13.5 million women

39.5 million images

One goal

Annual Report 2021

Volpara HEALTH

Prevent advanced-stage breast cancer

Every time a woman has a mammogram and the images are added to our database, we improve our ability to predict breast cancer. And, ultimately, prevent it.

ABOUT VOLPARA HEALTH

When we focus on the individual, we serve millions

Volpara's strategy is one rooted in deeply held principles. Partnering artificial intelligence with rigorous, peer-reviewed science, we develop products that empower women and optimise screening. We understand that providing personalised breast care to one woman at a time is the most effective way to serve millions of women.

From the very beginning, we have endeavoured to take the best of the academic and commercial worlds to produce an elegant, practical solution for the everyday world. A world where the prediction of breast cancer risk is so precise that advanced-stage cancer becomes a thing of the past, and the prevention of breast cancer altogether is possible in a tomorrow that's getting closer and closer.

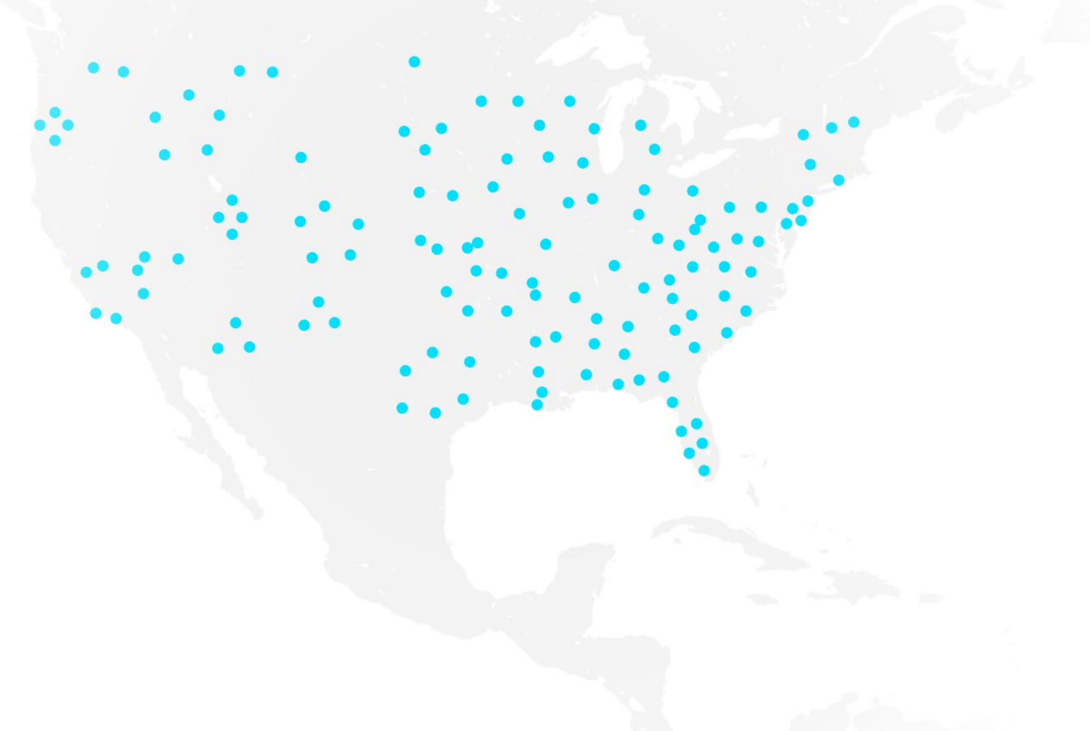
On our journey to hasten the arrival of that day, we have developed the breast health industry's most scientifically validated technology platform. Our work is supported by numerous patents, trademarks, and regulatory registrations, including FDA clearance and CE marking, and an unmatched volume of peer-reviewed publications. And we are the preferred partner of leading clinical sites around the world.

Since we first listed on the ASX in April 2016, we have raised A$132 million, including A$37 million in April/May 2020. We've also made two significant acquisitions in MRS Systems, Inc., and CRA Health, LLC. With offices in Seattle and Boston, and staff on four continents, we are proudly based in Wellington, New Zealand.

In the sections that follow, we'll look more closely at the strategy guiding our work.

2,000+

facilities have installed Volpara software, including top US centres



13.5 m+

women across 39 countries have had their breast composition assessed by Volpara

3,600+

radiographers use Volpara to monitor performance

39.5 m+

mammography & tomosynthesis images have been anonymised and evaluated for positioning and compression, and stored in Volpara's cloud

300+

peer-reviewed articles and research abstracts that include Volpara technology

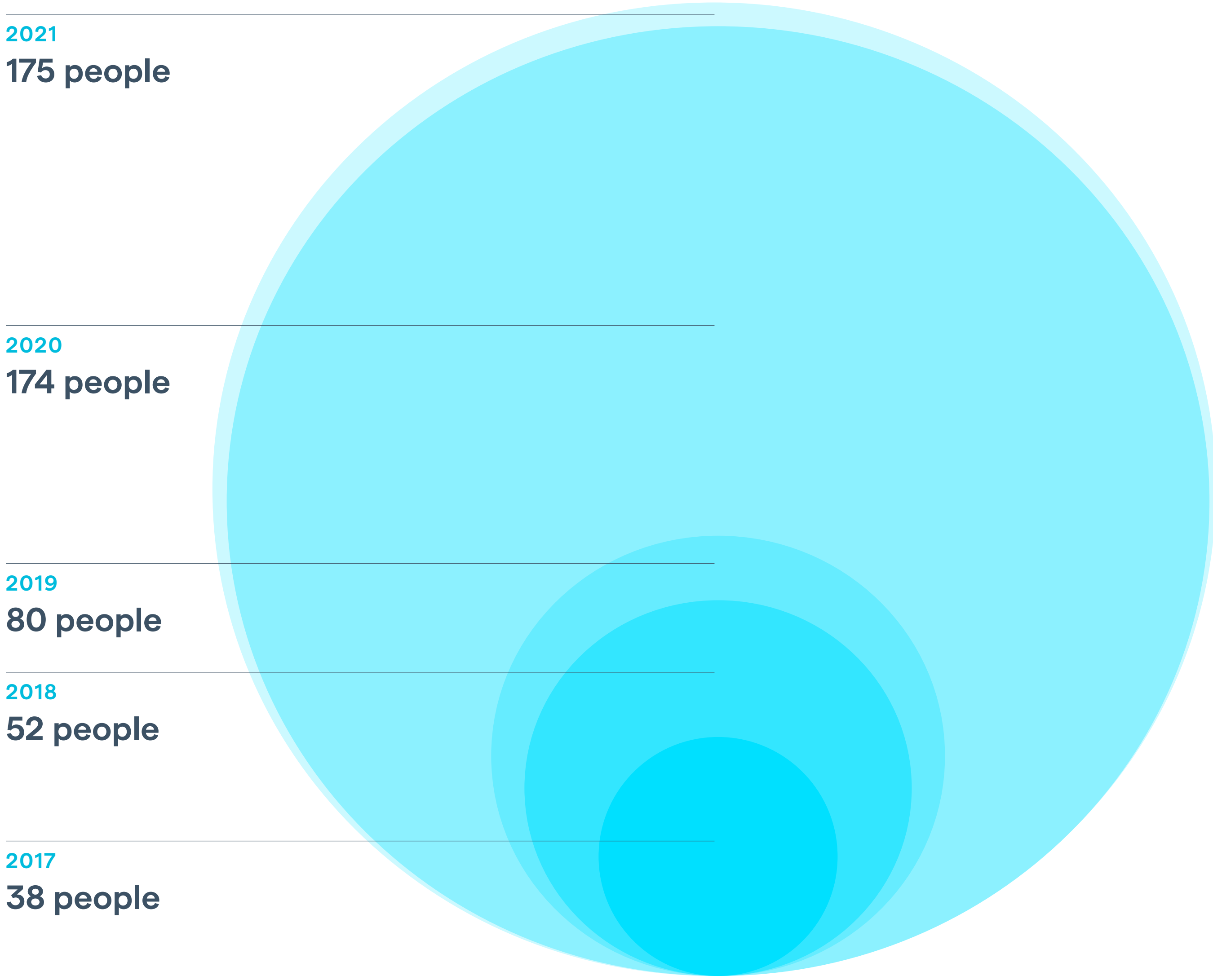
CULTURE

We are greater than the sum of our parts

Though it's many years since Volpara was a tiny startup in Ralph Highnam's house, in a back bedroom overlooking Wellington's Mount Victoria, the sense of mission burns as brightly as ever. Walk through the doors of the Wellington office and you'll find an atmosphere humming with engagement—lots of animated discussions, yes, but also many heads down doing the work that bit by bit, piece by piece, adds up to world-leading software.

