Interim Financial Report

For the six months ended 30 September 2022

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

Interim Financial Report

for the six months ended 30 September 2022

KEY FIGURES

Measuring the growth of our success

CARR

US$24.1m

+18% YOY

REVENUE

NZ$16.9m

+37% YOY

GROSS MARGIN

92%

+0.4% YOY

ARPA

US$31.9k

+15.6% YOY

MARKET REACH OF NORTH AMERICA

40.5%

+18.9% YOY

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 2022, 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, appointed 1 October 2022)
- Ralph Highnam (retired 21 April 2022)
- Roger Allen AM
- John Pavlidis
- John Diddams (retired 18 August 2022)
- Karin Lindgren
- Ann Custin

Impact

This half-year has included a number of significant, productive developments for the Company. Apart from its sales and 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 has continued to advance its expertise in breast density, risk, data, and artificial intelligence. It has continued to seek partnerships with likeminded organisations that are leaders in their clinical specialities. It also has embarked upon a new operational strategy that balances innovation with revenue-generating opportunities. All these actions have been undertaken to safeguard, and to grow, the financial, labour, and emotional investments that stakeholders of all kinds have made and continue to make in Volpara. This is reflected publicly in Volpara's B Corp certification. Achieving this milestone signifies our commitment to reaching the highest standards of performance, accountability, and transparency—values that support our journey to profitable growth and our ongoing mission to save families from cancer.

Results of operations

After a record FY22 in terms of new business being won and revenue, Volpara has maintained that momentum and posted another record for both new business won and revenue at the half year mark. Contracted Annual Recurring Revenue (CARR) increased by almost US$2.0M to US$24.1M+ (up 9% from end FY22) with a corresponding increase in Accounting Revenues of NZ$4.6M to NZ$16.9M (up 37% from $12.3M for HY22, or 22% constant currency). The net loss for HY23 was NZ$5.3M, an improvement of 38% from NZ$8.5M in the prior period. Similarly, normalised non-GAAP EBITDA[1] has improved 33% from NZ$6.4M to NZ$4.2M.

Substantial changes were made to the business during the period as well, including cofounder Dr Ralph Highnam stepping down from the Chief Executive Officer (CEO) role in April to take up the Chief Science and Innovation Officer role, with Teri Thomas replacing him as CEO and ultimately as Managing Director (due to her recent appointment to the Board). We thank Ralph for his immense contribution to Volpara over his 13-year tenure and look forward to his continuing contributions.

Shortly thereafter, following an intensive three-month strategic review of all parts of the business, a restructure was undertaken, among other key decisions, as laid out in the market update at the end of July. The restructure meant that the overall headcount in the business would be reduced to 160-165 from a peak of 189 in March 2022. This reduction was completed in September 2022. This formed part of the wider strategic review to get Volpara into a cashflow break-even/profitable position by Q4FY24 within the constraints of using cash on hand and with minimal/no impact on top-line revenue growth.

The Company also continued its integrations of both CRA and MRS resulting in a much deeper product integration of Risk Pathways into Patient Hub, of which Phase 1 was completed at the end of September and Phase 2 is in progress.

Volpara has continued to improve the existing product suite with product updates from the perspectives of user experience, user interface, and back end. The latter has resulted in further cost savings based on the latest release, in early September, which will see further efficiencies from a cost-to-serve and scalability perspective.

Operating costs have increased 3.4% year on year; however, from a constant currency basis, costs have decreased approximately 2.5% when compared with the prior period. These operating costs do not include any of the cost reductions to be gained from the decrease in headcount, as that process was only completed in September. Therefore, we expect costs to decrease by approximately NZ$3M in the second half of the year. Despite the reduction in headcount, Volpara still expects revenue to grow by between 28% and 34% for the full year, showing that the business has reached a scalable operational expenditure base from which to grow.

