered the discounted cash flow (DCF) method (income approach) for the valuation, which resulted in an enterprise value in the range of US$89M to US$124M. The average of these valuations was used to determine the range of enterprise value and the associated recoverable value. Key assumptions used are:

- Forecast period: 4 years + exit multiple
- Discount rate: 15.3%
- Exit multiple: Midpoint of 4.5

The Group estimates revenue growth assumptions across the forecast period. The impairment assessment is not impacted by these growth assumptions, rather the exit multiple is the most significant assumption.

The determination of the growth rate assumptions (income approach) and revenue multiple (market approach) are areas in which the Group and its expert have exercised judgement, taking into account past experience and external sources. Based on the level of headroom (excess of recoverable amount above the carrying value of assets of the CGU), the Group does not envisage a scenario in which reasonable changes to these estimates would result in impairment of the goodwill balance.

Based on the valuation of the recoverable amount, no impairment charge is required at this time.

Year ended 31 March 2023	Goodwill NZ$'000	Software development NZ$'000	Patents, trademarks & copyrights NZ$'000	Customer relationships NZ$'000	Total NZ$'000
COST					
Balance as at 1 April 2022	19,328	13,011	4,590	15,619	**52,548**
Additions	-	2,411	124	-	**2,535**
Foreign exchange differences	2,262	(78)	112	1,827	**4,123**
Balance as at 31 March 2023	**21,590**	**15,344**	**4,826**	**17,446**	**59,206**
AMORTISATION AND IMPAIRMENT					
Balance as at 1 April 2022	-	(3,473)	(2,277)	(1,811)	**(7,561)**
Amortisation	-	(2,626)	(937)	(1,180)	**(4,743)**
Foreign exchange differences	-	4	(61)	(212)	**(269)**
Balance as at 31 March 2023	**-**	**(6,095)**	**(3,275)**	**(3,203)**	**(12,573)**
Net book value	**21,590**	**9,249**	**1,551**	**14,243**	**46,633**
Year ended 31 March 2022					
COST					
Balance as at 1 April 2021	19,255	10,734	4,398	15,560	**49,947**
Additions	-	2,052	118	-	**2,170**
Foreign exchange differences	73	225	74	59	**431**
Balance as at 31 March 2022	**19,328**	**13,011**	**4,590**	**15,619**	**52,548**
AMORTISATION AND IMPAIRMENT					
Balance as at 1 April 2021	-	(1,475)	(1,294)	(752)	**(3,521)**
Amortisation	-	(1,947)	(948)	(1,048)	**(3,943)**
Foreign exchange differences	-	(51)	(35)	(11)	**(97)**
Balance as at 31 March 2022	**-**	**(3,473)**	**(2,277)**	**(1,811)**	**(7,561)**
Net book value	**19,328**	**9,538**	**2,313**	**13,808**	**44,987**

23. Investments

In September 2021, the Company invested US$250,000 into Precision Medical Ventures (PMV), trading as RevealDx, in the form of a convertible promissory note. RevealDX is a Seattle-based software company focused on dramatically improving lung cancer outcomes by delivering the most advanced radiomics and AI-enabled, lung cancer decision-support software to drive the optimal clinical pathway for each patient based on automated analytics of each lung nodule. A distribution agreement has also been signed which gives Volpara exclusive distribution rights in Australia and NZ for three years and non-exclusive rights to sell in the USA.

The investment in PMV is measured at fair value through profit or loss.

24. Related parties

The consolidated financial statements include the financial statements of Volpara Health Technologies Limited and the subsidiaries listed in the following table:

Name of entity	Country of Incorporation	2023 Ownership	2022 Ownership
Volpara Health Limited	New Zealand	100%	100%
Volpara Finance Limited	New Zealand	100%	100%
Volpara Health Europe Limited	United Kingdom	100%	100%
Volpara Health, Inc.	United States	100%	100%
Volpara Health Australia Pty Limited	Australia	100%	100%
CRA Health LLC	United States	100%	100%

The entities in the Group all have a balance date of 31 March except for Volpara Health, Inc., and CRA Health LLC, which have 31 December balance dates.