This is a company few find themselves in by accident, as nearly everyone has a story of a friend or family member affected by breast cancer. Some are industry veterans with decades of experience in mammography, others have joined the ranks as experts in other fields, and still others are newly minted scientists, software engineers, or designers. Highly educated, they come from all over the world, a mix of native New Zealanders and immigrants to Aotearoa, united in common cause.

> "I joined Volpara to help improve the experience of women and families impacted by breast cancer. I love knowing that our work contributes to a more compassionate system."
>
> *—Anonymous, Volpara Employee*



NUMBER OF EMPLOYEES

Volpara Employees | Wellington, New Zealand

"Last year, during the height of the pandemic, a dear friend discovered a lump and was diagnosed with third-stage breast cancer. My wife returned to the States to care for her, to help organise her treatment plan, navigate a complex medical system, weigh her options.

"I saw then that breast cancer never affects a single person in isolation, and that the work we do at Volpara is not just for those individuals but for everyone who loves them."

Ryan Rasmussen
Lead Writer/Editor

"We are developing algorithms and software that I am so happy are being used on my mum!"

Jade Yip
Product Manager, Science & Research

"My best friend was diagnosed with breast cancer from her first mammogram at 45. She was lucky they caught it early, but even now she is still confused and feels bamboozled by the system and its jargon."

Anonymous
Volpara Employee

"I came to Volpara for all the women in my life impacted by breast cancer, including Prue, a mum of two who passed away at 35. I stay because the job is not yet done."

Anonymous
Volpara Employee

THE CHALLENGE

Breast cancer is now the most-diagnosed cancer in the world.[1] Every year, over 2.25 million people are told they have breast cancer.

Every year, over 680,000 people will die from it.

They shouldn't have to. Despite huge advancements in screening technology, these numbers are only increasing. So, at Volpara we ask:

How can we do better?

2,261,419

worldwide cases of breast cancer[2]

684,996

worldwide deaths from breast cancer[2]

1. https://www.who.int/news/item/03-02-2021-breast-cancer-now-most-common-form-of-cancer-who-taking-action
2. https://gco.iarc.fr/today/data/factsheets/populations/840-united-states-of-america-fact-sheets.pdf

Our quest to prevent advanced-stage cancer

1976

Taking a risk on risk

In 1976, radiologist John Wolfe first hypothesized a link between mammographic breast density patterns and the risk of developing breast cancer. His early work generated a great deal of interest but could not be easily replicated due in part to the subjectivity of judging his patterns, and the area fell into disrepute clinically. Norman Boyd then developed more quantitative ways of measuring breast density, moving away from patterns to the percentage of the breast that was dense, fibroglandular tissue. In hundreds of articles, Boyd provided convincing evidence that breast density was a significant, independent risk factor for breast cancer.[3]

Boyd's method proved hard to fully automate. At the same time, however, mammography was transitioning from film to digital. This modality struck Ralph Highnam, then a graduate student at Oxford University, as well suited to a new volumetric, or three-dimensional, approach to measuring breast density. Ideally, such an approach would be **objective, consistent, and repeatable**, and thus provide a more quantitative aspect to breast cancer screening.

During this period, researchers started to realise that breast density was not only the strongest risk factor on a population base but also a significant risk factor for missing cancers if they were present. The stakes were clear: If a woman's breast density could be accurately measured, then she and her healthcare providers would have options—screening modalities less affected by the masking effect of dense tissue. Mammography would remain the gold standard in breast cancer screening, as it is still the only method proven to reduce mortality.[4,5] But it would now be enhanced by Highnam's algorithm....

3. Engmann NJ, Golmakani, MK, Miglioretti DL, et al. JAMA Oncol. 2017;3(9):1228–1236. doi:10.1001/jamaoncol.2016.6326
4. Moss, S.M. et al. Effect of mammographic screening from age 40 years on breast cancer mortality in the UK Age trial at 17 years' follow-up: a randomised controlled trial. The Lancet Oncology 16, 1123–1132 (2015).
5. American Cancer Society. American Cancer Society Breast Cancer Screening Guideline. 2017 [cited] Available from: https://www.cancer.org/latest-news/special-coverage/american-cancer-society-breast-cancer-screening-guidelines.html

> By providing key insights, Volpara helps radiographers improve their performance over time.

2009

Focus on quality: refining density assessment

By 2009, the first state law requiring that women be notified of their breast density and screening options was passed in the United States. Highnam, meanwhile, had cofounded Mātakina Technology while continuing to refine his "VolparaDensity" algorithm. Named after the Māori word for "insight," Mātakina set to work addressing the factors that can affect the accuracy of density assessments. In time, complementing what would come to be known as the TruDensity clinical function, there would be measures for radiation dose, compression pressure, and mammographic positioning.

What if we could tell breast imaging centres how they were doing?

This question would be answered with our development of Volpara Analytics, the only vendor-neutral software that provides automated and objective assessment of image quality on every mammogram. By providing key insights, Volpara helps radiographers improve their performance over time. The result is that women have a better experience, they are more likely to return, and the image quality is better—and that, in turn, means better breast density scoring.

> In the last year alone, the number of images in Volpara's cloud—already one of the world's largest data sets—has jumped nearly 60 percent.