Like the prior half-year, cash receipts have remained consistently strong with both Q1 and Q2 delivering consecutive records and in constant currency. For HY23, Group cash receipts increased by 29% to NZ$17.4M (or 15% in constant currency) compared with NZ$13.5M in the prior period. With $11.6M in the bank, no debt but access to a NZ$10M 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 SaaS metrics have continued to show solid growth, with CARR increasing from US$22.2M to over US$24.1M since the end of FY22. Average Revenue Per Account (ARPA) increased more than 10% from US$28.9K to almost US$32.0K. The percentage of the US market with at least one of our products increased from 35.7% at end FY22 to over 40% at the end of HY23. Volpara's focus on "elephants" (or large enterprise accounts) will continue to result in increases in all these key metrics.

Additional highlights of this HY include the following:

- **Volpara's B Corp certification.** Volpara is one of the first companies in our industry to achieve B Corp Certification. This designation asserts that Volpara has met B Lab's high standards of performance, accountability, and transparency. It supports the Company's belief that profitable growth goes hand in hand with a commitment to transformative social and environmental change.
- **Volpara-Microsoft collaboration on breast arterial calcifications.** Volpara and Microsoft commenced a joint project to research and develop a product that detects breast arterial calcifications (BACs), which are associated with cardiovascular disease. Building upon Volpara's recent BAC patent and Microsoft's expertise in machine learning and artificial intelligence, this work paves the way for Volpara's entrance into the US cardiovascular disease market. For more information, click here.
- **Volpara's largest contract to date.** Volpara signed a contract with Los Angeles–based RadNet, one of the largest US providers of outpatient services, for an initial period of 42 months, with the option to extend. The volume-based agreement includes Volpara® Analytics™ and Volpara® Risk Pathways™, both cloud-deployed products that will go live end of this year and next year. The agreement is representative of the "elephant" commercial opportunities Volpara is emphasising to drive recurring revenue growth.
- **International design award for Volpara Analytics.** Volpara Analytics was named a 2022 Gold Winner in the Digital Design category at the Good Design Awards, Australia's highest honour for design and innovation. The awards recognise projects that demonstrate

[1] Reconciliation to Normalised non-GAAP EBITDA	HY22	HY23	Change
IFRS Net Loss Before Interest and Tax	(8,969)	(5,407)	-40%
Business acquisition- and merger-related expenses	33	4	-89%
Share-based payments expense	534	409	-23%
Depreciation and amortisation	2,245	2,628	17%
Gains on foreign exchange transactions	(423)	(2,578)	509%
Revenue adjustment	171	-	-100%
Provision for/(release of) for employee retention plan	2,540	(130)	-105%
Redundancy costs	-	835	100%
PPP loan forgiveness	(2,478)	-	-100%
Bad debts written off	(3)	6	-308%
Non-GAAP earnings before tax, depreciation, amortisation, impairment, one-off items, and non-cash items	**(6,350)**	**(4,233)**	**-33%**

excellence in professional design, with this win a powerful validation of the work our team has done on an elegant and intuitive product whose AI empowers technologists to optimise their mammography quality.

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

Outlook

Volpara is focused on delivering the upgraded revenue guidance for FY23 of NZ$33.5M – NZ$34.5M (28%-32%) and a meaningful decrease in net cash outflows in line with the strategic plan.

We also continue to await the release of the FDA's breast density legislation, which is expected sometime between now and early 2023 as per the latest FDA release, which can be found here.

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
Managing Director

Dated this 23rd November 2022

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 2022, I declare that to the best of my knowledge and belief, there have been:

