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Interim Financial Report

For the six months ended
30 September 2023

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CARR

US \$28.4m

+18%

REVENUE

NZ \$19.8m

+17%

CASH RECEIPTS

NZ \$22.6m

+30%

ARPA

US \$40.4k

+25%

Directors' report

The Directors are pleased to present their report in conjunction with the financial statements of Volpara Health Technologies Limited (Volpara or the Company) and its subsidiaries (together referred to as the Group) for the half-year (HY) ended 30 September 2023, and the auditor’s report thereon. The financial statements have been reviewed by the Company’s auditor and approved by the Directors on the recommendation of the Audit Committee.

Directors

The Directors of Volpara in office during the half-year and at the date of this report (unless otherwise stated) are as follows:

- Paul Reid (Chair)
- Teri Thomas (Managing Director)
- Roger Allen AM
- John Pavlidis (Chair, Remuneration and Nomination Committee)
- Karin Lindgren (Chair, Risk Committee)
- Ann Custin (Chair, Audit Committee)
- Mark Bouw.

Progress

This half-year has featured numerous significant, productive developments for the Company. Apart from its financial progress, detailed below, Volpara has seen changes across all aspects of the Company, changes that both confirm the values upon which it was founded and introduce new ways of manifesting them. As part of its commitment to ending the prevalence and all-too-human cost of breast cancer, Volpara continues to advance its expertise and industry leadership in breast density, risk, data, and artificial intelligence.

As Volpara draws closer to profitability, it builds upon the strong foundation created by the ongoing fulfilment of last year’s revised operational strategy, which balances innovation with revenue generation. While continuing its emphasis on welcoming new “elephant” customers and supporting, growing, and enhancing the success of those large and influential customers already using Volpara’s software, the Company is now positioned to explore more opportunities for growth. These include regionalising our Risk Pathways™ software for the Australian and New Zealand market, working with original equipment manufacturers (OEMs) of mammogram machines to further develop our Live™ software, and increasing our footprint outside mammography in new areas such as primary care. We are strong proponents of early cancer risk assessment, for women under the age of 25.

Volpara® Quiver™ software, a new product due out next year, leverages our Analytics platform to provide a single, digital location where customers can track quality control and staff educational requirements. Quiver will centralise, digitise, and automate compliance tasks to reduce the administrative burden on mammography staff so they can focus on the tasks that matter most to the care and well-being of patients.

These developments represent our dedication to doing right by our customers and their patients.

Results of operations

After a record FY23 in terms of new business being won and revenue, Volpara has maintained that momentum and posted the highest revenue for a half-year. Contracted Annual Recurring Revenue (CARR) increased by almost US\$4.3M to US\$28.4M (up 18% from HY23) with a corresponding increase in Accounting Revenues of almost NZ\$3.0M to NZ\$19.8M (up 17% from \$16.9M for HY23, or 14% constant currency). The net loss for HY24 was NZ\$4.4M, an improvement of 17% from NZ\$5.3M in the prior period. Similarly, normalised non-GAAP EBITDA¹ has improved 68% from -NZ\$4.2M to -NZ\$1.4M.

Key milestones included the launch of our Patient Hub™–Risk Pathways™ integration, the result of seamless collaboration among our engineering teams across different regions and the integration of HL7® FHIR® API. Volpara focused on customer satisfaction with tailored solutions such as the user-friendly USON questionnaire.

Operating costs have decreased 4% year on year; however, from a constant currency basis, costs have decreased approximately 5%. We’ve stabilised the cost base, which is now scalable.

Like the prior half-year, cash receipts have remained consistently strong with this half-year the strongest on record. For HY24, Group cash receipts increased by 30% to NZ\$22.6M (or 26% in constant currency) compared with NZ\$17.4M in the prior period. With \$13.2M in the bank, no debt but access to a NZ\$2.5M revolving credit facility, and a solid sales pipeline, Volpara remains in a good financial position to achieve the targets laid out in the strategic review.

The Software as a Service (SaaS) metrics have continued to show solid growth, with ARR increasing from US\$19.1M to over US\$22.5M year on year. Average Revenue Per Account (ARPA) increased 25% from US\$32.3K to US\$40.4K. The percentage of the US market with our three core products—Analytics (including Scorecard™), Risk Pathways, and Patient Hub—was 16% at the half-year. The traction we are seeing in targeting elephants shows us that our revised operational strategy is playing out as planned.