Financial support is provided to subsidiaries in accordance with Volpara's transfer pricing policy.

Ultimate Parent
Volpara Health Technologies Limited is the ultimate Parent entity.

KMP and Director compensation
KMP include the Chief Executive Officer (CEO) and those employees who report directly to the CEO who have authority and responsibility for planning, directing, and controlling the activities of the Group.

Compensation of KMP and Directors	2023 NZ$	2022 NZ$
Short-term employee benefits[1]	914,588	882,839
Post-employment benefits and medical benefits	35,378	52,570
KMP share-based payment expense	272,858	243,938
Directors' fees	545,329	463,252
Directors' share-based payment expense	254,175	366,240
	2,022,328	**2,008,840**

1. Short-term employee benefits include salaries and wages, car allowances, short-term incentives earned during the period, and non-monetary benefits such as insurance;
2. Some KMP and Directors are based in the USA and Australia and are paid in US$ and AUD$, respectively. The total compensation is therefore translated for financial reporting purposes to NZ$ on a monthly basis.

The value of outstanding balances payable to KMP and Directors at balance date totalled $180,000 (2022: $193,000).

For additional detail related to the compensation of KMP and Directors please refer to the accompanying Directors' Report.

Interests held by KMP and Directors
Share options held by KMP and Directors, under the Legacy ESOP and New ESOP to purchase ordinary shares, have the following expiry dates and exercise prices as at 31 March:

Issue Date	Expiry Date	Exercise Price NZ$	2023 000s	2022 000s
KMP	29/06/2026–17/11/2027	1.40–1.83	675	1,697
Directors	14/03/2023–30/08/2030	0.47–1.98	2,600	2,450
			3,275	**4,147**

Loans to Directors
There were no loans to Directors issued during the year ended 31 March 2023 (2022: nil).

Other transactions and balances
Directors of Volpara Health Technologies Limited control 13.79% of the voting shares of the Company at balance date (2022: 14.25%).

25. Contingencies and commitments

Contingent liabilities and capital commitments

The Group had no contingencies or commitments to purchase fixtures or equipment as at 31 March 2023 (2022: nil).

26. Events after the balance date

There were no significant events between balance date and the date these financial statements were authorised for issue.

Additional Information for Listed Companies

Volpara Health Technologies Limited

(NZ Company no. 2206998/ARBN 609 946 867)

Stock exchange listing
Volpara's shares are listed on the Australian Stock Exchange (ASX:VHT).

Analysis of shareholding at 17 May 2023

Range	Securities	%	No. of holders	%
1 to 1000	2,824,690	1.11%	4,675	30.77%
1,001 to 5000	15,832,596	6.23%	5,972	39.31%
5,001 to 10,000	16,367,423	6.44%	2,143	14.11%
10,001 to 100,000	58,885,676	23.18%	2,268	14.93%
100,001 and over	160,179,524	63.04%	135	0.89%
Total	**254,089,909**	**100.00%**	**15,193**	**100.00%**

The number of shareholdings held in less than marketable parcels is 1,640, representing 522,293 shares.