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

b) 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
23 November 2022

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 September 2022

	Notes	2022 Unaudited NZ$'000	2021 Unaudited NZ$'000
REVENUE			
Revenue from contracts with customers	4	16,884	12,323
Cost of revenue	5	(1,383)	(1,059)
Gross profit		**15,501**	**11,264**
Government grants and other operating income	10	465	2,506
Sales and marketing	5	(7,633)	(6,652)
Product research, development, and engineering	5	(9,632)	(7,702)
General and administration	5	(6,687)	(8,808)
Foreign exchange gains		2,578	423
Net loss for the period before interest and tax		**(5,408)**	**(8,969)**
Finance income		82	87
Finance expense		(222)	(76)
Net loss for the period before tax		**(5,548)**	**(8,958)**
Income tax benefit		262	448
Net loss for the period after tax		**(5,286)**	**(8,510)**
OTHER COMPREHENSIVE INCOME			
Net loss for the period		(5,286)	(8,510)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss (net of tax):			
Exchange differences on translation of foreign operations		2,056	108
Other comprehensive income for the period (net of tax)		**2,056**	**108**
Total comprehensive loss for the period, net of tax		**(3,230)**	**(8,402)**
Basic and diluted loss per share (NZ$)	6	(0.02)	(0.03)

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 2022

	Notes	As at 30 September 2022 Unaudited NZ$'000	As at 31 March 2022 Audited NZ$'000
ASSETS			
Non-current assets			
Fixed assets		565	548
Intangible assets	9	51,532	44,987
Right-of-use assets		2,261	2,239
Contract costs		2,762	2,333
Deferred tax assets		92	85
Investments		439	359
Total non-current assets		**57,651**	**50,551**
Current assets			
Cash and cash equivalents		10,909	9,676
Cash on deposit		710	8,469
Trade receivables		11,029	8,111
Contract assets		2,143	1,356
Prepayments and other receivables		1,585	1,798
Financial assets	11	-	299
Contract costs		1,101	707
Total current assets		**27,477**	**30,416**
Total assets		**85,128**	**80,967**
EQUITY AND LIABILITIES			
Equity			
Share capital	6	181,553	181,492
Share option reserve	7	4,497	4,351
Foreign currency translation reserve		395	(1,661)
Accumulated losses		(131,341)	(126,311)
Total equity		**55,104**	**57,871**
Non-current liabilities			
Lease liabilities		1,918	1,905
Financial liabilities	11	2,599	-
Deferred tax liabilities		488	286
Total non-current liabilities		**5,005**	**2,191**
Current liabilities			
Trade and other payables		4,257	5,366
Deferred revenue		20,145	14,965
Lease liabilities		617	574
Total current liabilities		**25,019**	**20,905**
Total liabilities		**30,024**	**23,096**
Total equity and liabilities		**85,128**	**80,967**

For and on behalf of the Board, who authorised the issue of these consolidated interim financial statements on 23 November 2022.

Ann Custin

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 2022

	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 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	7	-	(304)	-	-	(304)
Expiry of share options	7	-	(256)	-	256	-
Recognition of share-based payments	7	-	730	-	-	730
Balance at 30 September 2022		**181,553**	**4,497**	**395**	**(131,341)**	**55,104**
Unaudited						
Balance at 1 April 2021		**180,678**	**3,759**	**(1,583)**	**(110,057)**	**72,797**
Net loss for the period after tax		-	-	-	(8,510)	(8,510)
Other comprehensive income		-	-	108	-	108
Total comprehensive income/(loss) for the period, net of tax		**-**	**-**	**108**	**(8,510)**	**(8,402)**
Transactions with owners:						
Issue of share capital from exercise of share options		388	(161)	-	-	227
Forfeiture of share options	7	-	(247)	-	-	(247)
Recognition of share-based payments	7	-	781	-	-	781
Balance at 30 September 2021		**181,066**	**4,132**	**(1,475)**	**(118,567)**	**65,156**

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 2022

	Notes	2022 Unaudited NZ$'000	2021 Unaudited NZ$'000
OPERATING ACTIVITIES			
Receipts from customers		17,432	13,542
Payments to suppliers and employees		(23,032)	(19,383)
Other income received		-	389
Net interest (paid)/received		(121)	32
Net taxes (paid)/received		(210)	5
Business integration and acquisition expenses		(4)	(16)
Payment of low-value asset leases		(72)	(50)
Net cash utilised in operating activities		**(6,007)**	**(5,481)**
INVESTING ACTIVITIES			
Purchases of property and equipment		(32)	(4)
Payments for intangible assets		(1,404)	(1,475)
Payments for investments		-	(357)
Payments into term deposits		(938)	(12,254)
Receipts from term deposits		8,723	23,871
Net cash provided from investing activities		**6,349**	**9,781**
FINANCING ACTIVITIES			
Proceeds from exercise of share options		37	227
Payment of principal portion of the lease liabilities		(291)	(237)
Net cash utilised in financing activities		**(254)**	**(10)**
Net increase in cash and cash equivalents		**88**	**4,290**
Effects of currency translation on cash and cash equivalents		1,145	107
Cash and cash equivalents as at 1 April		9,676	7,872
Cash and cash equivalents at the end of the period[1]		**10,909**	**12,269**