Additional highlights of this HY include the following:

Volpara’s Microsoft Partner of the Year awards. Volpara won Microsoft’s global Healthcare and Life Sciences Partner of the Year Award, chosen from over 4,200 nominations from more than 100 countries. The award recognises a partner organisation that excels at providing innovative healthcare and life sciences solutions based on Microsoft cloud technologies, driving customer growth, transformation, and enhanced patient care. Volpara was also named Microsoft’s New Zealand Partner of the Year for its entrepreneurial spirit, social impact, and growth.

Volpara’s five-year contract with BreastScreen Victoria. Volpara signed a five-year SaaS contract with BreastScreen Victoria, a public breast screening programme which operates more than 50 locations and diagnoses 37% of all breast cancers in the state. The contract, which represents A\$1.4M (NZ\$1.53M) in total contract value (TCV), will see the widespread implementation of Volpara® Analytics™ software to aid in the early detection of breast cancer.

Early achievement of net positive operating cash flow. Volpara achieved its fourth consecutive net operating cash flow–positive quarter in Q2FY24, reaching its first full year of net positive operating cash flow a full year and a half ahead of FY25, the guidance outlined by the Company’s revised strategy of July 2022.

CancerX. Volpara became a founding member of CancerX, a public-private partnership aimed at revolutionising cancer innovation in the United States. Part of President Biden’s revitalised Cancer Moonshot, CancerX aims to “end cancer as we know it,” cutting the US death rate from cancer in half over the next 25 years. Volpara will contribute its deep bench of subject matter expertise and advocate for a comprehensive approach that goes beyond post-diagnosis treatment, addressing cancer risk for improved prevention and early detection.

¹Reconciliation to Normalised non-GAAP EBITDA	HY24	HY23	Change
IFRS Net Loss Before Interest and Tax	(5,118)	(5,408)	-5%
Business acquisition– and merger-related expenses	-	4	-100%
Share-based payments expense	525	409	28%
Depreciation and amortisation	2,932	2,628	12%
Gains on foreign exchange transactions	302	(2,578)	-112%
Release of employee retention plan	-	(130)	-100%
Redundancy costs	-	835	100%
Bad debts written off	-	6	-100%
Non-GAAP earnings before tax, depreciation, amortisation, impairment, bad debts expense, one-off items, and non-cash items	(1,359)	(4,234)	-68%

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Outlook

Volpara is focused on delivering on our guidance for FY24:

- Revenue of NZ\$40M to NZ\$42M (15%–20%);
- EBITDA of +NZ\$0.5M to -NZ\$2.0M.

Dividends

No dividends have been paid or proposed.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

Paul Reid
Chair

Teri Thomas
CEO and Managing Director

Dated this 21st November 2023

Auditor's independence declaration

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



Auditor's Independence Declaration

As lead auditor for the review of Volpara Health Technologies Limited for the half-year ended 30 September 2023, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

Kevin Brown
Partner
PricewaterhouseCoopers

Wellington
21 November 2023

Consolidated statement of profit or loss
and other comprehensive income

for the six months ended 30 September 2023

	Notes	2023 Unaudited NZ\$'000	Restated 2022 Unaudited NZ\$'000
REVENUE			
Revenue from contracts with customers	4	19,837	16,884
Cost of revenue	5	(1,673)	(1,383)
Gross profit		18,164	15,501
Government grants and other operating income		75	465
Sales and marketing	5	(8,387)	(8,531)
Product research, development, and engineering	5	(8,320)	(8,734)
General and administration	5	(6,348)	(6,687)
Foreign exchange (loss)/gain		(302)	2,578
Net loss for the period before interest and tax		(5,118)	(5,408)
Finance income		197	82
Finance expense		(66)	(222)
Net loss for the period before tax		(4,987)	(5,548)
Income tax benefit		579	262
Net loss for the period after tax		(4,408)	(5,286)
OTHER COMPREHENSIVE EXPENSE			
Net loss for the period		(4,408)	(5,286)
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss (net of tax):</i>			
Exchange differences on translation of foreign operations		541	2,056
Other comprehensive income for the period (net of tax)		541	2,056
Total comprehensive loss for the period, net of tax		(3,867)	(3,230)
Basic and diluted loss per share (NZ\$)	6	(0.02)	(0.02)