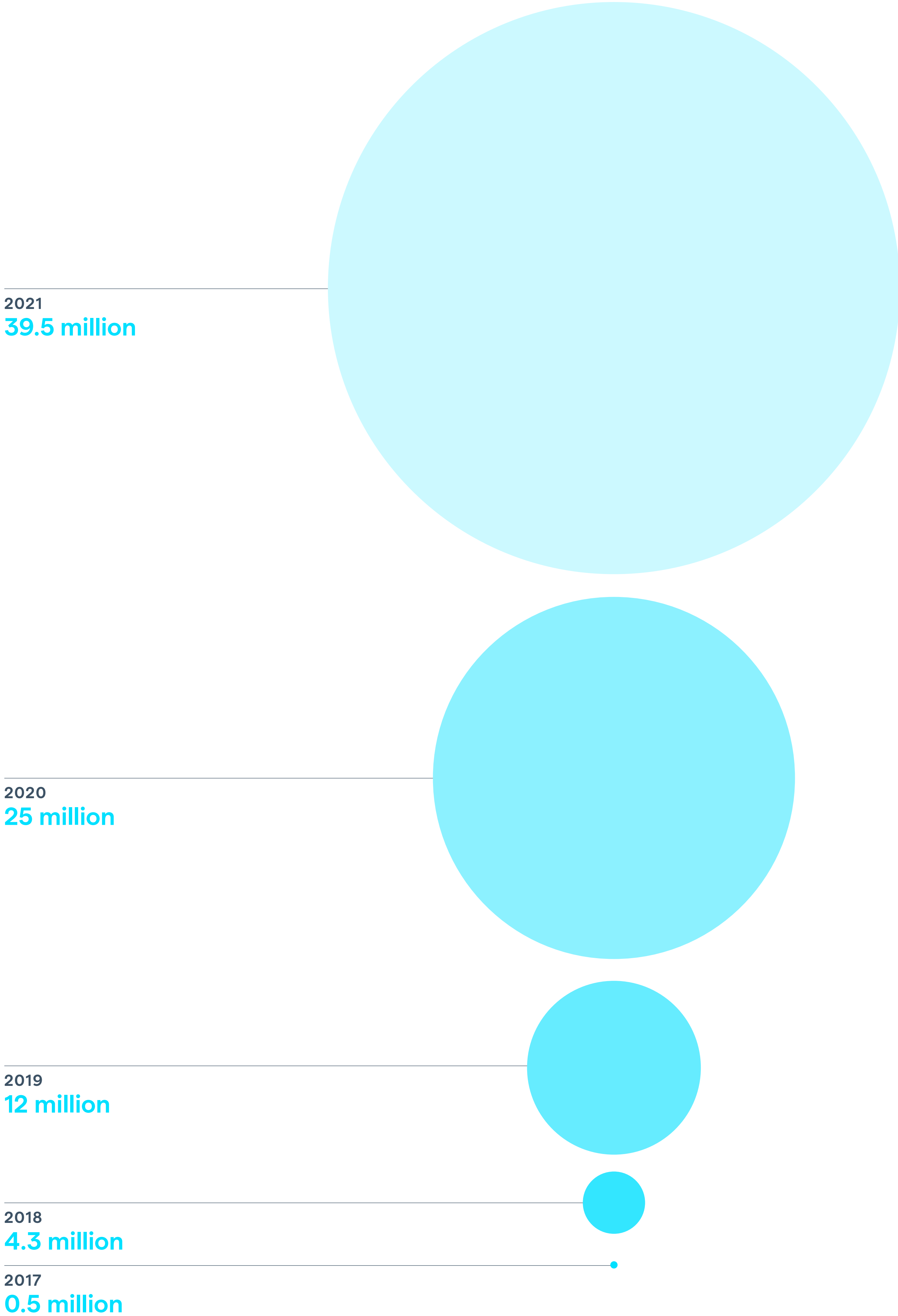
2015

A greater, global reach

By late 2015, Highnam's company would be renamed Volpara Health Technologies to better signal its commitment to serving the international healthcare market. This was only the prelude to Volpara's listing on the ASX in April 2016, the first move in the next major stage of Volpara's development: scaling the business to reach more women.

The second move was the acquisition of Seattle-based MRS Systems, Inc., in mid-2019. The purchase instantly increased the number of US breast clinics to which Volpara had access—from 400 to over 2,000. It also brought the proportion of North American women whose images had been analysed by a Volpara product to over one-quarter. Apart from the considerable financial advantages—a significant increase in ARR, accelerated sales through cross-selling opportunities, and increased ARPU through an extended product range—Volpara now had the foundation for an integrated software platform.

Seeking "nothing short of a revolution"—the widespread implementation of personalised cancer screening—Volpara built upon MRS's patient tracking and radiologist software to create the Volpara Breast Health Platform. This comprehensive clinical and workflow management software represents a substantial leap forward in breast clinics' ability to provide women a high-quality, personalised experience. It also generates the massive amounts of well-curated data needed to optimise AI.



NUMBER OF CLOUD-BASED IMAGES

CREATING THE FUTURE

Year in Review

2020

April

Volpara sponsors free virtual CME course and DetectED-X online radiology training courses

Volpara undertakes successful capital raise of A$37 million (NZ$39.5 million)

May

Volpara signs collaboration agreement with Ambry Genetics

June

Volpara customers use Volpara Analytics to resume breast screening operations amid COVID-19

July

Volpara extends distribution agreement with MeVIS Medical Solutions AG

August

Volpara showcases Volpara Breast Health Platform at AHRA 2020 Virtual conference

September

October

Volpara expands partnership with FUJIFILM Medical Systems U.S.A., Inc.

Volpara partners with Sheila R. Veloz Breast Center to provide image-enhanced patient letters

Volpara Solutions rebrands to become Volpara Health

November

Volpara expands Charlotte Radiology collaboration to sign US Radiology to five-year SaaS contract

Volpara partners with Sydney-based DetectED-X

Volpara wins Absolute IT Supreme Scale-Ups award

Volpara wins Supreme Gold and Cyber Gold Awards at Wellington Gold Awards

December

2021

January

Volpara signs five-year SaaS contract with BreastScreen Queensland

February

Volpara acquires CRA Health, LLC

March

DENSE trial using VolparaDensity software shows significant reduction in false-positive rate in second-round results

Volpara Group signs highest-value contract to date with Trinity Health Corporation via CRA Health

April

Volpara granted 97th US patent

Volpara AI study wins Magna cum Laude award at European College of Radiology 2021

2021+

Today the world, tomorrow the moon

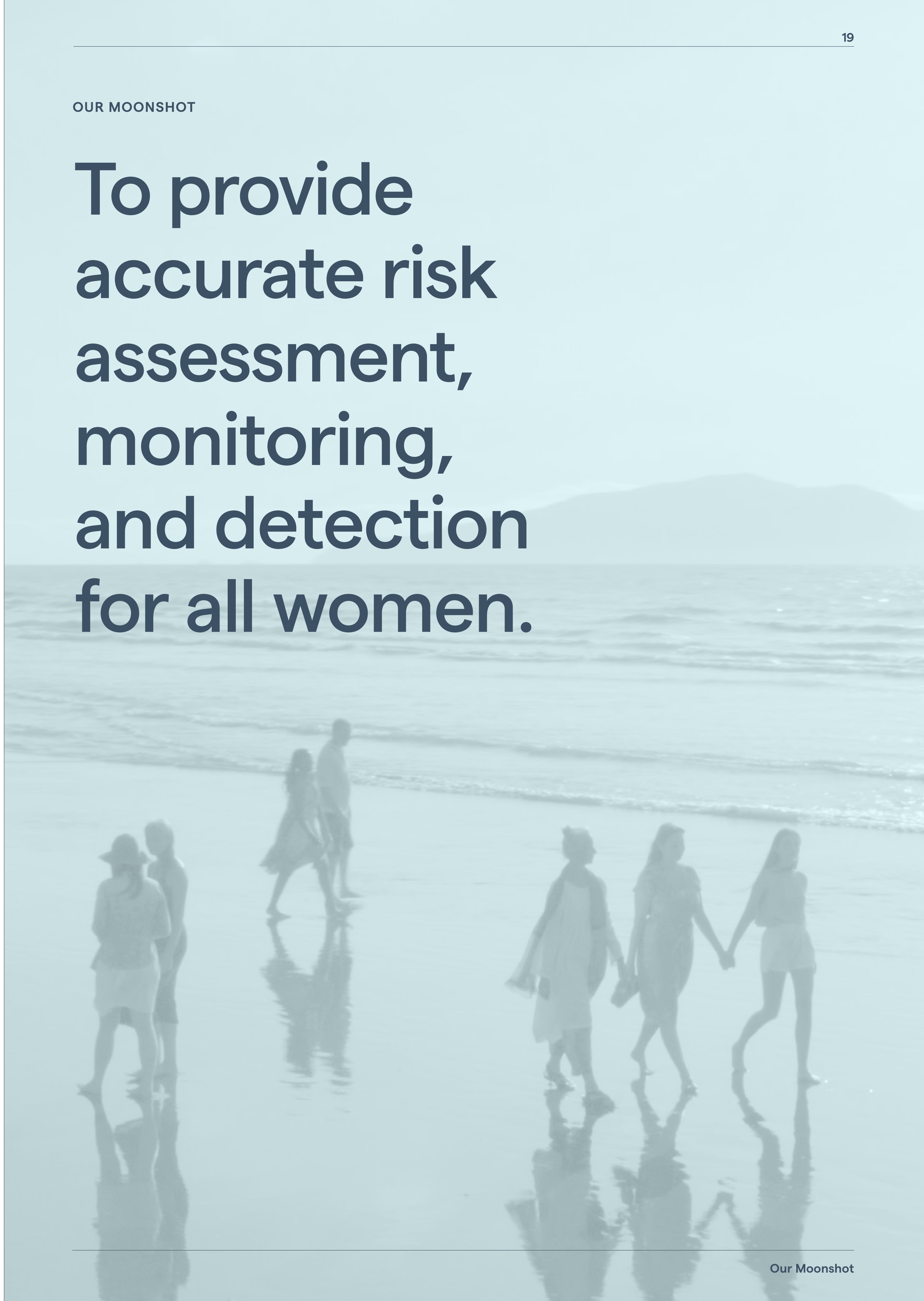
Volpara was originally founded to provide a very accurate measurement of breast density. Naturally, this supported the early detection of breast cancer via screening, which has proven effective in reducing the disease's morbidity and mortality. Highnam's intention for Volpara's software, however, was much broader: to enable, for all x-ray systems, the measurement of changes in breast tissue over time. Hormone replacement therapy and breast density–reducing drugs such as tamoxifen, for example, are useful strategies whose effects should be monitored. Such a temporal component would work hand in hand with prediction and early detection, ultimately pointing to some key questions:

What if we could predict far more accurately who would develop breast cancer in the first place and then act to reduce those individuals' risk?

