AROA BIOSURGERY FY23 RESULTS AND FY24 OUTLOOK

HIGHLIGHTS

FY23 Results

- All audited FY23 full year results within guidance.
- Audited full year product revenue of NZ$60.5 million, reflecting a 55% increase on FY22 (38% on a constant currency[1] basis). Total revenue (inclusive of project and license fees) was NZ$63.4 million, representing 60% growth on FY22.
- Full year Myriad™ product revenue of NZ$13.5 million, reflecting an increase of 268% on FY22 (236% on a constant currency basis).
- Product gross margin of 84%, representing an 8% increase on FY22 (5% increase on a constant currency basis).
- Normalised[2] EBITDA profit for FY23 of NZ$1.5 million, compared to a NZ$1.5 million loss in FY22. Normalised loss before income tax was NZ$0.9 million (NZ GAAP Loss before income tax of NZ$0.4 million) compared to loss of NZ$5.6 million in FY22 (NZ GAAP Loss before income tax of NZ$8.3 million).
- Strong cash balance of NZ$44.7 million with no debt.

FY24 Outlook

- Product revenue guidance of NZ$72-75 million (delivering 25-30% constant currency growth on FY23) and total revenue of NZ$73-76 million. Guidance assumes an average NZD/USD exchange rate of 0.65, compared to the average rate of 0.62 in FY23. Myriad and Symphony™ are expected to be the primary drivers of AROA's product revenue growth. TELA Bio, Inc. has forecasted 45%-57% CY23 revenue growth and is expected to consume high safety stock levels during H1.[3] This may temper FY24 demand.
- Product gross margins are expected to improve to 85%, reflecting growth in the sales mix of the higher margin Myriad and Symphony products despite assumed currency headwinds.
- AROA is continuing to invest in its US sales operations and product development to drive medium term growth. Normalised EBITDA profit expected to be maintained at NZ$1–2 million and targeting increasing profitability beyond FY24.
- Guidance is subject to no material decline in US medical procedure numbers or sustained disruption to AROA's manufacturing or transportation activities and TELA Bio, Inc. delivering on its CY23 revenue guidance.[3]
- AROA will host a webinar today at 9.00am AEST to discuss the results. Click here to register.

[1] Constant currency removes the impact of exchange rate movements. This approach is used to assess the AROA group's ('Group') underlying comparative financial performance without any distortion from changes in foreign exchange rates, specifically the USD. The exchange rate of US$0.62/NZ$1.00 has been used in the constant currency analysis. All references in this announcement to 'constant currency' or 'CC' are as set out in this footnote.

[2] Normalised EBITDA is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess the Group's comparative financial performance without any distortion from the one-off transactions. The impact of non-cash share-based payments expense and unrealised foreign currency gains or losses has also been removed from the Profit or Loss. This approach is used by Management and the Board to assess the Group's comparative financial performance. All references to normalized EBITDA in this announcement are as set out in this footnote.

[3] Refer to TELA Bio, Inc.'s news release dated 11 May 2023.

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Soft tissue regeneration company Aroa Biosurgery Limited (ASX: ARX, 'AROA' or the 'Company') is pleased to release its audited full year results for the period ended 31 March 2023.

FY23 Results

Normalised Profit or Loss

	Reported 2023 NZ$000	Reported 2022 NZ$000	Reported YoY %	CC 2023 NZ$000	CC 2022 NZ$000	CC YoY %
Product revenue	60,512	39,154	55	60,383	43,816	38
Normalised other revenue[1]	1,090	526	107	1,083	589	84
Total revenue	**61,602**	**39,680**	55	**61,466**	**44,405**	38
Gross profit	**51,718**	**30,303**	71	**51,582**	**35,028**	47
Product gross margin %	**84%**	**76%**	800 bps	**84%**	**79%**	500 bps
Other income	1,734	1,116	55	1,734	1,116	55
Normalised selling and administrative expenses [1]	(45,131)	(27,693)	63	(45,446)	(29,856)	52
Research and development	(10,612)	(8,354)	27	(10,612)	(8,354)	27
Total normalised operating expenses	**(55,743)**	**(36,047)**	55	**(56,058)**	**(38,210)**	47
Normalised EBIT	**(2,292)**	**(4,629)**	(50)	**(2,741)**	**(2,066)**	33
Add back: Depreciation & amortisation	3,834	3,132	22	3,834	3,148	22
Normalised EBITDA	**1,542**	**(1,498)**	203	**1,093**	**1,081**	1
Normalised net finance income (expense)[1]	1,394	(954)	246	931	(749)	224
Normalised loss before income tax	**(898)**	**(5,583)**	(84)	**(1,810)**	**(2,815)**	(36)

1. These items have been normalised by the amounts outlined within the section headed 'Reconciliation of Normalised Profit or Loss to NZ GAAP Profit or Loss' at the end of this announcement.

Product Revenue

Product revenue for the year was NZ$60.5 million (NZ$60.4 million in constant currency) representing growth of 55% on the previous year (38% in constant currency). Myriad, OviTex™[4] and OviTex PRS products were the major contributors to the growth whereas Endoform™ grew modestly as expected. Myriad sales contributed 22% to total product sales, growing 2686% (236% on a constant currency basis) to NZ$13.6 million. OviTex and OviTex PRS contributed 58% to total product sales, with Endoform making up the balance.

Ex-USA product revenue for the year was NZ$1.7 million, representing 60% growth on the prior year.

Normalised Other Revenue

Normalised other revenue grew to NZ$1.1 million, compared to NZ$0.5 million in the previous year. Normalised other revenue represents project fees income received for product development projects undertaken with TELA Bio, Inc. ('TELA Bio'), but excludes the 'one off' royalty payment of NZ$1.8m received from TELA Bio during the year.

Product Gross Margin %

FY23 full year product gross margin of 84% (84% on a constant currency basis), representing an 8% increase on FY22, primarily resulted from growth in sales of high margin Myriad products, manufacturing efficiency improvements and favourable foreign exchange movements. Product

[4] OviTex is a trademark of TELA Bio, Inc.

gross margin grew 5% on FY22 on a constant currency basis.

Other Income
Other income was NZ$1.7 million, compared to NZ$1.1 million in the previous year. This comprised of tax credits of NZ$1.6 million under the Research & Development Tax Incentive program (compared to NZ$1.0 million previously), rental and grant income.

Normalised Operating Expenses & EBITDA
Selling and administrative expenses were NZ$45.1 million, representing a 63% increase (52% in constant currency) from NZ$27.7 million in FY22. This increase primarily reflects annualization of the prior year's investment and incremental investment during FY23 into the Company's US-based sales operations and aggregate commission payments to US sales staff for increased Myriad sales.

Research and development expenses were NZ$10.6 million, compared to NZ$8.4 million in FY22. This was largely attributable to the increased investment into the Company's second platform technology (Enivo™) increasing from approximately NZ$5 million in FY22 to NZ$7 million in FY23.

AROA capitalised NZ$1.3 million of development costs in FY23 in line with the NZ Equivalent to International Accounting Standard (NZ IAS 38). These development costs primarily represent investments made into existing product line extensions and manufacturing process improvements, where the Company has certainty of the investments generating future economic benefits.

AROA generated a normalised EBITDA profit of NZ$1.5 million in FY23, compared to a NZ$1.5 million loss in FY22. The Normalised loss before income tax was NZ$0.9 million (NZ GAAP Loss before income tax of NZ$0.4 million) compared to loss of NZ$5.6 million in FY22 (NZ GAAP Loss before income tax of NZ$8.3 million).

Notably in the absence of the Enivo investment in FY23, AROA would have delivered a normalised EBITDA profit of NZ$8.5 million, reflecting a normalised EBITDA margin of 14%.

Cashflows
Net cash outflows from operating activities improved to NZ$3.8 million (compared to previous outflows of NZ$11.5 million) as a result of the Company's improved operating performance. AROA's reported positive EBITDA was offset by an increase in the Company's working capital position resulting from year-on-year sales growth. Operating cashflows were also impacted by the timing of OviTex and OviTex PRS sales during the last quarter of the financial year (with subsequent receipts in Q1 of FY24).

Purchases of property plant and equipment were NZ$6.0 million (compared to NZ$4.5 million in FY22) primarily reflecting the Company's investment into plant and equipment to further expand its manufacturing capacity. As noted in the previous section, AROA commenced capitalising development costs in FY23.

Cash on hand and term deposits were NZ$44.7 million as at 31 March 2023 compared to NZ$56.2 million as at 31 March 2022. The Company remains debt-free.

FY24 Outlook

AROA plans ongoing investments into two key areas to drive growth and to facilitate increasing profitability beyond FY24.

The Company will continue investing into its US sales operations to build on Myriad sales momentum, and the recent launch of Myriad Morcells™ Fine. Symphony, comprised of AROA ECM™ and hyaluronic acid, is also a notable addition to our product portfolio. It targets diabetic and venous ulcers in patients

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with severely impaired healing and builds on our established Endoform business in the outpatient setting.

The other key area of investment will be to accelerate the Company's new products pipeline, with a particular focus on Enivo. Management estimates the Total Addressable Market for Enivo alone to be in excess of $1 billion and it is expected to be used synergistically with existing AROA ECM products.