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

Consolidated statement
of financial position

as at 30 September 2023

	Notes	As at 30 September 2023 Unaudited NZ\$'000	As at 31 March 2023 Audited NZ\$'000
ASSETS			
Non-current assets			
Fixed assets		357	454
Intangible assets	9	46,413	46,633
Right-of-use assets		1,134	1,826
Contract costs		3,497	3,075
Deferred tax assets		991	764
Investments	12	-	401
Total non-current assets		52,392	53,153
Current assets			
Cash and cash equivalents		9,525	9,711
Cash on deposit		3,665	3,000
Trade receivables		8,895	8,780
Contract assets		2,575	2,146
Prepayments and other receivables		1,733	1,355
Contract costs		1,338	1,069
Total current assets		27,731	26,061
Total assets		80,123	79,214
EQUITY AND LIABILITIES			
Equity			
Share capital	6	183,498	183,266
Share option reserve	7	4,457	4,368
Foreign currency translation reserve		(119)	(660)
Accumulated losses		(139,937)	(135,723)
Total equity		47,899	51,251
Non-current liabilities			
Lease liabilities		754	1,533
Total non-current liabilities		754	1,533
Current liabilities			
Trade and other payables		5,338	5,246
Forward exchange contracts	10	1,326	438
Deferred revenue		24,230	20,199
Lease liabilities		576	547
Total current liabilities		31,470	26,430
Total liabilities		32,224	27,963
Total equity and liabilities		80,123	79,214

For and on behalf of the Board, who authorised the issue of these consolidated interim financial statements on 21 November 2023.



Paul Reid



Ann Custin

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

Consolidated statement of changes in equity

for the six months ended 30 September 2023

	Notes	Share capital NZ\$'000	Share option reserve NZ\$'000	Foreign currency translation reserve NZ\$'000	Accumulated losses NZ\$'000	Total equity NZ\$'000
Unaudited Balance at 1 April 2023		183,266	4,368	(660)	(135,723)	51,251
Net loss for the period after tax		-	-	-	(4,408)	(4,408)
Other comprehensive income		-	-	541	-	541
Total comprehensive income/(loss) for the period, net of tax		-	-	541	(4,408)	(3,867)
Transactions with owners:						
Issue of share capital from exercise of share options		232	(227)	-	-	5
Forfeiture of share options		-	(115)	-	-	(115)
Expiry of share options			(194)		194	-
Recognition of share-based payments		-	625	-	-	625
Balance at 30 September 2023		183,498	4,457	(119)	(139,937)	47,899
Unaudited Balance at 1 April 2022		181,492	4,351	(1,661)	(126,311)	57,871
Net loss for the period after tax		-	-	-	(5,286)	(5,286)
Other comprehensive income		-	-	2,056	-	2,056
Total comprehensive income/(loss) for the period, net of tax		-	-	2,056	(5,286)	(3,230)
Transactions with owners:						
Issue of share capital from exercise of share options		61	(24)	-	-	37
Forfeiture of share options		-	(304)	-		(304)
Expiry of share options			(256)		256	-
Recognition of share-based payments		-	730	-	-	730
Balance at 30 September 2022		181,553	4,497	395	(131,341)	55,104

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

Consolidated statement of cash flows

for the six months ended 30 September 2023

	Notes	2023 Unaudited NZ\$'000	2022 Unaudited NZ\$'000
OPERATING ACTIVITIES			
Receipts from customers		22,618	17,432
Payments to suppliers and employees		(21,795)	(23,032)
Other income received		37	-
Net interest received/(paid)		98	(121)
Net taxes received/(paid)		389	(210)
Business integration and acquisition expenses		-	(4)
Payment of low-value asset leases		(61)	(72)
Net cash provided from/(utilised in) operating activities		1,286	(6,007)
INVESTING ACTIVITIES			
Purchases of property and equipment		(7)	(32)
Payments for intangible assets		(952)	(1,404)
Proceeds from divestment of investment	12	439	-
Payments into term deposits		(3,665)	(938)
Receipts from term deposits		3,000	8,723
Net cash provided (to)/from investing activities		(1,185)	6,349
FINANCING ACTIVITIES			
Proceeds from exercise of share options		8	37
Payment of principal portion of the lease liabilities		(323)	(291)
Net cash utilised in financing activities		(315)	(254)
Net (decrease)/increase in cash and cash equivalents		(214)	88
Effects of currency translation on cash and cash equivalents		28	1,145
Cash and cash equivalents as at 1 April		9,711	9,676
Cash and cash equivalents at the end of the period ¹		9,525	10,909