Twenty largest shareholders at 17 May 2023

Rank	Name	Shareholding	Percentage holding
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	27,534,688	10.84%
2	PATAGORANG PTY LTD <ROGER ALLEN FAMILY A/C>	18,467,848	7.27%
3	RALPH HIGHNAM AND KYC TRUSTEES 106 LIMITED <HIGHNAM SHARE A/C>	16,213,561	6.38%
4	CITICORP NOMINEES PTY LIMITED	11,830,450	4.66%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,187,911	3.22%
6	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	8,154,911	3.21%
7	BNP PARIBAS NOMS (NZ) LTD <DRP>	7,061,556	2.78%
8	PROF SIR MICHAEL BRADY	6,619,075	2.61%
9	MR MARCUS SARNER	5,980,404	2.35%
10	NATIONAL NOMINEES LIMITED	4,728,818	1.86%
11	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,420,193	1.74%
12	SIR MARTIN FRANCIS WOOD	3,004,655	1.18%
13	LADY KATHLEEN AUDREY WOOD	3,004,654	1.18%
14	BNP PARIBAS NOMS PTY LTD <DRP>	2,527,511	0.99%
15	PROF MARTIN YAFFE	1,966,483	0.77%
16	MR JOHN ANTHONY DELL	1,928,864	0.76%
17	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,917,409	0.75%
18	PROF NICO KARSSEMEIJER	1,806,806	0.71%
19	MELBOURNE SECURITIES CORPORATION LIMITED <HORIZON 3 BIOTECH FUND A/C>	1,519,964	0.60%
20	RX HOUSE TRUST PTY LTD	880,758	0.35%
	Total	**137,756,519**	**54.21%**
	Balance of register	**116,333,390**	
	Grand total	**254,089,909**	

Donations made during the year

Donations made during the year ended 31 March 2023 totalled NZ$9,480 (2022: NZ$7,000).

Substantial shareholders

The names of the substantial shareholdings listed in the Company's register, as at 31 March 2023, are:

Shareholder	Shareholding	Percentage holding
HARBOUR ASSET MANAGEMENT LIMITED[1]	37,927,963	14.93%
PATAGORANG PTY LTD (beneficiary for Roger Allen AM)	18,467,848	7.27%
RALPH HIGHNAM AND KYC TRUSTEES 106 LIMITED <HIGHNAM SHARE A/C>	16,213,561	6.38%

Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) All ordinary fully paid share carry one vote per share without restrictions.

(b) Options do not carry a right to vote.

Entries recorded in the interest register

The company maintains an Interest Register in accordance with the Companies Act 1993. There were no new entries made in the interest register for the period 1 April 2022 to 31 March 2023, and the interests of Directors who have resigned have been removed.

Restricted securities as at 31 March 2023

As at 31 March 2023, there were no shares on issue in escrow.

1. Harbour Asset Management Limited own their stock through a number of Nominee holdings. As a result, their holdings here are not reflected in the 20 largest shareholders listing on a like-for-like basis.

Glossary

Annual Recurring Revenue (ARR)
The normalised amount of cash reasonably expected to be booked for the next 12 months based on the contracts signed previously, and assuming installation upon order.

Average Revenue Per User (ARPU)
ARR per US woman screened as used to calculate the percentage of US market.

Contracted Annual Recurring Revenue (CARR)
Total annual recurring revenue for all signed contracts, regardless of installation status.

Constant currency analysis
Non–GAAP financial information, not prepared in accordance with IFRS, intended to assist users of financial information to better understand and assess financial performance without the impacts of foreign currency fluctuations.

Microsoft® Azure[1]
The cloud computing platform connected to the Virtual Appliance for the purposes of data storage, support, and providing anonymised data for the dashboards in Volpara Analytics.

TruDensity™ (formerly Volpara®Density™)
A Volpara clinical function which calculates volumetric breast density, fibroglandular tissue volume, and breast volume to assign a Volpara® Density Grade™ (VDG®). This score is used by healthcare professionals to evaluate breast density and is validated in the Tyrer-Cuzick v8 Risk Evaluation Tool (TC8) for objective, precise, and consistent assessment.

TruPGMI™
A Volpara clinical function which uses artificial intelligence to automatically and objectively assess the positioning of the patient and resulting image quality. Technologists can use this information to further develop their positioning skills.

TruPressure™
A Volpara clinical function which determines whether the compression pressure applied by the technologist is in the "sweet spot" that yields the best-quality images, minimal radiation exposure, and the least discomfort.

TruRadDose™
A Volpara clinical function which analyses the radiation dose delivered to patients based on their breast density instead of the equipment manufacturer's estimate. This can be used by healthcare professionals as a quality assurance metric.