The Company expects to continue delivering growth in FY24, with forecasted product revenue of NZ$72-75 million. This reflects constant currency growth of 25-30% on FY23, based on an assumed US$/NZ$ exchange rate of US$0.65/NZ$1.00 rather than the average exchange rate of US$0.62/NZ$1.00 during FY23.

While TELA Bio is expected to continue strong growth of 45-57% in CY23,[3] the Company has assumed modest growth in FY24 product sales to TELA Bio due to high safety stock levels during H1 and lumpy shipments of replacement SKU's. This may temper H1 FY24 demand.

The Company anticipates product gross margins to improve to 85%, despite the assumed currency headwinds and increased indirect overheads for further manufacturing capacity expansion. This reflects forecasted increases in sales of Myriad and Symphony (which have higher margins) and expected improvements in manufacturing efficiency.

AROA expects to end FY24 with a normalised EBITDA profit of NZ$1–2 million, even with the continued investment into its US sales operations and new products pipeline and the assumed currency headwinds.

Had AROA assumed a constant currency at US$0.62/NZ$1.00, product revenues, gross margin and normalised EBITDA would have been guided to NZ$76-$79 million, 85–86% and NZ$3–4 million respectively.

This guidance is subject to there being no material decline in US medical procedure numbers or sustained disruption to AROA's manufacturing or transportation activities and TELA Bio delivering on its CY23 revenue guidance of US$60-65 million.[3] It also assumes an average NZ$/US$ exchange rate of 0.65 (compared to the average exchange rate of 0.62 in FY23).

Commenting on AROA's outlook for FY24, Managing Director and CEO Brian Ward said: "FY23 was a pivotal year for AROA, marking our first year of normalised EBITDA profitability as a publicly listed company.

We are committed to demonstrating that we can deliver strong top-line growth and manage expenses to transition to become highly profitable in the medium term.

We are particularly focused on disciplined sales expansion and advancing our product portfolio to deliver a step change in healing outcomes. With our current cash balance of ~NZ$45M we are well placed execute our plans.

We are further encouraged by TELA Bio's revenue forecast which continues to reflect strong year-on-year growth."

Investor Webinar

The Company will hold a webinar with CEO Brian Ward and CFO James Agnew today, Wednesday 31 May 2023 at 9.00am AEST, to discuss the results released to the ASX this morning.

Investors can register for the webinar via the following link:

https://us02web.zoom.us/webinar/register/WN_wtXo-firRraJrEtIE7aY4A#/registration

Investors can submit questions prior to the webinar to shinsley@aroabio.com or do so via the Q&A function on Zoom.

AROA™

Reconciliation of Normalised Profit or Loss to NZ GAAP Profit or Loss

Reconciliation of Normalised Profit or Loss to NZ GAAP Profit or Loss

	Reported 2023 NZ$000	Reported 2022 NZ$000
Normalised loss before income tax	**(898)**	**(5,583)**
Other revenue	1,759	-
Share based payments	(2,578)	(2,965)
Transaction costs		(50)
Unrealised FX gains	1,333	336
Loss before income tax (NZ GAAP)	**(384)**	**(8,261)**

Other Revenue
Other revenue of NZ$1.8 million represents receipt of a royalty payment during the current year ($nil in previous year), from TELA Bio. This represents TELA Bio's final royalty payment to AROA pursuant to the parties' licensing agreement.

Share Based Payments
Share based payments is a non-cash expense that reflect the three-year grant of share options issued to the CEO and Directors of the Company in H2 of FY23; the vesting of grants made to employees and Directors on the Groups "IPO" in 2020; and to "one-off" grants to certain employees, including the US based sales team during FY23.

Transaction Costs
Transaction costs of NZ$0.1 million in FY22 reflect the costs associated with the capital raise in August 2021.

Unrealised FX gains
Unrealised FX gains are non-cash gains that reflect the gain on US$ denominated transactions that have not been completed as at the reporting date.

< ENDS >

Authorised on behalf of the Aroa Biosurgery Board of Directors by Brian Ward, CEO.

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About AROA™

Aroa Biosurgery is a soft-tissue regeneration company committed to 'unlocking regenerative healing for everybody'. We develop, manufacture, sell and distribute medical and surgical products to improve healing in complex wounds and soft tissue reconstruction. Our products are developed from a proprietary AROA ECM™ technology platform, a novel extracellular matrix biomaterial derived from ovine (sheep) forestomach. Over 6 million AROA products have been used globally in a range of procedures to date, with distribution into our key market of the United States via our direct sales force and our partner TELA Bio, Inc. Founded in 2008, AROA is headquartered in Auckland, New Zealand and is listed on the Australian Securities Exchange (ASX: ARX). www.aroabio.com

About Myriad™

Myriad Matrix™ is an extracellular matrix graft, composed of AROA ECM and designed for soft tissue reconstruction and complex wounds. Myriad Morcells™ is a powder format of Myriad Matrix that easily conforms to optimize contact with irregular wound beds.

About Endoform™

Endoform™ products are unique extracellular matrix products, composed of AROA ECM, for the management of acute and chronic wounds.

About Symphony™

Symphony is a new product which has been developed off the strength of AROA ECM. It is applied as a graft and is surgically fixed at the margins. It is designed to support healing during the proliferative phase to reduce time to wound closure, particularly in patients whose healing is severely impaired or compromised due to disease.

About Enivo™

This is a new Tissue Apposition Platform which AROA is developing, designed to close tissue cavities at a surgical site created by surgical dissection or tissue removal. It is comprised of a specially designed AROA ECM implant that is coupled to an external negative pressure pump. When the product is deployed, the tissue surfaces are drawn together, held in place and tissue fluids are carried by the vacuum to an external fluid collection bag. AROA intends to develop and launch a new class of products utilising this new platform technology.

About OviTex™ and OviTex PRS

OviTex and OviTex PRS are reinforced bioscaffolds manufactured by AROA. The products are based on AROA ECM technology, co-developed with our partner, TELA Bio, Inc. ('TELA Bio') and sold by TELA Bio in the United States and Europe. TELA Bio is licensed to sell OviTex for abdominal wall reconstruction and hernia repair. Since the first hernia product was launched in 2016, the portfolio has expanded to include hernia products for minimally invasive surgery (robotic) and the launch of OviTex PRS (licensed to TELA Bio for breast reconstruction).

FINANCIAL REPORT TO 31 MARCH 2023

APPENDIX 4E – ASX Listing Rule 4.2A

Aroa Biosurgery Limited
ARBN 638 867 473

1. Details of the reporting period and the previous corresponding period

Reporting period	31 March 2023
Previous corresponding period	31 March 2022

2. Results for announcement to the market

			2023 NZ$000	2022 NZ$000
2.1 Revenue – Product sales	Up	55%	60,512	39,154
Revenue – Other	Up	442%	2,848	526
2.2 Loss before tax from ordinary activities	Down	95%	(384)	(8,261)
Normalised* loss before tax from ordinary activities	Down	84%	(898)	(5,582)
2.3 Loss after tax from ordinary activities attributable to members	Down	95%	(396)	(8,386)
2.4 Dividends			Nil	Nil
2.5 Record date for dividend entitlement			Not applicable	Not applicable

2.6 Brief explanation of figures 2.1 to 2.3:

Refer to the commentary included within our presentation of results with the consolidated financial statements.

* The normalised profit or loss is non-conforming financial information and has been provided to assist users of financial information to better understand and assess the comparative financial performance without any distortion from NZ GAAP accounting treatment specific to one-off milestone payment, unrealised FX gain. The impact of non-cash share-based payments expense has also been removed from the Profit or loss.

3. Net tangible assets

	2023	2022
Net tangible assets* (NZ$000)	77,865	77,889
Total number of securities on issue**	343,109,468	342,461,133
Net tangible assets per security (NZ$)	0.23	0.23

* Net tangibles assets exclude all Intangible assets and Right of use assets, as reported within the Consolidated Statement of Financial Position
**Total number of securities on issue excludes all share options on issue.

4. **Details of entities over which control has been gained or lost during the period:** Not applicable
5. **Details of dividends paid:** Not applicable
6. **Details of dividend reinvestment plans:** Not applicable
7. **Details of associates and joint venture entities:** Not applicable

FINANCIAL REPORT TO 31 MARCH 2023

APPENDIX 4E – ASX Listing Rule 4.2A (continued)

8. **Set of accounting standards used in preparation of the consolidated financial statements:** NZ equivalent to International Financial Reporting Standards

This report is based on the consolidated financial statements for the year ended 31 March 2023, which have been audited by BDO Auckland (the Company's auditor) with the Independent Auditor's Report included in the 31 March 2023 consolidated financial statements. The report is not subject to an audit report that includes a modified opinion, emphasis of matter or other matter paragraph.

This report should be read in conjunction with the consolidated financial statements for the year ended 31 March 2023 and any public announcements made by Aroa Biosurgery Limited during the reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

Dated 31 May 2023

James Agnew
Company Secretary

AROA BIOSURGERY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2023

Unlocking regenerative healing for every*body*

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DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 March 2023

The Directors are pleased to present the consolidated financial statements of Aroa Biosurgery Limited and the Group ("Group") for the year ended 31 March 2023.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Group as at 31 March 2023 and the results of their operations and cash flows for the year ended 31 March 2023.