1. Cash and cash equivalents does not include cash on deposits totalling NZ$0.7m.

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 2022

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 2022 were authorised for issue in accordance with a resolution of the Directors on 23 November 2022. 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 14–15, 40 Mercer Street, Wellington 6011, New Zealand.

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

2 Significant accounting policies

2.1 Basis of preparation
The consolidated interim financial statements for the six months ended 30 September 2022 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 2022.

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.

2.5 Going concern
The considered view of the Directors of the Group is that the going concern assumption is valid. This view has been reached after making due 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 $5.3m for the half-year ended 30 September 2022 and is expected to make further losses for the remainder of financial year 2023.

During the financial year, Volpara secured a NZ$10M (on-demand) revolving credit facility with an initial term of three years. This provides non-dilutive funding for the business, to allow management flexibility regarding ongoing operations for the foreseeable future, with over NZ$21M in funding available.

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

3. Segment information

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

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

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

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

The Group derives its revenue from the sale of clinical functions and patient tracking software. Of the clinical functions business, Volpara Analytics and Volpara Scorecard are sold worldwide, whereas Risk Pathways and the patient tracking software are 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 2022 is as follows:

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	(6,908)	(27)	(552)	(146)	(7,633)
Product research, development, and engineering	(2,959)	(162)	(17)	(6,494)	(9,632)
General and administration	(2,883)	(16)	(32)	(3,756)	(6,687)
Foreign exchange gains	-	5	10	2,563	2,578
Net loss before interest and tax	**2,251**	**(185)**	**(81)**	**(7,393)**	**(5,408)**
Finance income	22	-	-	60	82
Finance expense	(35)	-	-	(187)	(222)
Net loss for the period before tax	**2,238**	**(185)**	**(81)**	**(7,520)**	**(5,548)**
Income tax benefit/(expense)	(176)	-	(21)	459	262
Net loss for the period after tax	**2,062**	**(185)**	**(102)**	**(7,061)**	**(5,286)**

2021

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
Revenue from breast contracts					
• SaaS	7,906	24	391	-	8,321
• SMA	3,017	10	14	-	3,041
• Capital	399	21	-	-	420
Revenue from lung contracts	483	-	-	-	483
Other	58	-	-	-	58
Total revenue	**11,863**	**55**	**405**	**-**	**12,323**
Cost of revenue	(962)	(27)	(70)	-	(1,059)
Gross profit	**10,901**	**28**	**335**	**-**	**11,264**
Government grants and other operating income	2,506	-	-	-	2,506
Sales and marketing	(5,970)	(70)	(499)	(113)	(6,652)
Product research, development, and engineering	(2,432)	(120)	(4)	(5,146)	(7,702)
General and administration	(5,689)	(66)	(5)	(3,048)	(8,808)
Foreign exchange gains/(losses)	-	(3)	(1)	427	423
Net loss before interest and tax	**(684)**	**(231)**	**(174)**	**(7,880)**	**(8,969)**
Finance income	2	-	-	85	87
Finance expense	(37)	-	-	(39)	(76)
Net loss for the period before tax	**(719)**	**(231)**	**(174)**	**(7,834)**	**(8,958)**
Income tax benefit/(expense)	532	-	(84)	-	448
Net loss for the period after tax	**(187)**	**(231)**	**(258)**	**(7,834)**	**(8,510)**

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 2022	44,297	-	60	12,714	57,071
As at 31 March 2022	37,473	-	153	12,925	50,551

4. Revenue from contracts with customers

The Group recognises revenue from goods and services provided under three main contract types:

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.