Virtual Appliance
The virtual computing platform, operating within a breast imaging facility's virtual environment, that hosts Volpara software products and manages Protected Health Information (PHI) as it arrives.

Volpara® Analytics™
Smart dashboards, alerts, and mammography quality reports that optimise breast cancer screening operations. The only vendor-neutral software that provides automated, objective assessment of image quality on every mammogram.

Volpara® Breast Health Platform™
Volpara's advanced AI software platform, an integrated suite of software solutions that collects and analyses information to better understand a patient's breast cancer risk, while objectively evaluating image quality and workflow-improvement opportunities. These capabilities are being extended to lung cancer screening. Includes Analytics, Live, Lung, Patient Hub, Risk, and Scorecard.

Volpara clinical functions
Clinically relevant information generated by Volpara's clinically validated algorithms and expressed as TruDensity, TruPGMI, TruPressure, and TruRadDose.

Volpara® Live™
Provides technologists timely patient-based image quality feedback and on-the-job training.

Volpara® Lung™
Patient management software that streamlines lung screening workflow, compliance, and reimbursement.

Volpara® Patient Hub™
Customisable mammography reporting and patient communications software.

Volpara® Risk™
An integration with Patient Hub that uses TC8 to calculate patients' risk of developing breast cancer.

Volpara® Risk Pathways™
A full program for identifying and managing high-risk breast cancer screening patients.

Volpara® Scorecard™
Displays patient breast density and risk insights essential for improved clinical decision-making and early detection.

Volpara® Science™
The AI-based software that powers Volpara software products. Includes breast cancer risk models and a set of clinically validated algorithms for assessing breast tissue composition, compression, radiation dose, and positioning quality.

Volpara® Thumbnail™
Image-enhanced patient notification letters that explain what their density means in simple-to-understand terms and visuals.

1. Microsoft and Microsoft Azure are copyrighted trademarks of Microsoft Corporation.

Corporate Directory

Registered Office
Volpara Health Technologies Limited
Levels 14–15, 40 Mercer Street
Wellington Central
Wellington 6011
NZ

Board of Directors
Paul Reid - Chair, Non-Executive Independent
Teri Thomas - Managing Director (appointed 1 October 2022)
Roger Allen AM - Non-Executive
John Pavlidis - Non-Executive Independent
Karin Lindgren - Non-Executive Independent
Ann Custin - Non-Executive Independent
Mark Bouw (appointed 1 January 2023)

Joint Company Secretaries
Craig Hadfield and Fred Struve

New Zealand Incorporation
The Company is registered under the laws of New Zealand, company number 2206998

Australian Registered Body Number (ARBN)
609 946 867

The Company's registered office address in Australia
Suite 15, 828 High Street
KEW EAST
Victoria 3102
AUS