1. Cash and cash equivalents does not include cash on deposits totalling NZ\$3.7m (March 2023: NZ\$3.0m)

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

Notes to the consolidated interim financial statements (unaudited)

for the six months ended 30 September 2023

1. Corporate information

The consolidated interim financial statements of Volpara Health Technologies Limited (the Company or Volpara) and its subsidiaries (collectively, the Group) for the period ended 30 September 2023 were authorised for issue in accordance with a resolution of the Directors on 21 November 2023. The Directors have the power to amend and reissue the financial statements.

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

Volpara is designated as a for-profit company incorporated under the Companies Act 1993 (NZCN: 2206998) and is listed on the Australian Securities Exchange. The Company is also registered in Australia (ARBN: 609 946 867). The Company’s principal sales and services are in the medical device and practice management software industry.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated interim financial statements for the six months ended 30 September 2023 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with the requirements of New Zealand International Accounting Standard 34: Interim Financial Reporting and International Accounting Standard 34: Interim *Financial Reporting*.

2.2 New standards, interpretations and amendments adopted by the Group

The consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group’s annual report for the year ended 31 March 2023.

2.3 Functional and presentation currency

Items included in the consolidated interim financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated interim financial statements are presented in New Zealand Dollars (\$) which is the Parent’s functional currency and are rounded to the nearest thousand (\$’000), except where explicitly stated.

2.4 Accounting estimates

Impairment of non-financial assets

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

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

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

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

Correction of errors and prior year reclassification

The following restatement has been made to correct an error within the prior year comparatives which impacts the primary statements and respective notes. This restatement has had no impact on the previously reported loss or equity of the Group.

Sales and marketing expense has increased by \$898k with a corresponding decrease in Product research, development and engineering expense. This is to better reflect the nature of customer facing expenses.

2.6 Going concern

The Group has a positive working capital position (cash, trade receivables, and trade and other payables), but overall is in a net current liability position. The net current liability position is due to deferred revenue which will be recognised over the coming year. The view of the Directors of the Group is that the going concern assumption is valid. This view has been reached after making due inquiry and having regard to the circumstances which the Directors consider will occur and those which are reasonably likely to affect the Group during the period of one year from the date these consolidated financial statements are approved.

The Group recorded a net loss of \$4.4m for the half-year ended 30 September 2023 and is expected to make further losses for the remainder of financial year 2024.

During the financial year, Volpara reduced its revolving credit facility from NZ\$10M to NZ\$2.5M. This provides non-dilutive funding for the business, to allow management flexibility regarding ongoing operations for the foreseeable future. There is over NZ\$15.7M in funding available, including \$13.2M of cash and term deposits. Notwithstanding the above, the Group has prepared cash flow forecasts which indicate that funding on hand at 30 September, combined with the net cash flow as a result of operations, will enable the Group to continue operating as a going concern. The Directors will continue to monitor and assess the funding requirements of the Group.

3. Segment information

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

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

This aggregation is based on products, customers, distribution methods and the regulatory environment being similar in each region. No single customer contributes more than 10% of the Group's revenue.