What if we could then get the right imaging at the right time to those women at high risk?

What if we could then monitor those women to ensure prevention strategies were working?

By acquiring CRA Health, LLC, earlier this year, Volpara has now gathered all the elements required to answer these questions. With world-leading risk assessment and genetics in its portfolio, Volpara has the means to create the most powerful risk model ever, one based not on tens of thousands of women but millions of women. This is the basis of what we call our moonshot: to provide accurate risk assessment, monitoring, and detection for all women. To reach it, we continue our focus on commercial success and data for science.



OUR MOONSHOT

To provide accurate risk assessment, monitoring, and detection for all women.

REBRANDING

A brand to reflect our philosophy

Our logo

The new Volpara Health logo represents the coming together of core components to form a powerful and integrated platform. Taking the V from the name, a rounded arrow shape was crafted. The six arrows are positioned in symmetry, creating a juxtaposition of both balance and dynamism, openness and consolidation.

> "This rebranding reflects our goal of not only helping providers, but also communicating clear information, fully supported by science, which empowers women to understand their options and take charge of their breast health."
>
> *—Dr Ralph Highnam, Group CEO & Chief Scientist*

A little over a year ago, many individuals across Volpara were working hard to thoroughly integrate the Wellington and Seattle teams. Their examination of the inner workings of the expanded company naturally prompted a re-evaluation of Volpara's brand. The company had long enjoyed a reputation as a world leader in the breast health industry, but here was an opportunity to definitively express, through both visual elements and messaging, the value Volpara brings to customers, patients, and investors alike.

The challenge was to signal Volpara's commitment to personalised breast care while affirming its standing as a team of trusted advisers who join their expertise with that of leading clinical sites around the world.

The first step, taken in October 2020, was the renaming of the company's commercial arm, from Volpara Solutions to Volpara Health.

The second step was more involved, requiring the collaboration of writers, designers, and developers across the marketing, product management, and engineering teams. By March 2021 they had renamed the products and launched a wholly redesigned website (www.volparahealth.com) as well as a host of corresponding customer-facing materials—marketing collateral, software documentation, white papers, and training guides. Still to come is an extensive update to the user interface of Volpara Analytics 3.0. The aim is a better experience for all those who come into contact with Volpara, whether radiographer or breast imaging manager, patient or prospective customer, scientist or shareholder. And the aim beyond *that* is the delivery of evidence-based science that provides the best in personalised breast health.

Recognition

We aim to do what's right for women and believe in what we do. So, it's pleasing to have our work recognised by industry peers and validated by the market.

WELLINGTON GOLD AWARDS 2020

Supreme Gold Award

WELLINGTON GOLD AWARDS 2020

Cyber Gold Award

EUROPEAN COLLEGE OF RADIOLOGY 2021

Magna cum Laude award

TECHNOLOGY INVESTMENT NETWORK 2020

Absolute IT Supreme Scale-Ups award

Key figures

MARKET SHARE OF NORTH AMERICA*

32% +5%

REVENUE

$19.7 m +57%

DATABASE IMAGES

39.5 m +58%

ARR

$27.9 m +55%

GROSS MARGIN

91% +5%

*Of US and Canadian women screened for breast cancer, approx. 32% had at least one Volpara product analyse their data and/or images

Dear Shareholders,

What a year it's been. At Volpara we are fortunate to be able to say this in at least two senses. The first acknowledges the challenges the COVID-19 pandemic has posed for so many individuals and organisations the world over. The second celebrates the hard work we've put in, and the resilience we've demonstrated, to achieve what has been our most financially successful year to date.

Our culture of continual learning has served us well. It has enabled us to quickly pivot to new ways of working, especially when it comes to sales and marketing. Our new digital marketing has already proven effective in connecting with a breast health industry facing unprecedented reductions and subsequent overflows in screening volumes due to lockdowns. We've not been idle, either, in further developing our advanced AI software platform, perhaps the key element in Volpara's path to realising its vision of becoming the global leader in cancer-prevention software.

We've also benefitted from an industry climate increasingly favourable for what we do. Regulatory bodies are placing greater emphasis on quality of screening. Evidence pointing to breast density's role as a risk factor continues to accumulate. The drivers for market adoption in the United States, Volpara's largest market, are growing stronger, with the US Food and Drug Administration soon to mandate that all women be informed of their breast density. And US women are increasingly being recommended for risk assessments, including genetic testing in some cases, to supplement traditional mammography screening. Such positive changes can only bolster Volpara's work to help usher in an era of personalised medicine based in risk assessment and genetics testing.

Last year I reported that our April/May 2020 capital raise was intended to support our ability to take advantage of compelling merger-and-acquisition opportunities. This is exactly what we've accomplished in acquiring CRA Health, LLC, in February. A leader in risk and genetics, the Boston-

> With CRA Health, we have now assembled all the essential ingredients required for our moonshot, providing the most powerful risk assessment possible for every woman.

based firm matches Volpara's values, mission, and scientific background, and its integrations with major electronic health records systems and genetics companies greatly expand our ability to help many more women benefit from personalised breast care. Our action was immediately validated: Within weeks of the purchase, we signed, via CRA Health, our highest-value contract to date, over US$400,000 per year in ARR.

The value of CRA Health goes far beyond a single sale, of course. The addition of its expertise means that Volpara is now the US leader in breast cancer risk estimations. It also exemplifies our strategic approach in meeting the multiple needs of healthcare providers and the women they serve. By building a platform of integrated solutions that spans the clinical workflow, from patient tracking and risk assessment to density assessment, performance monitoring, and the provisioning of individualised screening options, Volpara helps breast imaging centres accommodate patients at every step of their healthcare experience. With CRA Health, we have now assembled all the essential ingredients required for our moonshot, providing the most powerful risk assessment possible for every woman.

I have many people to thank for their contributions to the ongoing success of our endeavour. The effort is always a collaborative one, but I would especially like to single out my fellow Board members for their rigorous oversight during an eventful year, and of course you, our shareholders, for believing in our cause, our course, and our future.

Yours sincerely,

Paul Reid
Chair

"I noticed the Volpara logo in the radiologist's office, and we had a brief chat on how good the Volpara tech is. So, from the bottom of our hearts, my wife and I thank you, Ralph, and your team for everything you have done and continue to do to improve the outlook for women's health through breast cancer detection."

Anonymous
Volpara Investor

"I am extremely passionate about the business you've built, and I am a proud shareholder. I admire what you do, and words can't describe how thankful I personally am for the work that you and your team do over here, in New Zealand, and, above all, in the US."

Anonymous
Volpara Investor

"Volpara enables our vision of personalised screening based on breast density, risk factors, and hereditary testing."