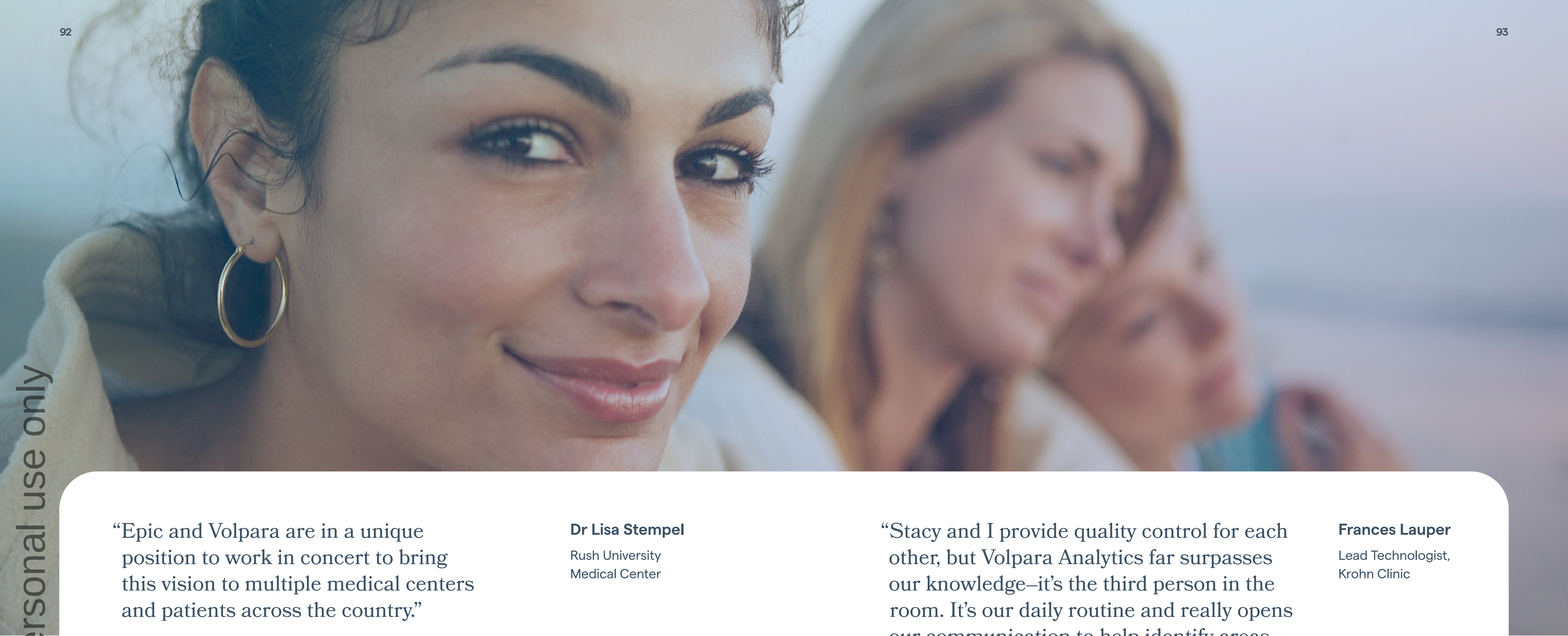
Share Register
Boardroom Pty Limited
Grosvenor Place
Level 8, 210 George Street
Sydney
NSW 2000
AUS

Auditor
PwC
10 Waterloo Quay
Wellington 6011
NZ

Legal Advisers
Stoel Rives LLP (USA)
Mills Oakley (AUS)
Kindrik Partners Limited (NZ)

Bankers
1st Security Bank (USA)
JPMorgan Chase Bank (USA)
Kiwibank (NZ)
Lloyds Bank (UK)
NAB (AUS)

Volpara Health Technologies Limited
ASX:VHT
(NZ Company no. 2206998/ARBN 609 946 867)



"Epic and Volpara are in a unique position to work in concert to bring this vision to multiple medical centers and patients across the country."

Dr Lisa Stempel
Rush University Medical Center

"Volpara Analytics helped reduce our audit process from more than 2 weeks down to about 2–3 hours."

LeAnne Irving
Radiology Manager, Canada Diagnostic Centres

"The intelligence Volpara presents ensures our care is unique to each woman's individual mammographic sensitivity."

Marie J Stork RT(R)(M)
Ft Jesse Imaging Center, Gale Keeran Center for Women

"Stacy and I provide quality control for each other, but Volpara Analytics far surpasses our knowledge–it's the third person in the room. It's our daily routine and really opens our communication to help identify areas of excellence and areas that need focus."

Frances Lauper
Lead Technologist, Krohn Clinic

"Analytics has helped us further our culture of comradery and community. We inspire and encourage each other and know that we are all being measured by the same Volpara measuring stick....Recalls and retakes have become extremely rare since we started using Analytics. It's helped us develop a climate of friendly competition and a shared spirit of success."

Shelley Conkey
Mammography Manager, University of Utah

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