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

The CODM assesses the performance of the reportable segments based on net profit/(loss) after tax. The segment information provided to the Board of Directors for the half year ended 30 September 2023 is as follows:

2023

	North America NZ\$’000	EMEA NZ\$’000	APAC NZ\$’000	Corporate NZ\$’000	Reconciled to Group NZ\$’000
Revenue from breast contracts					
• SaaS	14,723	5	575	-	15,303
• SMA	3,201	4	7	-	3,212
• Capital	486	3	23	-	512
Revenue from lung contracts	611	-	-	-	611
Other	199	-	-	-	199
Total revenue	19,220	12	605	-	19,837
Cost of revenue	(1,556)	(51)	(66)	-	(1,673)
Gross profit	17,664	(39)	539	-	18,164

Government grants and other operating income	9	-	-	66	75
Sales and marketing	(7,538)	(8)	(550)	(291)	(8,387)
Product research, development, and engineering	(2,963)	(193)	(28)	(5,136)	(8,320)
General and administration	(2,473)	(13)	(43)	(3,819)	(6,348)
Foreign exchange gains	-	(1)	24	(325)	(302)
Net profit/(loss) before interest and tax	4,699	(254)	(58)	(9,505)	(5,118)

Finance income	-	-	-	197	197
Finance expense	15	-	-	(81)	(66)
Net profit/(loss) for the period before tax	4,714	(254)	(58)	(9,389)	(4,987)

Income tax benefit	132	-	4	443	579
Net profit/(loss) for the period after tax	4,846	(254)	(54)	(8,946)	(4,408)

2022

	North America NZ\$'000	EMEA NZ\$'000	APAC NZ\$'000	Corporate NZ\$'000	Reconciled to Group NZ\$'000
Revenue from breast contracts					
• SaaS	11,449	5	494	-	11,948
• SMA	3,322	8	8	-	3,338
• Capital	562	20	77	-	659
Revenue from lung contracts	745	-	-	-	745
Other	194	-	-	-	194
Total revenue	16,272	33	579	-	16,884
Cost of revenue	(1,296)	(18)	(69)	-	(1,383)
Gross profit	14,976	15	510	-	15,501

Government grants and other operating income	25	-	-	440	465
Sales and marketing	(7,806)	(27)	(552)	(146)	(8,531)
Product research, development, and engineering	(2,959)	(162)	(17)	(5,596)	(8,734)
General and administration	(2,883)	(16)	(32)	(3,756)	(6,687)
Foreign exchange gains	-	5	10	2,563	2,578
Net profit/(loss) before interest and tax	1,353	(185)	(81)	(6,495)	(5,408)

Finance income	22	-	-	60	82
Finance expense	(35)	-	-	(187)	(222)
Net profit/(loss)for the period before tax	1,340	(185)	(81)	(6,622)	(5,548)
Income tax benefit/(expense)	(176)	-	(21)	459	262
Net profit/(loss)for the period after tax	1,164	(185)	(102)	(6,163)	(5,286)

SEGMENT NON-CURRENT ASSETS

	North America NZ\$'000	EMEA NZ\$'000	APAC NZ\$'000	Corporate NZ\$'000	Reconciled to Group NZ\$'000
As at 30 September 2023	41,789	-	203	10,400	52,392
As at 31 March 2023	41,174	-	143	11,836	53,153

4. Revenue from contracts with customers

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

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

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

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

Disaggregation of revenue

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

For the period ended 30 September 2023
Unaudited

	SaaS NZ\$'000	SMA NZ\$'000	Capital sales NZ\$'000	Lung NZ\$'000	Collaboration Fees NZ\$'000	Total NZ\$'000
Timing of revenue recognition						
Goods or services transferred at a point in time	2,493	-	512	217	70	3,292
Services transferred over time	12,810	3,212	-	394	129	16,545
Total revenue from contracts with customers	15,303	3,212	512	611	199	19,837

For the period ended 30 September 2022
Unaudited

	SaaS NZ\$'000	SMA NZ\$'000	Capital sales NZ\$'000	Lung NZ\$'000	Collaboration Fees NZ\$'000	Total NZ\$'000
Timing of revenue recognition						
Goods or services transferred at a point in time	1,901	-	659	360	68	2,988
Services transferred over time	10,047	3,338	-	385	126	13,896
Total revenue from contracts with customers	11,948	3,338	659	745	194	16,884

Where invoicing occurs in advance of the performance of the various performance obligations, a corresponding deferred revenue obligation is recognised. This is then subsequently recognised as revenue as the obligations are met.