Leigh Loughran
Personalized Medicine Program Director,
Rome Memorial Hospital,
Rome, New York, USA

Dear Shareholders,

In many respects, FY2021 seems a repeat of the previous financial year. Just as we reported last year, Volpara achieved remarkable growth in ARR, ARPU, and market share while acquiring a leading US risk and genetics company, but there's one key difference: We've achieved it all during an unprecedented period of global uncertainty, public health crises, and lockdowns. That we continued to show strong growth is a testament to the resilience and efforts of many, many people throughout our *whānau*, our extended Volpara family.

Throughout the pandemic, because of the IT nature of our work, we've been privileged to have been able to continue our work largely uninterrupted, other than the lack of travel to sites and trade shows. Working remotely has its own challenges, of course, but we have seen our staff demonstrate their character and professionalism, working to build trust inside and outside the organisation, with productivity higher than ever. I am proud that they exemplify our values, to Be Bold, Be Extraordinary, Be Relentless, and especially Be Whānau. Thank you to Kat Greene, Chief People Officer, and her team around the globe for helping us and all our staff navigate this difficult period.

Perhaps the biggest shift was undertaken by the sales and marketing team, which swiftly pivoted to a digital approach when it became clear that face-to-face interactions were no longer possible. Our sales team generated tremendous growth from significant wins across the United States. I'd like to thank Debra Saunders, our recently retired Director of Sales, North America, for her service and for adroitly leading our outstanding US sales team throughout this last period as they secured or expanded contracts with many customers. And we welcome Jill Spear, our new Executive Vice President, US Sales & Marketing, who joined us from GE Healthcare in late March 2021.

In Australia, we've been seeing great progress in private centres in certain states (South Australia and Queensland) and have won our second contract with a public screening programme—this time Queensland. Thanks go to Anton Zerle, VP Sales and Marketing ANZ, and his team—Kylie Chandler, Tae Chung,

> Working remotely has its own challenges, but we have seen our staff demonstrate their character and professionalism, working to build trust inside and outside the organisation, with productivity higher than ever.

Francois Le Roux, and Gabrielle Vaughan—for making such great progress in helping us help the women that invest in us and support us on a daily basis across Australia and New Zealand.

By design, Europe and Asia saw less activity, but we should note the extremely positive results of the second round of the 10-year Project DENSE in the Netherlands. It showed a significant reduction in the false-positive rate, relative to the initial results, in screening programs using Volpara software to assess breast density, showing the viability of triaging women with high breast density to breast MRI. We look forward to screening programs now acting on these results and getting women the essential screening they need.

Our product development kept pace with our sales and marketing efforts, thanks in part to the leadership displayed by Chief Operating Officer Simon Francis and Head of Product Management Matt Prickett. We thank them for their implementation of not only technical innovations, such as the move from a physical server box to a Virtual Appliance to provide excellent remote monitoring, but software updates that create a better user experience, such as the redesign of the customer dashboards of Volpara Analytics and the launch of our most powerful breast density algorithm to date. Thank you to Mark Morris, Executive Vice President, Customer Success, for getting those updates to users and continuing to field a team in Seattle that excels at customer support.

The biggest achievement this year was, of course, our acquisition of Boston-based CRA Health, LLC, a leader in risk assessment and genetics. We are proud to welcome aboard Brian Drohan, Chief Scientific Officer of CRA Health, and his team. We look forward to working together to extend Volpara's lead in cancer-prevention software, where the key is to predict, monitor, and detect with great precision. Thanks go to Dave Mezzoprete, Vice President, Global Business Development, for his outstanding work with CRA Health and all the major genetics companies, including especially Ambry Genetics, who have been great to work with.

> The biggest achievement this year was our acquisition of Boston-based CRA Health, LLC, a leader in risk assessment and genetics.

Several other individuals deserve special recognition. We thank Erica Carnevale, Director of Integrated Marketing and Content, for leading our transition to digital marketing and the rebranding of Volpara Health, including our new website. We thank Mathew George, Senior Portfolio Manager, Strategy & Operational Delivery, for leading the CRA Health integration and coordinating our five-year corporate strategy. And we thank Frederik Struve, Vice President, Legal, for his excellent work on the CRA Health acquisition and expert navigation of US trademark registration as we changed our product names.

We bid farewell to US CEO Katherine Singson, whose vision of reaching women directly kindled both the rebranding effort and the image-based patient reporting we'll be implementing later this year. And we congratulate Dr Monica Saini, who remains on the Board but has stepped down from her role as Chief Medical Officer to focus on her new venture, Breast Institute New Zealand. It's gratifying to have a breast clinic here in Wellington that models the kind of personalised care we seek to provide to women throughout the world.

Thanks go to Morgans and Bell Potter for their continued support as we move ever closer to the day when the prevention of advanced-stage breast cancer is realised.

Finally, thank you to Craig Hadfield, Chief Financial Officer, for his excellent work over the year, and to the Board for their continuing belief in the Company and its mission.

Yours sincerely,

Ralph Highnam, PhD
Group CEO & Chief Scientist

> It's gratifying to have a breast clinic here in Wellington that models the kind of personalised care we seek to provide to women throughout the world.

Ralph Highnam | Wellington, New Zealand

DIRECTORS' REPORT

Meet the Board

The Directors present their report on Volpara Health Technologies Limited (VHT) and the entities it controlled during and at the end of the year ended 31 March 2021.

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

Paul Reid

Dr Ralph Highnam

Roger Allen AM

John Pavlidis

John Diddams

Dr Monica Saini

Karin Lindgren

Company Secretary
Craig Hadfield

Paul Reid

Chair, Independent Non-Executive Director
BSc (Hons)

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

He is also currently CEO of Author-it Software Corporation, which provides documentation software for clinical, medical, and labelling information to life sciences companies in Europe and the USA. Other key Directorship roles include Christchurch International Airport Limited and New Zealand Stock Exchange (NZX)–listed Comvita Limited.

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

Dr Ralph Highnam

Executive Director & CEO
BSc (Hons) 1st Class, MSc, PhD

Ralph, a founding Director of VHT, has been at the forefront of the digital breast imaging field for over 30 years. Ralph's innovative work as a research scientist in quantitative breast imaging technology at the University of Oxford led him to form first OXIVA Limited and then Mirada Solutions with Professor Sir John Mike Brady. Under Ralph's leadership Mirada became the number-one provider of image registration and fusion tools before being acquired by CTI Molecular Imaging Inc. and later Siemens Medical Solutions USA, Inc.

Before founding VHT in 2009, Ralph consulted for many of the world's top medical imaging companies, including R2, Siemens, Hologic, and Dexela, as well as many leading breast screening programs. During this time, he continued his academic research as part of an international circle of collaborators.

Ralph is the author of numerous articles and, with Brady, the seminal book *Mammographic Image Analysis*. As CEO of VHT, Ralph is dedicated to providing the most accurate measurements possible of breast composition (breast density) in order to improve the health outcomes of women around the world. Based in Wellington, NZ, in 2015 he was named a Wellingtonian of the Year finalist.

Roger Allen AM

Non-Executive Director
BA, FACS

Roger joined the Board in June 2010 and was Chairman from October 2015 to March 2019. Roger is a highly experienced entrepreneur and investor in early-stage growth companies in AUS, NZ, and internationally. He built up Computer Power Group (CPG) in the 1970s from a small startup to a worldwide group of 3,000 people operating from 50 offices in 12 countries, listing on the Australian Stock Exchange (ASX) in 1987. The company was acquired in 1995. In 1996 he cofounded Allen & Buckeridge, an early-stage venture capital fund with offices in Silicon Valley and AUS. He is dedicated to social entrepreneurship and impact investing, especially to enterprises focused on digital health and also indigenous economic development through his foundation Indigenous Capital Limited.

Roger has served on two Prime Ministers' Science and Technology Councils and Advisory Boards and was Deputy Chairman of the Australian Government's Export Agency, Austrade, from 1990 to 1997. Previously an Adjunct Professor in the Business School of the University of Technology Sydney, he has also lectured at the School of Entrepreneurship at INSEAD. Roger has been awarded the top two lifetime awards in the IT industry (CSIRO Tony Benson award and the Pearcey Medal for lifetime achievement) as well as an Order of Australia Honour for his services to the IT sector through leadership roles, venture capital investment, and professional development, and in recognition of his support of the indigenous community and philanthropic interests. He was also elected as Fellow of the Australian Computer Society. He is based in Sydney, AUS.