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 2022

Unaudited

	Software as a service NZ$'000	Software maintenance agreements NZ$'000	Capital sales NZ$'000	Other NZ$'000	Total NZ$'000
Timing of revenue recognition					
Goods or services transferred at a point in time	2,020	-	659	194	2,873
Services transferred over time	10,673	3,338	-	-	14,011
Total revenue from contracts with customers	**12,693**	**3,338**	**659**	**194**	**16,884**

For the period ended 30 September 2021

Unaudited

	Software as a service NZ$'000	Software maintenance agreements NZ$'000	Capital sales NZ$'000	Other NZ$'000	Total NZ$'000
Timing of revenue recognition					
Goods or services transferred at a point in time	1,036	-	420	58	1,514
Services transferred over time	7,768	3,041	-	-	10,809
Total revenue from contracts with customers	**8,804**	**3,041**	**420**	**58**	**12,323**

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

For the six months ended 30 September	2022 Unaudited NZ$'000	2021 Unaudited NZ$'000
Salaries and benefits[1]	10,272	9,405
Research, development, and other product engineering costs not capitalised	4,099	4,186
(Release of)/provision for employee retention plan[2]	(130)	2,540
Depreciation and amortisation	2,628	2,245
Superannuation contributions	1,329	1,115
Consulting and subcontracting	740	593
Share-based payments expense	409	534
Customer cloud costs	601	637
Advertising and marketing	847	519
Directors' fees	254	222
Review of interim financial statements - PwC	35	35
Low-value lease expenses	72	49
Travel	274	56
Business integration and acquisition expenses	4	33
Movement in provision for expected credit losses	18	7
Bad debts written off	6	(3)
Redundancy costs	835	-
Other operating expenses	3,042	2,048
Total cost of revenue and operating expenses[3]	**25,335**	**24,221**

1. Excludes salaries and benefits associated with research for $3,942,000 (2021: $4,186,000). These are included as part of 'Research, development, and other product engineering costs not capitalised.'
2. As part of the acquisition of CRA, Volpara entered into a retention plan agreement with key employees of CRA. This retention plan involved two US$2M payouts which were to be made if CRA achieved certain ARR performance and staff-retention targets by 31 December 2021 and 30 June 2022. These retention payments related to employee remuneration and were not treated as consideration for the purchase of the business. Both targets were not met and resulted in a US$1.8M writeback to the statement of profit or loss in the year-ending 31 March 2022 and a further US $0.1m in July 2022.
3. This total excludes foreign exchange gains/(losses).

6. Share capital and EPS

Ordinary shares issued and fully paid	Notes	As at 30 September 2022 Unaudited NZ$'000	000's	As at 31 March 2022 Audited NZ$'000	000's
In issue as at 1 April		181,492	251,935	180,674	251,019
Exercise of share options		61	115	818	916
Closing balance		**181,553**	**252,050**	**181,492**	**251,935**

Dividends

No dividends have been declared or paid for the six month period ended 30 September 2022 (2021: 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	2022 Unaudited	2021 Unaudited
Net loss after tax attributable to the shareholders (NZ$'000)	(5,286)	(8,510)
Ordinary number of shares ('000's)	252,050	251,353
Weighted average number of shares on issue ('000's)	251,969	251,222
Basic and diluted (loss) per share (NZ$)	**(0.02)**	**(0.03)**

7. Share-based payments

The Group operates two equity settled share-based incentive plans for Directors, Executives, senior management, employees, and others of the Company and its subsidiaries. The plans are designed to retain key personnel. 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.

The value of the services rendered for the grant of the share options is recognised as an expense over the vesting period (which ranges from 0 to five years or upon meeting stipulated milestones). The amount is determined by reference to the fair value of the share options granted which is calculated using the Black-Scholes options model. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired, adjusted for the Group's best estimate of the number of equity instruments that will be forfeited. The expense or credit in profit or loss for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The share option reserve arises on recognition of the share-based payment expense. Amounts are transferred out of the reserve and into issued capital when the options are exercised, or into retained earnings when options lapse or are forfeited.