5. Operating expenses and cost of revenue

Cost of revenue

Cost of revenue consists of those expenses which are incremental in deriving additional revenue. This includes cloud costs, commission expenses, hardware, and any travel costs associated with the onboarding process. This excludes support and implementation costs, which are included in the operating expense breakdown below.

The table below details cost of revenue by nature:

	2023 Unaudited NZ\$'000	2022 Unaudited NZ\$'000
For the six months ended 30 September		
Product hardware and software	231	118
Customer cloud costs	515	601
Commission expense	748	580
Onboarding travel expense	105	83
Other cost of revenue	74	1
Total cost of revenue	1,673	1,383

Salaries and benefits has been split by nature in the table below to present results in a more relevant manner and improve the consistency and comparability of the Group's reported results with those of its peers.

The table below details operating expense by nature:

	2023 Unaudited NZ\$'000	2022 Unaudited NZ\$'000
For the six months ended 30 September		
Salaries and benefits ¹		
• General administration	1,641	2,023
• Technology, product and development	1,760	2,385
• Sales and marketing	3,116	2,831
• Support and Implementation	3,671	3,931
Research and engineering costs not capitalised	3,848	3,201
Release of provision for employee retention plan	-	(130)
Depreciation and amortisation	2,932	2,628
Superannuation contributions	1,395	1,329
Consulting and subcontracting	549	740
Share-based payments expense	525	409
Advertising and marketing	633	847
Directors fees	317	254
Review of interim financial statements - PwC	45	35
Low-value lease expenses	61	72
Travel	226	274
Business integration and acquisition expenses	-	4
Movement in provision for expected credit losses	(30)	18
Bad debts written off	-	6
Redundancy costs	-	835
Other operating expenses	2,366	2,260
Total cost of revenue and operating expenses²	23,055	23,952

1. Excludes salaries and benefits associated with research and engineering for \$3,692,000 (2022: \$3,044,000). These are included as part of 'Research and engineering costs not capitalised.'

2. This total excludes foreign exchange gains/(losses).

6. Share capital and EPS

	As at 30 September 2023 Unaudited		As at 31 March 2023 Audited	
Ordinary shares issued and fully paid	NZ\$'000	000's	NZ\$'000	000's
In issue as at 1 April	183,266	254,090	181,496	251,935
Exercise of share options	10	16	1,770	2,155
Restricted stock unit schemes	222	268	-	-
Closing balance	183,498	254,374	183,266	254,090

Dividends

No dividends have been declared or paid for the six month period ended 30 September 2023 (2022: nil).

Earnings per share

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

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

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

Six months ended 30 September	2023 Unaudited	2022 Unaudited
Net loss after tax attributable to the shareholders (NZ\$'000)	(4,408)	(5,286)
Ordinary number of shares ('000's)	254,374	252,050
Weighted average number of shares on issue ('000's)	254,267	251,969
Basic and diluted (loss) per share (NZ\$)	(0.017)	(0.021)

7. Share-based payments

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

Legacy ESOP

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

New ESOP

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

	Six months ended 30 September 2023		Year ended 31 March 2023	
	Number of options 000's	Weighted- average exercise price A\$	Number of options 000's	Weighted- average exercise price A\$
Opening balance	6,635	1.36	9,227	1.21
Granted during the year	450	1.30	450	1.30
Exercised during the year	(16)	0.60	(1,899)	0.51
Forfeited during the year	(161)	1.30	(735)	1.53
Expired during the year	(270)	1.51	(408)	1.62
Closing balance	6,638	1.27	6,635	1.36
Vested at closing balance	4,676	1.18	3,204	1.31

Restricted Stock Units

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

	Six months ended 30 September 2023		Year ended 31 March 2023	
	Number of RSUs 000's	Weighted- average grant date fair value A\$	Number of RSUs 000's	Weighted- average grant date fair value A\$
Opening balance	805	0.76	-	-
Granted	-	-	805	0.76
Forfeited	(82)	0.76	-	-
Converted to shares	(268)	0.76	-	-
Closing balance	454	0.76	805	0.76

8. Financial instruments and financial risk management objectives

The Group's principal financial instruments comprise receivables, payables, cash, cash on deposit, and borrowings (noting, all borrowings are undrawn at 30 September 2023).

The Group classifies its financial assets at amortised cost, except for derivative financial assets which are held at fair value.