Roger is a member of the Audit Committee and the Remuneration Committee.

John Pavlidis

Independent Non-Executive Director
BS, MS

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

From 2015 through 2019, John served as the President and CEO of Vytronus, Inc., a venture-backed startup using novel catheter-based ultrasound and robotics technology to treat atrial fibrillation, a cardiac arrhythmia. Prior to Vytronus, John was the President and CEO of Endoscopic Technologies, Inc., a leader in minimally invasive and endoscopic treatment of atrial fibrillation, until it was acquired by AtriCure, Inc., in 2014. Since 2007, John has also served on the Board of Directors of several health technology companies, including U-systems, Inc., which pioneered automated breast ultrasound imaging as an adjunct to mammography for breast cancer screening and was acquired by GE Healthcare in 2012.

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

John Diddams

Independent Non-Executive Director
B Com, FCPA, FAICD

John is the principal of an Australian CPA firm that provides companies with corporate advisory services. John has extensive knowledge and practical experience in the application of Australian corporations law, ASX Listing Rules, international accounting standards, and corporate governance principles.

Over the past 30 years, John has managed the processes to raise capital, perform due diligence, and seek ASX listing for a number of enterprises, including IPOs for a wide range of diverse offerings. These include oil and gas interests, food and retail, a fine-wool processing plant, an innovative telephony product, a biotech company, an Internet advertising initiative, a dental device for snoring and sleep apnoea, an indoor skydiving company, the New Zealand developer of the Martin Jetpack, a healthy fast-food chain, and Skydive the Beach Group Limited (now Experience Co Limited).

John is currently a Non-Executive Director of Aroa Biosurgery Limited, an NZ-based company that develops and markets proprietary soft-tissue regenerative products, and Surf Lakes Holdings Limited, a Gold Coast–based business with patented technology for recreational wave generation. John was recently appointed Non-Executive Director of DIT Technologies Limited, a Queensland-based "AgTech" company focused on nutrient supplementation for livestock technology that uses the Internet of Things to help farmers do more for less.

John is Chair of the Audit Committee and a member of the Remuneration Committee. He is based in Sydney, AUS.

Dr Monica Saini

Non-Executive Director
BSc, MS, MD

Monica joined the VHT Board in 2018. She is an internationally recognised expert in breast cancer, especially breast density and breast cancer risk assessment. Monica is a Doctor of Medicine and a prior BSc in nursing. She has had US radiology training and an additional fellowship in women's imaging, and has over 10 years of patient care experience in both private and public sectors.

In 2015, she became a medical advisor for GE Healthcare and in 2016 was appointed Medical Director of Automated Breast Ultrasound Systems, GE Healthcare. Globally, she worked on early detection of breast cancer, breast cancer research, and international physician education for breast imaging technologies.

Monica relocated to NZ in 2017 and started as a consultant before becoming the Chief Medical Officer of VHT, providing hands-on expertise in product development, research, and customer relations. She stepped down from her executive role on 5 January 2021 but remains on the Board.

She is medical adviser for Breast Cancer New Zealand Foundation and continues her clinical practice at Hutt Hospital in Wellington and her new private clinic, Breast Institute New Zealand.

Karin Lindgren

Independent Non-Executive Director
BS, JD

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

Her previous roles include General Counsel, Chief Compliance Officer, and Chief Privacy Officer at the University Health System Consortium (which covers 90 percent of US academic medical centres); General Counse and Chief Privacy Officer at ReedGroup, a data and informatics technology company responsible for absence management solutions at over 40 percent of Fortune 100 companies; and Senior VP, Legal Affairs, General Counsel, Corporate Secretary, Chief Compliance Officer, Chief Privacy Officer, and Chief Audit Executive at Availity, a revenue-cycle management, electronic data interchange platform, PaaS IT company that operates the largest real-time information network in healthcare, connecting payers and providers in over 6 billion transactions every year.

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

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

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

Craig joined VHT in July 2016 and was appointed Chief Financial Officer and Company Secretary in March 2017. Craig brings over nine years' experience in senior and managerial auditing roles at large accounting firms, including EY and Deloitte. He was most recently an Associate Director for Deloitte Wellington and was the Audit Manager for VHT during the IPO process. Previously, he held roles internationally, including in the USA, South Africa, NZ, and the Bahamas.

Craig is a registered member of the South African Institute of Chartered Accountants (SAICA) and an affiliate of NZICA (CAANZ). He is based in Wellington, NZ.

Principal activities

The Group's principal activity during the year was the sale of Volpara Analytics, comprehensive cloud-based breast imaging analytics software that delivers quality assurance and performance monitoring. With dynamic, role-specific dashboards and wide-ranging benchmarking analytics to help clinics manage their business more efficiently, Volpara Analytics is supported by the company's market-leading Volpara Scorecard, powered by the TruDensity, TruRadDose, and TruPressure clinical functions. During the year we continued to roll out Volpara Live software, which automatically analyses patient positioning and compression and provides real-time feedback to radiographers. After acquiring MRS Systems, Inc. (MRS), in June 2019, we continued to upgrade and upsell customers to SaaS with MRS's latest product suite, the renamed Volpara Patient Hub, Volpara Lung, and Volpara Risk—all integrated with Volpara's existing suite of products. Patient Hub and Lung are patient tracking and reporting software solutions designed to help customers' staff become more productive in the operation and administration of their practice. Volpara Risk helps deliver objective insight that assists radiologists in directing women at high risk of developing breast cancer to essential screening and testing. Lastly, with the acquisition of CRA Health, LLC (CRA), in January 2021, Volpara added a market-leading breast cancer risk-assessment tool. CRA's software will continue to be sold as a stand-alone risk-modelling product while it is integrated into Volpara's suite of products, in time replacing Volpara Risk.

Significant changes in the state of affairs

During the year ended 31 March 2021, the Group raised A$37M in a placement and share purchase plan. In January 2021, some of the proceeds raised were used to acquire CRA, a Boston-based software company that specialises in breast cancer risk assessment and was spun out from Massachusetts General Hospital, a Harvard Medical School teaching hospital.

Operating results for the year

Statutory results

Some of the key statutory results have been summarised below. The total revenue from contracts with customers and SaaS-only revenue has continued to show strong growth and the enduring benefit of sticking to our SaaS-first business model while minimising churn. The 57% and 60% increases in total revenue and SaaS-only revenue, respectively, have been driven mostly by the sale of Volpara Analytics and Volpara Patient Hub, the latter of which we switched to our Saas business model, from capital, soon after the acquisition of MRS in June 2019. The sales of Patient Hub have been in the form of new organic sales, but also upsells from legacy versions sold under a capital and support model. These upsells have also driven cross-selling opportunities with Volpara's existing suite of products. Capital revenues decreased in line with expectations as MRS's business model switched to SaaS as mentioned above.

Volpara's net loss after tax decreased 14% year on year. This was ahead of expectations as we continued to invest in our products and also incurred a number of one-off and non-cash costs related to the acquisition and subsequent integration of both MRS and CRA into the Group.