The Directors consider that the consolidated financial statements of the Group have been prepared using accounting policies appropriate to the Group's circumstances, consistently applied and supported by reasonable and prudent judgments and estimates and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that the proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and enables them to ensure that the financial statements comply with the Financial Reporting Act 2013.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken of safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Approved for and on behalf of the Board of Directors on 31 May 2023.

Jim McLean - Chairman

Brian Ward – CEO

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AROA BIOSURGERY LIMITED

Opinion

We have audited the consolidated financial statements of Aroa Biosurgery Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 March 2023, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of movements in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or any of its subsidiaries.

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.

Recognition of revenue – TELA Bio revenue share

Key Audit Matter	How The Matter Was Addressed in Our Audit
The Group's largest customer is TELA Bio who is the Group's sales and distribution partner for abdominal wall reconstruction, hernia repair and breast reconstruction in North America and Europe. The contract with TELA Bio entitles the Group to an agreed percentage of TELA Bio's net sales. This revenue is considered to be variable consideration ("revenue share"). The consideration is variable since the quantum of TELA Bio's inventory that is	• We have evaluated Management's revenue recognition policy based on our understanding of the contract with TELA Bio and the requirements of NZ IFRS15 - *Revenue from contracts with customers*. • We have obtained Management's calculations and accounting paper prepared for the revenue share accrual and evaluated the reasonableness of key inputs and assumptions. The key

Recognition of revenue – TELA Bio revenue share

Key Audit Matter	How The Matter Was Addressed in Our Audit
eventually sold and the price that it is sold at are uncertain. Variable consideration to be recognised is estimated by using the expected value method. The estimation is based on information that is reasonably available to the Group which incorporates key factors including sales history, forecast revenue growth, expiry date of inventory held, and average selling prices achieved by TELA Bio. The amount of variable consideration is only recorded by the Group to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the year ended 31 March 2023, Management changed their accounting estimate for the TELA Bio revenue share to include a 20% revenue growth factor as disclosed in Note 2 Summary of significant accounting policies of the consolidated financial statements. We consider this to be a key audit matter because of the judgement involved in determining the variable consideration and the quantum of the accrued revenue of $11.07m. Refer to Note 2 Summary of significant accounting policies – *change in accounting estimates* and Note 3 Revenue and segment information of the consolidated financial statements.	inputs included sales history, 20% revenue growth factor, expiry dates of inventory held, and average selling prices achieved by TELA Bio. • We have obtained confirmation from TELA Bio, confirming their stock holding, sales history and the actual revenue share for their sales made in the year ended 31 March 2023. • We have compared the key inputs and assumptions with those used by Management last year and considered if these are indicative of Management bias. • We considered if the amount of variable consideration estimated is only recorded by the Group to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur. • We have reviewed the disclosures in Notes 2 and 3 to the consolidated financial statements, including the revenue recognition policy, to the requirements of the accounting standard.

Goodwill impairment

Key Audit Matter	How The Matter Was Addressed in Our Audit
The Group has recognised goodwill on a historical acquisition. The goodwill balance of $5.538m at 31 March 2023 is subject to an annual impairment test in accordance with NZ IAS 36 - *Impairment of Assets*. Management performed their impairment test, by considering the recoverable amount of the Cash Generating Unit ('CGU') (to which goodwill is allocated) using a value in use calculation. This calculation is complex and subject to key inputs and assumptions such as	• We obtained an understanding of key controls relating to the review and approval of the impairment review. • We obtained Management's impairment assessment including the value in use calculation prepared for the CGU. We evaluated and challenged the key inputs and assumptions. The key inputs included revenue growth rates, terminal growth rate, gross margins and discount rate.

Goodwill impairment

Key Audit Matter	How The Matter Was Addressed in Our Audit
discount rates and future cash flows, which inherently include a degree of estimation uncertainty and are prone to potential bias and inconsistent application and therefore considered to be a key audit matter. Refer to Note 13 Intangible assets of the consolidated financial statements.	• We assessed the accuracy of previous forecasts to actual performance to form a view on the reliability of Management's forecasting ability and to understand key differences between historical actual versus forecast performance. • We engaged our internal valuation experts to assess the methodology used by Management in their value in use calculation is in accordance with NZ IAS 36 - *Impairment of Assessments*, the accuracy of the model and to assess the terminal growth rate and discount rate based on our expert's market and valuation knowledge. • We reviewed Management's sensitivity analysis performed on key inputs and assumptions to determine the extent to which any changes would affect the recoverable amount of the CGU. We also considered and tested alternate sensitivities. • We compared the carrying value of the CGU to the recoverable amount determined by the value in use calculation to identify any impairment losses. • We have reviewed the disclosures in Note 13 to the consolidated financial statements, including impairment and sensitivity analysis, to the requirements of the accounting standard.

Share based payment arrangements

Key Audit Matter	How The Matter Was Addressed in Our Audit
The Group issued options to certain employees, including Directors, under the share based payment arrangements during the year ended 31 March 2023. The share based payment arrangements included both market based and non-market based vesting conditions. In determining the value of the new arrangements, the Group used the services of a third-party valuation specialist. The Group also had existing share based payment arrangements that were exercised and forfeited during the year.	• We evaluated Management's assessment on the treatment of the share based payments arrangement in accordance with NZ IFRS 2 – *Share-based Payment*. • We agreed the terms of the share based payment arrangements issued during the year to contracts. • We assessed, in conjunction with our internal valuation experts, the appropriateness of the valuation methodology used by Management's

Share based payment arrangements

Key Audit Matter	How The Matter Was Addressed in Our Audit
There is judgement involved in determining the value of share based payment arrangements and subsequent recording of the fair value as an expense over the estimated vesting period. As a result, and given the magnitude of the expense in the current year, the audit of the share based payment arrangements was considered a key audit matter. The share based payments expense recorded for the year ended 31 March 2023 is $2.58m resulting in a share based reserve of $7.179m as at 31 March 2023. Details of these share based payment arrangements are disclosed in Note 5 Employee benefit expenses and Note 19 Share based payments reserve of the consolidated financial statements.	specialist and the key input assumptions such as volatility rates, expected life and probability of achieving the market-based performance conditions. • We assessed the Group's judgements in relation to the probability of achieving non-market based vesting conditions. • We recalculated the share based payments expense recorded in the Statements of Profit or Loss and Other Comprehensive Income over the relevant vesting periods. • We have reviewed the disclosures in Note 5 and 19 in relation to the share based payment arrangements to the requirements of the accounting standard.

Other Information

The directors are responsible for the other information. The other information comprises the Aroa Biosurgery FY23 Results and FY24 Outlook, and Appendix 4E – ASX Listing Rule 4.2A (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditors report, and the Annual report, which is expected to be made available to us after that date.

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, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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.

When we read the annual report (but does not include the consolidated financial statements and our auditor's report thereon), if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group 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 on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the 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 Blair Stanley.

BDO Auckland

BDO Auckland
Auckland
New Zealand
31 May 2023

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 $000	2022 $000
Revenue	3	63,360	39,680
Cost of sales		(9,884)	(9,377)
Gross profit		**53,476**	**30,303**
Other income	3	1,734	1,116
Selling and administrative expenses		(47,709)	(30,708)
Research and development expenses		(10,612)	(8,354)
Operating loss before net financing costs	4,5	**(3,111)**	**(7,643)**
Finance income	6	3,111	535
Finance expenses	6	(384)	(1,153)
Net finance expenses		**2,727**	**(618)**
Loss before income tax		**(384)**	**(8,261)**
Income tax expense	7	(12)	(125)
Loss for the year attributable to shareholders		**(396)**	**(8,386)**
Other comprehensive income			
Items that will or maybe reclassified to profit or loss			
Exchange loss arising on translation of foreign operations		(1,328)	(385)
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income	9	21	(345)
Total other comprehensive income		**(1,307)**	**(730)**
Total comprehensive loss for the year attributable to shareholders		**(1,703)**	**(9,116))**

Earnings per share during the year:

Basic earnings per share (cents)	20	(0.12)	(2.45)
Diluted earnings per share (cents)	20	(0.12)	(2.45)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 $000	2022 $000
Current assets			
Cash and cash equivalents	8	9,540	6,165
Term deposits	8	35,134	50,000
Derivative assets		192	-
Trade and other receivables	10	14,329	12,399
Inventories	11	4,831	3,981
Prepayments		1,439	1,325
Contract assets	3(a)	11,071	4,770
Tax receivable		339	-
Financial assets at fair value through other comprehensive income	9	1,260	1,239
Total current assets		**78,135**	**79,879**
Non-current assets			
Property, plant, and equipment	12	14,234	10,023
Prepayments		126	149
Right of use assets	16	6,403	5,333
Intangible assets	13	17,623	17,269
Total non-current assets		**38,386**	**32,774**
Total assets		**116,521**	**112,653**
Current liabilities			
Trade and other payables	14	3,607	3,089
Employee benefits	15	3,745	2,982
Lease liabilities	17	559	589
Tax payables		-	51
Total current liabilities		**7,911**	**6,711**
Non-current liabilities			
Provisions		171	164
Lease liabilities	17	6,548	5,287
Total non-current liabilities		**6,719**	**5,451**
Total liabilities		**14,630**	**12,162**
Net assets		**101,891**	**100,491**
Equity			
Share capital	18	146,491	145,755
Share based payment reserve	19	7,179	4,812
Foreign currency translation reserve		(1,515)	(187)
Equity investment reserve	9	1,260	1,239
Accumulated losses		(51,524)	(51,128)
Total equity		**101,891**	**100,491**