Legacy ESOP
There were no new options issued under this model for the six months ended 30 September 2022 (30 September 2021: nil).

New ESOP
The Group issued 450,000 options during the six month period. The fair value of options granted during the period was estimated on the grant date using the following assumptions:

Option series	Six months ended 30 September 2022 Unaudited	Year ended 31 March 2022 Audited
Grant date share price	A$ 1.18	A$ 1.19 - 1.49
Exercise price	A$ 1.30	A$ 1.30 - 1.49
Expected volatility	50.00%	50.00%
Option life	5.23 years	5.23 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	0.93%	0.63% - 1.83%
Estimated forfeiture rate	22.04%	18.01%

The New ESOP scheme has now been operational for seven years. The Company now has enough data to calculate an accurate option life and estimated forfeiture rate. Assumptions have been updated to reflect this.

8. Financial instruments and financial risk management objectives

The Group's principal financial instruments comprise receivables, payables, cash, cash on deposit and borrowings.

The Group classifies its financial assets and liabilities at amortised cost, except for derivative financial instruments, which are held at fair value. Refer to note 11.

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 2022 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 2022	19,328	13,010	4,591	15,619	**52,548**
Additions	-	1,324	34	-	**1,358**
Disposals and write-offs	-	-	-	-	**-**
Foreign exchange differences	4,327	-	215	3,496	**8,038**
Balance as at 30 September 2022	**23,655**	**14,334**	**4,840**	**19,115**	**61,944**
AMORTISATION AND IMPAIRMENT					
Balance as at 1 April 2022	-	(3,473)	(2,277)	(1,811)	**(7,561)**
Amortisation	-	(1,195)	(577)	(1,052)	**(2,824)**
Disposals and write-offs	-	-	-	-	**-**
Foreign exchange differences	-	4	(31)	-	**(27)**
Balance as at 30 September 2022	**-**	**(4,664)**	**(2,885)**	**(2,863)**	**(10,412)**
Opening net book value	**19,328**	**9,537**	**2,314**	**13,808**	**44,987**
Closing net book value	**23,655**	**9,670**	**1,955**	**16,252**	**51,532**

10. Borrowings

In May 2020, the Company received approximately US$1.7M as part of the US government's Paycheck Protection Program (PPP) loan scheme established in response to the COVID-19 pandemic. Under the terms of the loan, the loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period.

On 27 September 2021, the Company received confirmation that the loan and any accrued interest had been forgiven and all obligations have been met. As a result, NZ$2.5M was recognised as other operating income and the corresponding liability has been extinguished.

11. Financial assets and liabilities

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

12. Related parties

Details of all related party relationships have been disclosed in the annual report for the year ended 31 March 2022. For the current six-month interim period, no new transactions with Directors occurred that would be considered a related party transaction. There are no outstanding balances payable to key management and Directors at balance date (31 March 2022: $193,000).

During the six-month period ended 30 September 2022, 450,000 share options were issued to Ann Custin.

13. Contingencies and commitments

The Group had no contingencies or commitments to purchase fixtures or equipment as at 30 September 2022 (30 September 2021: 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 2022, and the consolidated statement of profit or loss and 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 2022, 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. In addition to our role as auditor, our firm carries out other services for the Group in the area of sustainability reporting assistance. The provision of this other service has not impaired our independence.

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

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in an audit conducted in accordance with International Standards on Auditing (New Zealand) and 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
23 November 2022

Wellington

PwC

Corporate directory

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

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

Company Secretary
Craig Hadfield and Fred Struve

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

Australian Registered Body Number (ARBN)
609 946 867

The Company's registered office address in Australia
Suite 9, Level 1, 357 Military Road
Mosman
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NSW 2088
AUS

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Auditor
PwC
10 Waterloo Quay
Wellington 6011
NZ

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

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

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