IFRS	2021 NZ$'000	2020 NZ$'000	Variance NZ$'000	Variance %
SaaS	10,286	6,430	3,856	60%
Capital	1,592	3,396	(1,804)	-53%
Service maintenance agreements	6,634	2,309	4,325	187%
Lung subscriptions	1,187	467	720	154%
Other	48	-	48	100%
Total revenue from contracts with customers	**19,747**	**12,602**	**7,145**	**57%**
Net loss for the year after tax	(17,488)	(20,371)	2,883	-14%
NON-GAAP				
Revenue from contracts with customers pre-revenue adjustment	20,374	16,250	4,124	25%
Revenue adjustment[1]	(627)	(3,648)	3,021	-83%
Revenue from contracts with customers[2]	**19,747**	**12,602**	**7,145**	**57%**

1. Accounting standards require assets and liabilities acquired within a business combination to be measured at fair value. Deferred revenue balances are therefore valued at the cost of fulfilling the service plus a small margin. This differs to the normal basis of recognition of deferred revenue. As a result of this adjustment, deferred revenue previously recorded by MRS and CRA that would have flowed to revenue in the current year was reduced. Furthermore, it is important for users to understand that this is a one-off, non-cash accounting adjustment which will not impact revenue in future periods once fully unwound, and neither impacts, nor has impacted, the cash generation of the business. The Directors and management believe this measure provides useful information to users of the financial statements to assist in understanding the Group's financial performance and position. Refer to note 23 in the financial statements for more information.
2. As per Consolidated statement of profit or loss and other comprehensive income.

	2021 NZ$'000	2020 NZ$'000	Variance NZ$'000	Variance %
IFRS Net loss for the year after tax	**(17,488)**	**(20,371)**	**2,883**	**-14%**
Non-cash and one-off items				
Net interest income	(476)	(697)	221	-32%
Tax benefit	(1,461)	(1,937)	476	-25%
Business integration and acquisition expenses	698	1,004	(306)	-30%
Share-based payments expense	1,379	1,382	(3)	0%
Depreciation and amortisation	3,089	2,240	849	38%
Losses/(gains) on foreign exchange transactions	189	(1,087)	1,276	-117%
Impairment of right-of-use asset	-	106	(106)	-100%
Revenue adjustment[1]	627	3,648	(3,021)	-83%
Bad debts write-off	171	44	127	289%
Retention plan costs	833	-	833	100%
Normalised non-GAAP net loss before interest, tax, depreciation, amortisation, impairment, one-off items, and non-cash items	**(12,439)**	**(15,668)**	**3,229**	**-21%**

Constant currency

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

	2021 (CC) NZ$'000	2021 NZ$'000	2020 NZ$'000	Change in CC %	Reported change %
For the year ended 31 March					
Revenue from contracts with customers	20,503	19,747	12,602	63%	57%
Cost of revenue	(1,752)	(1,692)	(1,772)	-1%	-5%
Operating expenses	(39.872)	(38,996)	(36,044)	11%	8%
Non-GAAP earnings before tax, depreciation, amortisation, impairment, one-off items, and non-cash items	(12,330)	(12,439)	(15,668)	-21%	-21%

SaaS, non-GAAP metrics, and constant currency

Volpara ended the year with Annual Recurring Revenue (ARR) of ~US$18.6M (or ~NZ$27.9M[1]), an overall increase of 60%[2] year on year, including 20% organic growth in ARR.

The Volpara Group's (incl. CRA) combined market share in the USA, where women who are screened have at least one of the Group's products applied on their images and data, is now in excess of 32%, up from approx. 27% at end FY20.

On a non-GAAP normalised loss before interest, tax, depreciations and amortisation, impairments, and other one-off or non-cash items, Volpara improved by 21% year on year from NZ$15.7M to NZ$12.4M off the back of strong growth in revenue and holding normalised expenses in line with the prior year. In constant currency, after accounting for currency fluctuations as described and seen above, Volpara's revenue would have increased 63% versus the 57% reported.

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

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

After a very successful but challenging year, Volpara is well placed, with our existing product suite and the addition of CRA's market-leading risk software, to capitalise on market and regulatory tailwinds, especially in the risk and genetics markets. Volpara's balance sheet remains strong, with over NZ$32M of cash available to execute on our strategy to increase market penetration from our current 32% and increase revenue by between 27% and 32%[3] over FY21. This will be achieved by continuing to sell our market-leading, integrated, end-to-end cancer screening software platform. At the same time, we will continue to invest in our current products but also look to invest in our future products to ensure we continue to be leaders in our field and provide thought leadership in areas such as breast cancer risk assessment. Volpara Lung was not a focus for the business in FY21, but we intend to invest in this area of the business in FY22 onwards as we see great potential here, especially after the CDC's recent mandate to improve access for those able to seek lung screening, which resulted in the potential addressable market more than doubling from current figures.

Dividends paid or recommended

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

Environmental issues

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

1. Twelve-month trailing exchange rate used of US$0.666:NZ$1.
2. This increase represents the increase for ARR in US$. The increase in NZ$ was 55%.
3. Based on a US$:NZ$ exchange rate of 0.70:1.00

Diversity policy

The Company has adopted a Diversity Policy, which includes the requirement for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. However, due to the stage of development and the relatively small number of employees (compared to others listed on the ASX), the Board did not set objectives for diversity for the past financial year. As the Company moves closer to achieving its commercialisation goals and increases its number of employees, it will re-examine its approach in this regard. There were five men and two women on the Board at the end of the 2021 financial year.

As at the date of this Annual Report, the proportion of women in the Group as a percentage of its total employees was 66 out of 174, or 37.9% (2020: 40.8%). The proportion of women as a total of the senior executive positions (not including the CEO) is 2 out of 6, or 33% (2020: 29%). For this purpose, senior executives are members of management who report directly to the CEO.

Indemnifying officers

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

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

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

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

Unissued shares

As at 31 March 2021, there were 10.486M unissued ordinary shares under employee share options. Refer to the remuneration report and note 13 of the financial report for further details of the employee options outstanding.

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

Share options

The following ordinary shares of Volpara Health Technologies Ltd were issued during the year ended 31 March 2021 on the exercise of options granted under the Legacy Employee Share Option Plan (LESOP).

Date options exercised	Average issue price of shares NZ$	Number of shares issued
29 May 2020	0.3117	360,000
5 June 2020	0.4667	51,872
9 June 2020	0.1567	95,745
17 June 2020	0.3333	45,000
26 June 2020	0.0800	446,430
28 August 2020	0.4667	1,350,000
		2,349,047

The following ordinary shares of Volpara Health Technologies Ltd were issued during the year ended 31 March 2021 on the exercise of options granted under the New Employee Share Option Plan (NESOP).

Date options exercised	Average issue price of shares NZ$	Number of shares issued
29 May 2020	0.5000	48,000
1 June 2020	0.5364	88,000
5 June 2020	0.5000	192,000
9 June 2020	0.5000	120,000
17 June 2020	0.5000	96,000
26 June 2020	0.5000	800,000
14 August 2020	0.5385	65,000
19 August 2020	0.5756	36,000
28 August 2020	0.5588	68,000
9 September 2020	0.6000	16,000
30 November 2020	0.5426	184,000
3 February 2021	0.6000	16,000
		1,729,000

Meetings of Directors

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

	Board of Directors		Audit Committee		Remuneration and Nominations Committee		Risk Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Paul Reid	11	11	4	4	4	4	4	4
Dr Ralph Highnam	11	11						
Roger Allen AM	11	11	4	4	4	4		
John Pavlidis	11	11					4	4
John Diddams	11	11	4	4	4	4		
Dr Monica Saini	11	10						
Karin Lindgren	11	11					4	4

Non-audit services

During the year, there were non-audit services provided by PwC in the form of security penetration testing, advisory services relating to IT security risks, and provision of a market survey report on executive remuneration levels.

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Volpara Health Technologies Limited for the year ended 31 March 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Kevin Brown
Partner
PricewaterhouseCoopers

Wellington
27 May 2021

The Directors are pleased to present this report to provide clarity about how we recognise and reward the Company's Non-Executive Directors, Executive Directors, and other Key Management Personnel for their contributions to the ongoing growth of the business.

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

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

Remuneration and Nomination Committee

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

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

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

Paul Reid (Chair)
Independent

John Diddams
Independent

Roger Allen AM

Non-Executive Director remuneration policy

Objective

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

Structure

It has been resolved that the total aggregate amount to be paid to the Directors (excluding any Executive Director) is NZ$500,000 per annum. Under the ASX Listing Rules, any increase to that aggregate annual amount will need to be approved by Shareholders. The Company does not use that full amount based on its current Board of Directors.