On behalf of the Board
31 May 2023

J.N. McLean   B.R. Ward

Jim McLean - Chairman   **Brian Ward –** CEO

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

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 March 2023

	Notes	Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Equity Investment Reserve	Share Based Payment Reserve	Total Equity
		$000	$000	$000	$000	$000	$000
Balance as at 1 April 2022		**145,755**	**(51,128)**	**(187)**	**1,239**	**4,812**	**100,491**
Comprehensive income							
Loss for the year		-	(396)	-	-	-	(396)
Other comprehensive income for the year		-	-	(1,328)	21	-	(1,307)
Total comprehensive income for the year		**-**	**(396)**	**(1,328)**	**21**	**-**	**(1,703)**
Transactions with shareholders							
Employee shares exercised	18/19	564	-	-	-	(211)	353
Employee shares forfeited	19	-	-	-	-	(98)	(98)
Share based payments	18/19	172	-	-	-	2,676	2,848
Total transactions with shareholders		**736**	**-**	**-**	**-**	**2,367**	**3,103**
Balance as at 31 March 2023		**146,491**	**(51,524)**	**(1,515)**	**1,260**	**7,179**	**101,891**
Balance as at 1 April 2021		**97,316**	**(42,742)**	**198**	**1,584**	**2,130**	**58,486**
Comprehensive income							
Loss for the year		-	(8,386)	-	-	-	(8,386)
Other comprehensive income for the year		-	-	(385)	(345)	-	(730)
Total comprehensive income for the year		**-**	**(8,386)**	**(385)**	**(345)**	**-**	**(9,116)**
Transactions with shareholders							
Issue of equity securities	18	47,740	-	-	-	-	47,740
Employee shares exercised	18/19	457	-	-	-	(283)	174
Employee shares forfeited	19	-	-	-	-	(162)	(162)
Share based payments	18/19	242	-	-	-	3,127	3,369
Total transactions with shareholders		**48,439**	**-**	**-**	**-**	**2,682**	**51,121**
Balance as at 31 March 2022		**145,755**	**(51,128)**	**(187)**	**1,239**	**4,812**	**100,491**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Note	2023 $000	2022 $000
Cash flows from operating activities			
Cash receipts from sales revenue		52,408	29,376
Cash receipts from license fees, project fees, and grant income		4,167	1,654
Cash paid to suppliers and employees		(60,952)	(41,329)
Interest received		1,170	136
Interest paid		-	(1,340)
Income tax paid		(565)	(19)
Net cash outflow from operating activities	25a	**(3,772)**	**(11,522)**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(6,029)	(4,455)
Purchase of intangible assets	13	(250)	(416)
Capitalised development costs	13	(1,332)	-
Proceeds from term deposits	8	14,866	-
Purchase of term deposits	8	-	(30,000)
Net cash inflow / (outflow) from investing activities		**7,255**	**(34,871)**
Cash flows from financing activities			
Proceeds from issue of shares		520	50,324
Transaction costs related to issues of equity securities		-	(2,214)
Repayment of deferred consideration		-	(9,514)
Lease liability – Principal payments		(645)	(575)
Lease liability – Interest payments		(379)	(388)
Net cash (outflow) / inflow from financing activities	25b	**(504)**	**37,633**
Net increase / (decrease) in cash and cash equivalents		**2,979**	**(8,760)**
Effect of exchange rate fluctuations on cash and cash equivalents		396	(456)
Cash and cash equivalents at beginning of year		6,165	15,381
Cash and cash equivalents at end of year	8	**9,540**	**6,165**

Note: The Group has term deposits of $35,134,000 as at the reporting date (31.03.2022: $50,000,000). In line with *NZ IAS 7 Statement of Cash Flows,* term deposit with an initial maturity of more than three months does not become part of cash and cash equivalent and are therefore excluded in the cash and cash equivalent position in the statement of cash flows (refer to note 8).

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

Aroa Biosurgery Limited ("the Company") together with its subsidiaries (the "Group") is a leading soft tissue regeneration company which develops, manufactures and sells medical devices for wound and soft tissue repair using its proprietary extracellular matrix (ECM) technology.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 64 Richard Pearse Drive, Airport Oaks, Auckland.

The consolidated financial statements of Aroa Biosurgery Limited and its subsidiaries (the "Group") for the year ended 31 March 2023 comprise the Company and its two subsidiaries, Aroa Biosurgery Incorporated and Mesynthes Nominee Limited. All subsidiary entities have a reporting date of 31 March.

Equity holding	Principal Activity	Place of Business	2023 %	2022 %
Aroa Biosurgery Incorporated	Sales & Distribution	US	100	100
Mesynthes Nominee Limited	Nominee Shareholder	NZ	100	100

Aroa Biosurgery Incorporated is a subsidiary of Aroa Biosurgery Limited and is incorporated and domiciled in the United States. The address of its registered office is 9155 Brown Deer Road #2, San Diego, California 92121. Mesynthes Nominee Limited is a subsidiary of Aroa Biosurgery Limited and is incorporated and domiciled in New Zealand. The address of its registered office is 64 Richard Pearse Drive, Airport Oaks, Auckland.

The consolidated financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993. These consolidated financial statements were authorised for issue by the Board of Directors on 31 May 2023.

2. Summary of significant accounting policies

Statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS, as appropriate for profit orientated entities. The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS").

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following item (refer to individual accounting policies for details):

- Financial assets at fair value through other comprehensive income
- Derivative assets at fair value through profit or loss

Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars ($) which is the Company's functional and Group's presentation currency. All financial information is presented in New Zealand dollars rounded to the nearest thousands, except where otherwise indicated.

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Significant estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and judgements were made in respect of:

- TELA Bio Incorporated ("TELA Bio") accrued revenue (refer to notes 3 and 10 and "Change in accounting estimates - Tela Bio Accrued Revenue", as discussed below)
- the likely term of leased premises, which impacts leasehold improvements assets and right of use assets capitalised (refer to notes 12 and 16)
- impairment of intangible assets (refer to note 13)
- the value of development expenditure capitalised (refer to note 13)
- the value of share-based payments (refer to note 19)

2. Summary of significant accounting policies (continued)

Use of estimates and judgements (continued)

Management assessed its impact on financial statement areas as outlined below.

- Going concern: The Directors have concluded that the Company is a going concern. Refer below.
- Investments: The Group's financial assets include listed equities. Management is satisfied that there is no impairment to the value as of reporting date (refer to note 9).
- Intangible assets: The Group measured the recoverable amounts of assets by assessing the recoverable amount based on value in use calculations for goodwill. No impairment was noted (refer to note 13).

Change in accounting estimates - Tela Bio Accrued Revenue

As disclosed in note 3 (a), TELA Bio is the Group's largest customer and sales and distribution partner for abdominal wall reconstruction, hernia repair, and breast reconstruction in North America and Europe. The contract with TELA Bio entitles the Group to an agreed percentage of TELA Bio's net sales.

The consideration from TELA Bio is received from a transfer price for the products shipped to TELA Bio, with the balance of the consideration received on a quarterly true up to the agreed percentage based on TELA Bio's net sales. Using the expected value method, the Group estimates the true up on TELA Bio's inventory at the reporting date, having considered the expected sale of those products by TELA Bio. In prior year estimates, the Group has assumed TELA Bio sales levels for the six months preceding reporting date remain constant (0% growth). Having considered TELA Bio's historical sales growth rate in conjunction with TELA Bio's recent CY23 revenue guidance of 45% to 53% growth, the Group has applied a 20% growth factor to TELA Bio's last six months' sales, reflecting a more accurate estimation of the True Up.

The change in accounting estimates has resulted in a recognition of $835,808 in incremental accrued revenue in the current year. In accordance with NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting estimate is recognised prospectively by including it in profit or loss in the financial year ended 31 March 2023.

Change in accounting estimates – Inventory valuation

During the year, the Company changed the inventory valuation methodology from weighted average cost to standard cost. The change in accounting estimates has resulted in a reduction of inventory value and an increase in the cost of goods sold by $37,408. In accordance with NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting estimate is recognised prospectively by including it in profit or loss in the financial year ended 31 March 2023.

Going concern

The Group posted a net loss before tax of $384,000 for the year (2022: $8,261,000). The Group posted total operating cash outflow of $3,772,000 (2022: outflow of $11,522,000).

The Directors have continued to apply the going concern assumption as the basis of the preparation of the consolidated financial statements.