The Group classifies its financial liabilities at amortised cost.

The carrying amounts of these assets and liabilities do not materially differ from their fair values.

There were no transfers between classes of financial instruments during the six month period.

Refer to the 31 March 2023 Annual Report for further details on the Group's financial risk management objectives.

9. Intangible assets

	Goodwill NZ\$'000	Software development NZ\$'000	Patents, trademarks, and copyrights NZ\$'000	Customer relationships NZ\$'000	Total NZ\$'000
COST					
Balance as at 1 April 2023	21,590	15,344	4,826	17,446	59,206
Additions	-	900	52	-	952
Foreign exchange differences	836	-	42	676	1,554
Balance as at 30 September 2023	22,426	16,244	4,920	18,122	61,712
AMORTISATION AND IMPAIRMENT					
Balance as at 1 April 2023	-	(6,095)	(3,275)	(3,203)	(12,573)
Amortisation	-	(1,461)	(495)	(613)	(2,569)
Foreign exchange differences	-	-	(33)	(124)	(157)
Balance as at 30 September 2023	-	(7,556)	(3,803)	(3940)	(15,299)
Opening net book value	21,590	9,249	1,551	14,243	46,633
Closing net book value	22,426	8,688	1,117	14,182	46,413

10. Financial assets and liabilities

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

11. Related Parties

Details of all related party relationships have been disclosed in the annual report for the year ended 31 March 2023. During the six month period ended 30 September 2023, 450,000 share options were issued to Mark Bouw. Teri Thomas and Craig Hadfield were issued 225,841 and 104,240 RSUs respectively during the period. No other transactions occurred that would be considered a related party transaction. The value of outstanding balances payable to key management and Directors at balance date total \$22,000 (31 March 2023: \$180,000).

12. Investments

During the period, the Group sold its interest in Precision Medical Ventures. The investment was US\$250,000 in the form of a convertible note carrying 4% interest, which was recovered in full.

13. Contingencies and commitments

The Group had no contingencies or commitments to purchase fixtures or equipment as at 30 September 2023 (30 September 2022: nil).

14. Events after the balance date

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

Independent review report



Independent auditor’s review report

To the shareholders of Volpara Health Technologies Limited

Report on the consolidated interim financial statements

Our conclusion

We have reviewed the consolidated interim financial statements of Volpara Health Technologies Limited (the Company) and its controlled entities (the Group), which comprise the consolidated statement of financial position as at 30 September 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period ended on that date, and a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these accompanying consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2023, and its financial performance and cash flows for the six-month period then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor’s responsibilities for the review of the consolidated interim financial statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. Other than in our capacity as auditor, we have no relationship with, or interest in, the Group.

Responsibilities of Directors for the consolidated interim financial statements

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibilities for the review of the consolidated interim financial statements

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

A review of consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and

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International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Who we report to
This report is made solely to the Company’s Shareholders, as a body. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review 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 Shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
21 November 2023

Wellington

Corporate directory

Registered Office Volpara Health Technologies Limited Levels 14–15, 40 Mercer Street Wellington Central Wellington 6011 NZ	Share Register Boardroom Pty Limited Grosvenor Place Level 8, 210 George Street Sydney NSW 2000 AUS
Board of Directors Teri Thomas - Managing Director Paul Reid - Chair, Non-Executive Independent Roger Allen AM - Non-Executive John Pavlidis - Non-Executive Independent Karin Lindgren - Non-Executive Independent Ann Custin - Non-Executive Independent Mark Bouw - Non-Executive Independent	Auditor PwC 10 Waterloo Quay Wellington 6011 NZ
Company Secretary Craig Hadfield and Fred Struve	Legal Advisers Mills Oakley (AUS) Kindrik Partners Limited (NZ) Stoel Rives LLP (USA)
New Zealand Incorporation The Company is registered under the laws of New Zealand, company number 2206998	Bankers 1st Security Bank (USA) JPMorgan Chase Bank (USA) Kiwibank (NZ) Lloyds Bank (UK) NAB (AUS)
Australian Registered Body Number (ARBN) 609 946 867	
The Company’s registered office address in Australia Suite 15, 828 High Street KEW EAST Victoria 3102 AUS	

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