In reaching their conclusion that the going concern assumption is appropriate, the Directors have considered the ability to achieve financial performance and cash flow forecasts prepared by management, and the sufficiency of the cash on hand as at the reporting date.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at the reporting date and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions and balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

New standards, interpretations and amendments not yet effective

There are no new standards, amendments or interpretations that have been adopted or are not yet effective that have a material impact on the Group.

3. Revenue and segment information

The Group is in the business of developing, manufacturing and selling soft tissue repair products. Revenue from contracts with customers is recognised when performance obligations pursuant to that contract are satisfied by the Group.

The Group has identified the following main categories of revenue:

Sales of goods

The Group's revenue primarily consists of the sale of its products. Revenue is recorded when the customer takes possession of the product. All contracts with customers are standardised and satisfy the criteria of transaction approval, identification of each party's rights, payment terms, commercial substance, and probable collection based on the customer's ability and intention to pay. Revenue is recognised at a point in time when control over the product transfers to the customer, which is assessed to be at the time of receipt of goods by the customer.

The Group also sells its products via a distributor model whereby the sales are made direct to a distributor being the customer of the Group, with the distributor permitted to resell the Aroa products to an end user. The Group has assessed these arrangements to consider that control passes to the distributor at the point the distributor takes possession of the products. The Group considers itself to be acting as principal in the sale of goods to distributors and recognise revenue on a gross basis.

All contracts with distributors are standardised and satisfy the criteria of transaction approval, identification of each party's rights, payment terms, commercial substance, and probable collection based on the customer's ability and intention to pay. Revenue is recognised at a point in time when control over the product transfers to the distributor as the customer, which is assessed to be at the time of receipt of goods by the distributor.

a. Revenue share

The Group's largest customer is TELA Bio who is the Group's sales and distribution partner for abdominal wall reconstruction and hernia repair and breast reconstruction in North America and Europe. The contract with TELA Bio entitles the Group to an agreed percentage of TELA Bio's net sales. This revenue is considered to be variable consideration ("revenue share"). The consideration is variable since the quantum of TELA Bio's inventory that is eventually sold and the price that it is sold at are uncertain.

The consideration from TELA Bio is received from a transfer price for the products shipped to TELA Bio, with the balance of the consideration received on quarterly true up to the agreed percentage based on TELA Bio's net sales. The Group estimates the true up on TELA Bio's inventory at the reporting date by using the expected value method. The estimation is based on information that is reasonably available to the Group which incorporates key factors including sales history, forecast revenue growth, expiry date of inventory held and average selling prices achieved by TELA Bio. The amount of variable consideration estimated is only recorded by the Group to the extent that it is highly probable that a significant amount of the cumulative revenue recognised will be received in the future. Amount receivable from Tela Bio at 31 March 2023 in relation to revenue share $11,071,000 (31.03.22 - $4,770,000).

b. Project fees

Project fees received are recognised over time when the performance obligations are fulfilled pursuant to the project development agreement. Any project fees received, for which the requirements under the project agreement have not been completed, are carried as income in advance (liability) until all applicable performance obligations have been fulfilled.

c. Royalties

Royalty payments represents the payments received from TELA Bio upon achievement of cumulative net sales of the products in European territory. Royalty payments are recognised in the statement of profit or loss upon completion of the performance obligation.

	2023 $000	2022 $000
Sales of goods (USA)	58,783	38,077
Sales of goods (Rest of the world)	1,729	1,077
Royalties (USA)	1,758	-
Project fees (USA)	1,090	526
Total revenue	**63,360**	**39,680**

Revenue recognised point in time	62,270	39,154
Revenue recognised over time	1,090	526
Total revenue	**63,360**	**39,680**

3. Revenue and segment information (Continued)

Segment information

Revenues from external customers are from sales of goods and project fees as reflected above.

The Group sells its products and services to external customers who are largely located in the United States of America (the "USA") as reflected in the sales above.

For the purpose of the internal reporting provided to the chief operating decision makers, business activities, performances and any associated assets and liabilities are reviewed as a consolidated group.

Revenues of approximately $37,898,000 (2022: $25,336,000) are derived from a single external customer, being sales of products and services to TELA Bio, which is the Group's sales and distribution partner.

The Group held all of its non-current assets in New Zealand with an exception of the right-of-use assets of approximately $0.1m for the leasehold property in the USA.

Other income

Other income includes research and development related grants and rent income. The Group expects to receive a tax credit payment of $1,500,000 under the Research and Development Tax Incentive program. (2022: $1,064,000).

4. Operating loss before net financing costs

Operating loss before net financing costs includes the following:	Note	2023 $000	2022 $000
Transaction costs relating to issue of securities		-	50
Auditor's fees:			
Statutory audit - BDO		135	113
Other assurance engagements:			
Half-year review - BDO		55	55
Depreciation:			
Property, Plant & Equipment - Research and development *	12	444	369
Property, Plant & Equipment - Other	12	1,354	765
Right of use assets – Research and development *	16	119	115
Right of use assets – Other	16	688	658
Non-executive directors' fees	21	493	411
Insurance		1,187	817
Rental lease costs – low value and short-term leases		142	110
Amortisation:			
Patents	13	74	63
Customer relationships and reacquired rights	13	1,161	1,161
Research and development *		9,936	7,847

* Total research & development expenditure is $10,499,000 (2022: $8,354,000). Research & development expenditure includes employee entitlements of $6,682,000 (2022: $4,461,000), refer to note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. Employee benefit expenses

	Note	2023 $000	2022 $000
Salaries & wages (including bonuses)		37,158	24,071
Employer contributions defined contribution Superannuation scheme inclusive of tax		1,929	2,032
Share based payments	19	2,578	2,965
Total employee benefit expenses		**41,665**	**29,068**

Employee entitlements includes an amount of $6,682,000 (2022: $4,461,000) disclosed as part of research and development expenditures in note 4 and includes an amount of $558,000 (2022: $173,000) relating to share-based payments for shares issued to the Directors as disclosed in note 19.

6. Net finance income/(expenses)

Finance income and finance expenses have been accrued to the reporting date using the effective interest method.

	2023 $000	2022 $000
Finance income		
Interest received on bank balances – financial assets at amortised cost	1,315	403
Other finance income		
Foreign currency gains	1,796	132
Total finance income	**3,111**	**535**
Finance expenses		
Interest expenses – deferred consideration – financial liabilities at amortised cost	-	(747)
Interest expenses – lease liabilities (Note 17)	(378)	(403)
Other finance expenses		
Finance costs – make good provision	(6)	(3)
Total finance expenses	**(384)**	**(1,153)**
Net finance income / (expenses)	**2,727**	**(618)**

7. Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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. Current tax includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences arising on the initial recognition of goodwill; and

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

7. Income taxes (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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, such reductions are reversed when the probability of future taxable profits improves.

Income tax recognised in profit or loss and other comprehensive income

Reconciliation of income tax expense	2023 $000	2022 $000
Accounting loss before income tax	(384)	(8,261)
Income Tax @ 28%	**(108)**	**(2,313)**
Impact of tax rates in overseas jurisdictions	(70)	(30)
Expenses not deductible for tax purposes	278	1,141
Tax credits received subject to tax	(84)	-
Income not subject to tax	(420)	(270)
Prior year tax over provisions	(211)	
Recognition deferred tax on temporary differences	2,396	3,164
Recognition deferred tax on temporary differences and tax losses	(1,769)	(1,567)
Income Tax Expense	**12**	**125**

Major components of tax expense/(income)

	2023 $000	2022 $000
Current tax expense		
Current period	12	125
R&D tax credit	-	-
Total current tax benefit	**-**	**-**
Deferred tax (income)	-	-
Total tax expense	**12**	**125**

As at 31 March 2023, the Company had tax losses of $4,604,581 (2022: $9,520,482). Utilisation of these tax losses is dependent upon the Group meeting the continuity of ownership provisions of the Income Tax Act 2007 and carrying forward and offsetting the net losses against net taxable income earned in subsequent years by the Group.

The Group has elected to defer expenditure relating to research and development allowed under section DB34 of the Income Tax Act 2007. As at 31 March 2023, the Group had $25,524,916 (2022: $16,993,721) of expenditure available to offset against subsequent years income subject to section EJ23 of the Income Tax Act 2007.

Deferred tax assets have been recognised to the extent they offset deferred tax liabilities. No deferred tax has been recognised on tax losses or deferred research and development expenditure in 2023 on the basis that large tax profits are not foreseeable in the year ending 31 March 2024. Total tax effected deferred tax asset not recognised at 31 March 2023 $5,650,000 (31.03.2023 $5,855,000).

7. Income taxes (continued)

Deferred tax assets/(liabilities) recognised:	2023	2022
	$000	$000
Accrued revenue	(3,100)	-
Deferred R&D expenditure	5,425	2,612
Intangible assets	(2,993)	(2,993)
Other temporary differences	276	290
Provision	392	91
Total deferred tax asset/(liability) recognised	-	-

	2023	2022
Deferred tax assets unrecognised (tax effected)	$000	$000
Temporary differences	1,722	1,043
Deferred R&D expenditure	2,639	2,146
Unused tax losses	1,289	2,666
Total deferred tax asset unrecognised (tax effected)	**5,650**	**5,855**

8. Cash and cash equivalents & term deposits

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term deposits with maturities of three months or less and bank overdrafts.

	2023	2022
	$000	$000
Bank balances	9,540	6,165
Total cash and cash equivalents	**9,540**	**6,165**

During the year, the Group entered into short-term deposit arrangements with ASB Bank and Westpac. The term deposits not yet matured as of the reporting date had an average rate of 4.96% (2022: 1.54%) per annum with a maturity of less than 6 months from the reporting date.

	2023	2022
	$000	$000
Term deposits	35,134	50,000
Total term deposits	**35,134**	**50,000**

9. Financial assets at fair value through other comprehensive income

The Group classifies the following financial assets at fair value through other comprehensive income ("FVTOCI"):

- Equity investments for which the Group has elected to recognise fair value gains or losses through other comprehensive income.

Financial assets measured at FVTOCI include the following:

	2023	2022
	$000	$000
US listed equity securities	1,260	1,239
Total financial assets at FVTOCI	**1,260**	**1,239**

The USA listed equity securities comprise of the Group's investment in TELA Bio. The Group held 74,316 (2022: 74,316 shares) shares at a value of US$10.64 per share as at the reporting date (2022: US$11.63).

The fair value of the listed equity securities is based on published market price (level 1 in the fair value hierarchy) and is revalued at reporting date.

10. Trade and other receivables

Trade and other receivables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less provision for impairment.

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

	2023 $000	2022 $000
Trade receivables	12,225	10,385
Less provision for impairment of trade receivables	(580)	(28)
Net trade receivables	**11,645**	**10,357**
Other receivables	1,184	917
Other receivables – Research and Development Tax Incentive accrual	1,500	1,125
Total current trade and other receivables	**14,329**	**12,399**

Trade receivables amounting to $11,645,000 (2022: $10,357,000) are shown net of impairment losses. Provisions have been made appropriately. Trade receivables are interest free. Trade receivables of a short-term duration are not discounted. Other receivables include an accrual of tax credit income relating to the Research and Development Tax Incentive program.

(i) Impaired receivables

As at 31 March 2023, current trade receivables with a nominal value of $580,000 (2022: $28,000) were impaired and provided for.

(ii) Past due but not impaired receivables

As at 31 March 2023, trade receivables of $3,733,000 (2022: $3,175,000) were past due but not impaired. Subsequent to the reporting date, the Group received over $2,800,000 of these past due trade receivables.

The ageing analysis of trade receivables is as follows:

	2023 $000	2022 $000
Current	7,912	7,212
1 - 30 days overdue	2,545	2,733
30 - 60 days overdue	309	163
60 - 90 days overdue	1,422	140
90+ days overdue	37	137
Total trade receivables	**12,225**	**10,385**

11. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the standard cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs to sell. An inventory provision is created to reflect instances where the product is expected to expire before being sold.

	2023 $000	2022 $000
Raw materials	1,911	1,111
Work in progress	2,191	1,228
Finished goods	938	2,047
Provision for obsolescence	(209)	(405)
Total inventories	**4,831**	**3,981**

As at 31 March 2023, inventories of $209,000 (2022: $405,000) value were impaired and provided for.

12. Property, plant & equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

For plant and equipment, depreciation is based on the cost of an asset less its residual value. Where significant components of individual assets that have a useful life that is different from the remainder of those assets, those components are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Assets under construction are not subject to depreciation.

The useful life estimate for the current year of significant items of property, plant and equipment are as follows:

Leasehold improvements	10 years
Plant & equipment	10 years
Fixtures & fittings	3 - 10 years
Computer equipment & software	3 - 4 years

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12. Property, plant & equipment (continued)

Depreciation methods, rates and residual values are reviewed at reporting date and adjusted if appropriate.

	Leasehold Improvements	Capital Work In Progress	Plant and Equipment	Fixture & Fitting	Computer Equipment & Software	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance 1 April 2022	1,631	4,165	8,566	624	1,287	16,273
Additions	46	4,889	397	152	533	6,017
Transfers in/ (out)	2,941	(3,328)	373	13	1	-
Disposals	-	-	(14)	-	-	(14)
Balance 31 March 2023	**4,618**	**5,726**	**9,322**	**789**	**1,821**	**22,276**
Accumulated Depreciation						
Balance 1 April 2022	(1,076)	-	(4,204)	(256)	(714)	(6,250)
Depreciation	(505)	-	(900)	(64)	(329)	(1,798)
Disposals	-	-	6	-	-	6
Balance 31 March 2023	**(1,581)**	**-**	**(5,098)**	**(320)**	**(1,043)**	**(8,042)**
Net Book Value						
Balance 1 April 2022	555	4,165	4,362	368	573	10,023
Balance 31 March 2023	**3,037**	**5,726**	**4,224**	**469**	**778**	**14,234**

	Leasehold Improvements	Capital Work In Progress	Plant and Equipment	Fixture & Fitting	Computer Equipment & Software	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance 1 April 2021	1,586	457	8,559	585	968	12,155
Additions	-	3,936	134	44	341	4,455
Transfers in/ (out)	45	(228)	42	-	141	-
Disposals	-	-	(169)	(5)	(163)	(337)
Balance 31 March 2022	**1,631**	**4,165**	**8,566**	**624**	**1,287**	**16,273**
Accumulated Depreciation						
Balance 1 April 2021	(999)	-	(3,559)	(207)	(683)	(5,448)
Depreciation	(77)	-	(809)	(54)	(194)	(1,134)
Disposals		-	164	5	163	332
Balance 31 March 2022	**(1,076)**	**-**	**(4,204)**	**(256)**	**(714)**	**(6,250)**
Net Book Value						
Balance 1 April 2021	587	457	5,000	378	285	6,707
Balance 31 March 2022	**555**	**4,165**	**4,362**	**368**	**573**	**10,023**

13. Intangible assets

Patents that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Trademarks have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

Patent and trademark costs are amortised on a straight-line basis over the useful life.

Goodwill, customer relationships and reacquired rights are attributable to the purchase of the wound care business entered into between the Group and Hollister Incorporated. Goodwill is not amortised.

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss. An impairment loss recognised for goodwill is not reversed.

Customer relationships and reacquired rights are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current period are as follows:

Patents and trademarks	10 - 25 years
Customer relationships	9 years
Reacquired rights	18 years

Amortisation methods, rates and residual values are reviewed at reporting date and adjusted if appropriate.

Research costs are expensed as incurred. Costs associated with maintaining product development are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique product developments controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets where the following criteria are met:

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

Other development expenditures that do not meet these criteria are expensed when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period. Development costs that have a finite useful life that have been capitalised are amortised from the commencement of the time at which they are available for use on a straight-line basis over the period of its expected benefit, not exceeding five years.

Capitalised development costs are carried at cost less accumulated amortisation and impairment losses.

Capitalised development costs are amortised over the periods the Group expects to benefit from utilising the products. The amortisation expense is included within the administration expenses in profit or loss.

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For the year ended 31 March 2023

13. Intangible assets (continued)

	Patents& Trademarks $000	Customer relationships $000	Reacquired rights $000	Goodwill $000	Capitalised Developme-nt Costs $000	Total $000
Cost						
Balance 1 April 2022	1,354	5,563	9,772	5,538	-	22,227
Additions	257	-	-	-	1,332	1,589
Balance 31 March 2023	**1,611**	**5,563**	**9,772**	**5,538**	**1,332**	**23,816**
Accumulated Depreciation						
Balance 1 April 2022	(314)	(2,472)	(2,172)	-	-	(4,958)
Amortisation	(74)	(619)	(542)	-	-	(1,235)
Balance 31 March 2023	**(388)**	**(3,091)**	**(2,714)**	**-**	**-**	**(6,193)**
Net Book Value						
Balance 1 April 2022	1,040	3,091	7,600	5,538	-	17,269
Balance 31 March 2023	**1,223**	**2,472**	**7,058**	**5,538**	**1,332**	**17,623**

	Patents & Trademarks $000	Customer relationships $000	Reacquired rights $000	Goodwill $000	Total $000
Cost					
Balance 1 April 2021	938	5,563	9,772	5,538	21,811
Additions	416	-	-	-	416
Balance 31 March 2022	**1,354**	**5,563**	**9,772**	**5,538**	**22,227**
Accumulated Amortisation					
Balance 1 April 2021	(251)	(1,854)	(1,629)	-	(3,734)
Amortisation	(63)	(618)	(543)	-	(1,224)
Balance 31 March 2022	**(314)**	**(2,472)**	**(2,172)**	**-**	**(4,958)**
Net Book Value					
Balance 1 April 2021	**687**	**3,709**	**8,143**	**5,538**	**18,077**
Balance 31 March 2022	**1,040**	**3,091**	**7,600**	**5,538**	**17,269**

On 31 March 2023, the Group tested whether goodwill has suffered any impairment. For the purpose of impairment testing, goodwill is allocated to the Group's Wound Care business, at which goodwill is monitored for internal management purposes.

The recoverable amount is determined based on value in use calculations using the method of estimating future cash flows and determining a discount rate in order to calculate the present value of the cash flows.

A discounted cash flow ("DCF") model has been based on five-year forecast cash flow projections. The budget for the year ending 31 March 2024 was the basis for the first year's projections and projections for subsequent years have been based on the Group's long-term outlook. Other key assumptions are as follows:

	2023	2022
Discount rate post tax	10.1%	10.2%
Terminal growth rate	3.5%	3.0%

No impairment was identified for the Wound Care business as a result of this review, nor under any reasonable possible change, in any of the key assumptions described above.

14. Trade and other payables

Trade and other payables are initially recognised at fair value plus directly attributable transaction costs and subsequently at amortised cost. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid.

	2023 $000	2022 $000
Trade payables	1,909	1,333
Accrued expenses	1,693	1,707
Other payables	5	49
Total trade and other payables	**3,607**	**3,089**

Trade payables generally have terms of 30 days and are interest free. Trade payables of a short-term duration are not discounted.

15. Employee benefits

(i) Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that is expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as other payables and accruals in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

	2023 $000	2022 $000
Leave and wages accrual	1,864	1,452
Bonus accrual	1,881	1,530
Employee benefits	**3,745**	**2,982**

16. Right of use assets

	Properties $000	Total $000
As at 1 April 2022	**5,333**	**5,333**
Additions	1,844	1,844
Depreciation	(807)	(807)
Modification adjustment	33	33
As at 31 March 2023	**6,403**	**6,403**

	Properties $000	Total $000
Balance 1 April 2021	5,951	5,951
Depreciation	(773)	(773)
Modification adjustment	155	155
Balance 31 March 2022	**5,333**	**5,333**

Lease liabilities are disclosed in note 17.

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For the year ended 31 March 2023

17. Lease liabilities

	Properties $000	Total $000
As at 1 April 2022	**5,876**	**5,876**
Additions	1,844	1,844
Modification Adjustment	33	33
Interest expenses	378	378
Lease payments	(1,024)	(1,024)
As at 31 March 2023	**7,107**	**7,107**
Current	559	559
Non-current	6,548	6,548
Total	**7,107**	**7,107**

	Properties $000	Total $000
As at 1 April 2021	6,282	6,282
Modification Adjustment	155	155
Interest expenses	403	403
Lease payments	(964)	(964)
As at 31 March 2022	**5,876**	**5,876**
Current	589	589
Non-current	5,287	5,287
Total	**5,876**	**5,876**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

• Leases of low value assets; and
• Leases with a term of 12 months or less

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they are dependent on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability may also include:

• amounts expected to be payable under any residual value guarantee;
• the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option;
• any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

• lease payments made at or before commencement of the lease;
• initial direct costs incurred; and
• the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

17. Lease liabilities (continued)

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

• if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy

• in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount

• if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The Group leases three properties in the jurisdictions in which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. The Group also leases certain items of plant and equipment.

As standard industry practice, the Group's property leases are subject to market rent reviews. A 1% increase in these payments would result an additional $10,000 outflow compared to the current period's cash outflow.

Lease maturity analysis

Refer to note 22.

18. Share capital

(i) Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. These ordinary shares have no par value.

	2023 $000	2022 $000
Share capital at beginning of the year	**145,755**	**97,316**
Shares issued from capital raise	-	47,740
Shares issued under Share & Option Plan (note 19)	736	699
Share capital at end of the year	**146,491**	**145,755**

# of shares	Ordinary shares 31.03.2023	Ordinary shares 31.03.2022
At beginning of year	**342,461,133**	**300,726,414**
Issue of share capital	648,335	41,734,719
At end of year	**343,109,468**	**342,461,133**

19. Share based payments reserve

Share option plan

The Group operates a share option plan for selected employees to provide an opportunity to participate in a Share Option Plan. This is an offer of options to acquire ordinary shares. Under the terms of the plan, a parcel of options was issued to employees with an exercise price equal to the market valuation of shares at the time of offer. The grant of share options is split into three tranches vesting over a three year period.

The share based payments reserve comprises the fair value of the employee share purchase plan before its classifications to share capital upon settlement.

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Key valuation assumptions for the share option plan are:

Grant Date	1 August 2022	14 November 2022
Share price at grant date (AUD)	0.775	0.93
Valuation date	1 March 2023	14 November 2022
Share price at valuation date (AUD)	1.10	0.93
Average exercise price (NZD)	0.64	0.94
Expected volatility	72%	75%
Expected life	5 years	5 years
Risk free factor	3.55%	3.24%
Dividend yield	0%	0%

	2023 $000	2022 $000
Balance as at 1 April	**4,812**	**2,130**
Share based payment expense	2,578	2,965
Employee shares exercised	(211)	(283)
Balance as at 31 March	**7,179**	**4,812**

19. Share based payments reserve (continued)

a) Aroa Biosurgery share option plan (the "Option Plan") – prior to IPO

Under the Option Plan prior to IPO, the Company granted directors, key management and certain employees, options to subscribe for ordinary shares since 2017.

The opening balance of share options and the share options exercised during the prior year are prior to the 75:1 share split, which took effect upon the initial public offering in July 2020.

Summary of options granted under the Option Plan – prior to IPO

	2023 Average exercise price per option NZ$	2023 # of options	2022 Average exercise price per option NZ$	2022 # of options
Opening balance	0.10	3,085,200	0.10	3,919,575
Exercised during the period	0.10	(243,750)	0.10	(834,375)
Closing balance	**0.10**	**2,841,450**	**0.10**	**3,085,200**
Vested and exercisable as at 31 March	0.10	2,841,450	0.10	1,896,450

Share options outstanding at the end of the year have the following expiry dates:

Grant date	Expiry date	Share options 31 March 2023	Share options 31 March 2022
1 October 2018	01 October 2028	1,339,900	1,339,900
1 July 2019	01 October 2028	228,750	307,500
1 December 2019	30 November 2029	1,272,800	1,437,800
Total		**2,841,450**	**3,085,200**

b) Aroa Biosurgery share option plan (the "Option Plan") – on and after IPO

On the Group's IPO in July 2020, the share options were issued to certain employees and directors under a new share option plan. Under this plan, the Group continue to issue options to certain employees and directors.

Grants under the Option Plan comprised 17,828,074 (FY22: 12,901,575) share options with various vesting conditions including non-market service conditions, market conditions and non-market performance conditions.

19. Share based payments reserve (continued)

Summary of options granted under the Option Plan – on and after IPO

	2023 Average exercise price per option NZ$	2023 # of options	2022 Average exercise price per option NZ$	2022 # of options
Opening balance	1.07	12,901,575	0.93	7,950,200
Granted in April 2021	-	-	1.23	350,000
Granted in June 2021	-	-	1.14	2,535,000
Granted in August 2021	-	-	1.24	3,525,000
Granted in August 2022	0.64	3,545,344	-	-
Granted in November 2022	0.94	2,093,580	-	-
Exercised during the year	1.23	(435,758)	0.50	(402,425)
Forfeited during the period	1.21	(276,667)	1.07	(1,056,200)
Closing balance	**1.09**	**17,828,074**	**1.07**	**12,901,575**
Vested and exercisable at 31 March	1.22	8,964,193	0.99	7,620,050

Share options – on and after IPO outstanding at the end of the year have the following expiry dates:

Grant date	Expiry date	Share options 31 March 2023	Share options 31 March 2022
24 July 2020	23 July 2025	4,935,950	5,338,375
29 September 2020	28 September 2025	1,683,200	1,683,200
22 April 2021	31 March 2026	200,000	300,000
28 June 2021	28 June 2026	2,295,000	2,405,000
9 August 2021	8 August 2026	3,075,000	3,175,000
1 August 2022	29 February 2028	3,545,344	-
14 November 2022	13 November 2027	2,093,580	-
Total		**17,828,074**	**12,901,575**

20. Earnings per share

Earnings per share has been calculated based on shares and share options issued at the respective measurement dates.

	2023	2022
Numerator		
Loss for the year after tax (“N”) in $000	(396)	(8,386)
Denominator		
Weighted average number of ordinary shares used in basic EPS (“D1”)	342,917	342,162
Effects of:		
Employee share options *	18,673	17,142
Weighted average number of shares used in diluted EPS (“D2”)	342,917	342,162
	Cents	**Cents**
Basic earnings per share (N/D1 x 100)	(0.12)	(2.45)
Diluted earnings per share (N/D2 x 100)	(0.12)	(2.45)

* As employee share options are anti-dilutive, these were not included in the calculation of diluted earnings per share above.

21. Related parties

(i) Subsidiaries

Interests in subsidiaries are set out in Note 1.

(ii) Key management compensation

Key management includes Directors (Executive and Non-Executive) and the executive management team.

The total compensation for the executive management team is $3,030,000 (FY22: $2,848,000), including share based payments of $609,000 (FY2022: $594,000).

The total compensation for Non-Executive Directors is $754,000 (FY22: $584,000), including share based payments of $262,000 (FY22: $173,000).

(iii) Year end balances

There were no related party receivables and related party payables at year end (2022: $nil).

(iv) Transactions with related parties

There were no other related party transactions during the year.

22. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters whilst optimising the return on risk.

Foreign exchange risk

The Group is exposed to currency risk on sales, purchases and liabilities that are denominated in a currency other than the respective functional currency of the Company, being NZ dollars (NZD). The currency risk arises primarily with respect to sales and expenses.

The Group has certain net monetary assets/(liabilities) that are exposed to foreign currency risk. The table below summarises the Group’s net exposure at reporting date to foreign currency risk, against its respective functional currency, expressed in NZ dollars.

Exposure to foreign currency risk

2023	USD $000	AUD $000	EUR $000
Cash and cash equivalents	3,199	-	-
Trade and other receivables	7,683	-	19
Financial assets at FVTOCI	791	-	-
Trade and other payables	(796)	(24)	-
Net exposure	**10,877**	**(24)**	**19**

2022	USD $000	AUD $000	EUR $000
Cash and cash equivalents	2,473	-	-
Trade and other receivables	7,367	-	-
Financial assets at FVTOCI	864	-	-
Trade and other payables	(832)	(148)	-
Net exposure	**9,872**	**(148)**	**-**

22. Financial risk management (continued)

The following significant exchange rates applied during the year:

	Average rate 2023	Average rate 2022	Closing rate 2023	Closing rate 2022
NZD/USD	0.6246	0.6966	0.6275	0.6975

Sensitivity analysis – underlying exposures

A 5% weakening/strengthening of the NZ dollar against the US dollar at 31 March 2023 would have increased/decreased equity and the net result for the period by the amounts shown below. Based on historical movements a 5% increase or decrease in the NZ dollar is considered to be a reasonable estimate. This analysis assumes that all other variables remain constant.

US dollar

The Group's net result and equity for the period would have been $2,812,000 higher on a 5% weakening of the NZ dollar (2022: $744,000 higher), and $2,544,000 lower on a 5% strengthening of the NZ dollar as at 31 March 2022 (2022: $677,000 lower).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as from the Group's receivables due from customers. Only major banks are accepted for cash and deposit balances.

Payment and delivery terms are agreed to within each of the respective customers agreements. Aging of payments due from customers are monitored on a regular basis.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in Note 23. The Group does not foresee losses on trade receivables over the next 12 months. The Group does not hold any collateral as security.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments in respect of financial liabilities.

		Less than 3 months	3-12 months	Between 1 and 2 years	Over 2 years	Total contract-ual cash flows	Total Carrying amounts
At 31 March 2023	Note	$000	$000	$000	$000	$000	$000
Financial liabilities							
Trade and other payables	14	3,607	-	-	-	3,607	3,607
Lease liabilities	17	202	1,024	1,261	6,380	8,867	7,107
Total		**3,809**	**1,024**	**1,261**	**6,380**	**12,474**	**10,714**

		Less than 3 months	3-12 months	Between 1 and 2 years	Over 2 years	Total contract-ual cash flows	Total Carrying amounts
At 31 March 2022	Note	$000	$000	$000	$000	$000	$000
Financial liabilities							
Trade and other payables	14	3,089	-	-	-	3,089	3,089
Lease liabilities	17	164	781	884	5,709	7,538	5,876
Total		**3,253**	**781**	**884**	**5,709**	**10,627**	**8,965**

Liquidity risk (continued)

Capital adequacy

The Board's aim is to maintain a strong capital base to sustain future development of the business and to maintain investor and creditor confidence. The shareholder funds raised to date provide the Group a sufficient capital base to continue to grow the business.

23. Financial instruments by category

(i) Non-derivative financial liabilities

The Group recognises all other financial liabilities (including liabilities designated at fair value through profit or loss) recognised initially on the trade date, which is the date that the Group become a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liability category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(ii) Non-derivative financial assets

The Group initially recognises financial assets at amortised cost on the date that they are originated.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through other comprehensive income and financial assets at amortised cost.

At 31 March 2023	Note	Assets at amortised cost $000	Assets at Fair value through other comprehensive income $000	Total $000
Assets as per Consolidated Statement of Financial Position				
Cash and cash equivalents	8	9,540	-	9,540
Term Deposit	8	35,134	-	35,134
Trade and other receivables	10	14,092	-	14,092
Financial assets at FVTOCI	9	-	1,260	1,260
Total financial assets		**58,766**	**1,260**	**60,026**

At 31 March 2023	Note	Liabilities at amortised cost $000	Total $000
Liabilities as per Consolidated Statement of Financial Position			
Trade and other payables	14	360	360
Lease liabilities	17	7,107	7,107
Total financial liabilities		**7,467**	**7,467**

23. Financial instruments by category (continued)

At 31 March 2022	Note	Assets at amortised cost $000	Assets at Fair value through other comprehensive income $000	Total $000
Assets as per consolidated Statement of Financial Position				
Cash and cash equivalents	8	6,165		6,165
Term Deposit	8	50,000		50,000
Trade and other receivables	10	12,399	-	12,399
Financial assets at FVTOCI	9	-	1,239	1,239
Total financial assets		**68,564**	**1,239**	**69,803**

At 31 March 2022	Note	Liabilities at amortised cost $000	Total $000
Liabilities as per consolidated Statement of Financial Position			
Trade and other payables	14	1,382	1,382
Lease liabilities	17	5,876	5,876
Total financial liabilities		**7,258**	**7,258**

(iii) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

	Note	2023 $000	2022 $000
Financial assets			
US listed equity securities	9	1,260	1,239
Derivative financial assets		192	-

The fair value of the listed equity securities is based on published market price (level 1 in the fair value hierarchy) and is revalued at reporting date. The fair value of derivative assets is based on level 3 inputs.

(iv) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

24. Events after the reporting date

There have been no significant events subsequent to reporting date which required disclosure in or adjustment to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

25. Other Disclosures

a. Reconciliation of loss after income tax to cash flow from operating activities

	2023 $000	2022 $000
Loss after tax	(396)	(8,386)
Add (deduct) non-cash items:		
Depreciation of property, plant and equipment	1,798	1,134
Depreciation of right of use assets	807	773
Gain on disposal of assets	13	4
Amortisation of intangibles	1,229	1,224
Share based payments	2,578	2,966
Foreign exchange loss - deferred consideration	-	(11)
Interest - deferred consideration	-	747
Interest – lease liabilities	378	403
Foreign currency translation	(266)	212
Non-Capitalised IPO costs	-	50
Movement in working capital:		
Movement in provisions	6	3
Movement in tax receivable	(387)	90
Movement in trade and other receivables	(2,235)	(8,349)
Movement in prepayments and contract assets	(6,393)	(2,039)
Movement in inventory	(2,748)	(323)
Movement in trade and other payables	1,844	1,320
Movement in interest payables	-	(1,340)
Net cash flows from operating activities	**(3,772)**	**(11,522)**

b. Reconciliation of loss after income tax to cash flow from operating activities

	Lease liabilities Note 17 $000	Paid up share capital Note 18 $000	Total $000
At 1 April 2022	(5,876)	(145,755)	(151,631)
Cash flow	**1,024**	**(520)**	**504**
Non-cash flow:	-	-	-
Share based payments	-	(216)	(216)
Lease	(1,877)	-	(1,877)
Interest on lease payments	(378)	-	(378)
At 31 March 2023	**(7,107)**	**(146,491)**	**(153,598)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

25. Other Disclosures (continued)

	Deferred consideration $000	Lease liabilities Note 19 $000	Paid up share capital Note 18 $000	Transaction Cost $000	Total $000
At 1 April 2021	(9,952)	(6,282)	(97,316)		(113,550)
Cash flow	**9,514**	**963**	**(50,324)**	**2,214**	**(37,633)**
Non-cash flow:	-	-	-		-
FX on deferred consideration	(155)	-	-		(155)
Interest - deferred consideration	593	-	-		593
Share based payments	-	-	(283)		(283)
Lease	-	(154)	-		(154)
Interest on lease payments	-	(403)	-		(403)
Allocation of Transaction cost	-	-	2,168	(2,214)	(46)
At 31 March 2022		**(5,876)**	**(145,755)**		**(151,631)**

c. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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 reporting date exchange rates are recognised profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined and are recognised in Other Comprehensive Income (except on impairment in which case foreign currency differences that have been recognised in Other Comprehensive Income are reclassified to profit or loss).

d. Goods and services tax (GST)

Revenues and expenses have been recognised in the financial statements exclusive of GST except that irrecoverable GST input tax has been recognised in association with the expense to which it relates. All items in the Statement of Financial Position are stated exclusive of GST except for receivables and payables which are stated inclusive of GST.

e. Capital commitments

As at 31 March 2023, the Group had equipment capital commitments of $3,051,000 (2022: $337,000).

f. Contingent liabilities

As at 31 March 2023, the Group had no significant contingent liabilities (2022: $nil).

DIRECTORY

ARBN 638 867 473

Non-Executive Director and Chairman
Jim McLean

Non-Executive Directors
Steve Engle
Phil McCaw
John Pinion
John F Diddams
Catherine Mohr (appointed on 1 November 2022)

Chief Executive Officer and Managing Director
Brian Ward

Company Secretaries
James Agnew
Tracy Weimar

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