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

The remuneration of Non-Executive Directors for the year ended 31 March 2021 is detailed later in this report.

Executive remuneration policy

Objective

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

Structure

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

VOLPARA VALUES

Be Bold

Grand but never grandiose, our ambition is simple: nothing less than a revolution in cancer care.

Be Extra ordinary

We strive constantly to do exceptional work, advance our expertise, and honour the differences that make us strong.

Be Relent less

Resolving global health problems doesn't happen overnight. We are persistent and rigorous in our search for innovative solutions.

Be Whānau

We are an extended family of colleagues, customers, patients, and communities. By looking after each other, we make our best contribution every day.

Component	Description	Link to strategy & performance
Fixed annual remuneration	• Base salary • Retirement benefits (superannuation/ KiwiSaver or local equivalent)	Reviewed annually based on individual skills, experience, accountabilities, performance, leadership, and behaviours
Short-term incentive (STI)	• An at-risk component set as a percentage of base salary • Calculated based on achievement against a range of company-wide operational targets (financial and non-financial) • Paid after a one-year performance period (1 April–31 March) • The Board retains discretion to make payment as either 100% cash or 50% cash/50% share options (subject to the Employee Share Option Plan rules) • The aggregate pool of potential STI payments has been approved by the Remuneration and Nomination Committee	Rewards delivery of key strategic and financial objectives, in line with the annual business plan, and rewards outcomes aligned to Volpara's goals to Prevent Advance-Stage Breast Cancer and to Advance Our Industry Leader Position
Long-term incentive (LTI)	• An at-risk component in the form of share options • Participating Executives are granted share options as outlined later in this section • Vesting is subject to continuing employment, which provides an additional time-based retention incentive	Rewards delivery against longer-term strategy and sustained shareholder value creation Provides alignment between shareholder and Executive outcomes

Remuneration benchmarking

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

Employee share option plans (ESOP)

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

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

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

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

Key remuneration components for the CEO

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

Base salary
Base salary makes up 71% of the CEO's on-target cash-based remuneration, the remainder being made up of at-risk STI as outlined below.

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

Purpose	Rewards delivery of key strategic and financial objectives, in line with the annual business plan
Target opportunity (% base salary)	40% (target/60% [maximum])
Performance period	1 April to 31 March
Long-term incentive (LTI)	• Annual Recurring Revenue • Cash used in operations • Gross margin • Keep within Board-approved budget
Non-financial objectives	• Market share • Compliance
Payment	• Board discretion to pay either as 100% cash or 50% cash with the remaining 50% issued in share options

The STI performance objectives have been chosen as they focus the CEO on sustainably growing the global business. The targets are set at the beginning of each financial year, reviewed and approved by the Remuneration and Nomination Committee, and aligned to the longer-term strategic objectives.

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

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

STI outcome
Based on Volpara's FY21 performance, the CEO achieved 53.31% of target STI and 35.5% of the maximum STI available.

Employment contracts

Chief Executive Officer
Dr Ralph Highnam is employed by the Company in the role of both Chief Executive Officer and Executive Director. Under the terms of his contract:

- Dr Highnam is entitled to a base salary and benefits plus short-term and long-term incentives.
- Dr Highnam does not receive any additional payments for performance of his role as an Executive Director on the Board.
- Either the Company or Dr Highnam may terminate the employment by providing three months' written notice.
- Dr Highnam's remuneration and performance may be reviewed at the Company's discretion.
- The Company may terminate Dr Highnam's employment immediately for serious misconduct. Dr Highnam may under certain circumstances be subject to a post-employment restraint for a period of up to three months.
- Upon termination, any options that are vested may be exercised by Dr Highnam within a 60-day period.
- Any options that are unvested, or any vested options not exercised within 60 days of termination of the employment contract, will be forfeited, unless the Board determines otherwise.

KMP
All Executives have rolling contracts.

The Company may terminate the Executive's employment agreement by providing written notice or by providing payment in lieu of the notice period (based on the fixed component of the Executive's remuneration). The notice period is determined by the employment agreement for each Executive and can vary from 30 to 90 days. On termination or notice by the Company, any LTI options that have vested or that will vest during the notice period will be released, subject to the standard exercise criteria, unless the Board determines otherwise. LTI options that have not yet vested will be forfeited. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive is entitled only to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested options will immediately be forfeited, unless the Board determines otherwise.

One employee left the Company during the year and disputed the amount of the termination payment offered to them. The Company is taking legal advice, with the actual termination amount offered included in the financial statements. The Company does not believe the dispute will result in any material change to the termination payment.

Performance of Volpara Health Technologies Limited

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

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

Consolidated	2021	2020	$ Variance	% Variance
Revenue from contracts with customers (NZ$'000)	19,747	12,602	7,145	57%
Operating expenses (NZ$'000)	(38,996)	(36,044)	(2,952)	8%
Net loss for the year after tax (NZ$'000)	(17,488)	(20,371)	2,883	-14%
Loss per share (NZ$)	(0.07)	(0.10)	0.03	29%
Share price at financial year end (A$)	1.30	1.07	0.23	21%
Net cash utilised in operating activities	(14,021)	(16,638)	(2,617)	-16%

DETAILS OF REMUNERATION

2021			Short-term employee benefits	Post-employment benefits	Share- based payments[3]	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Options	**Total**
Non-Executive Directors						
Paul Reid	94,000	-	-	-	28,730	122,730
Roger Allen AM	58,051	-	-	-	22,557	80,608
John Pavlidis	57,702	-	-	-	115,070	172,772
John Diddams	80,072	-	-	-	115,070	195,142
Dr Monica Saini[1]	139,074	-	-	2,772	60,162	202,008
Karin Lindgren	69,461	-	-	-	170,892	240,353
Subtotal	**498,360**	**-**	**-**	**2,772**	**512,481**	**1,013,613**
Executive Directors						
Dr Ralph Highnam	341,694	79,963	26,919	8,681	86,382	543,639
Subtotal	**341,694**	**79,963**	**26,919**	**8,681**	**86,382**	**543,639**
Other KMP						
Mark Koeniguer[2]	236,678	163,386	27,359	15,112	876	443,411
Craig Hadfield	241,366	58,984	-	8,736	97,576	406,662
Subtotal	**478,044**	**222,370**	**27,359**	**23,848**	**98,452**	**850,073**
Total KMP	**1,318,098**	**302,333**	**54,278**	**35,301**	**697,315**	**2,407,325**

1. Dr Monica Saini stepped down from her executive role as Chief Medical Officer on 5 January 2021 but remains a Director; therefore, her salary above includes her salary earned in that role for that period.
2. Mark Koeniguer stepped down effective 2 October 2020.
3. These share-based payments are the accounting, non-cash cost of the share options granted based on NZ IFRS 2 - Share-based Payment. No cash payments are made in relation to these.

2020			Short-term employee benefits	Post-employment benefits	Share- based payments[3]	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Options	**Total**
Non-Executive Directors						
Paul Reid	92,500	-	-	-	65,345	**157,845**
Roger Allen AM	60,833	-	-	-	8,320	**69,153**
Professor Sir John Mike Brady[4]	41,667	-	-	-	8,320	**49,987**
John Pavlidis	61,372	-	-	-	70,618	**131,990**
John Diddams	80,000	-	-	-	70,618	**150,618**
Karin Lindgren[5]	14,162				-	**14,162**
Subtotal	**350,534**	**-**	**-**	**-**	**223,221**	**573,755**
Executive Directors						
Dr Ralph Highnam	323,713	30,000	24,827	-	16,640	**395,180**
Dr Monica Saini[6]	205,407	-	-	1,127	91,113	**297,647**
Subtotal	**529,120**	**30,000**	**24,827**	**1,127**	**107,753**	**692,827**
Other KMP						
Mark Koeniguer[2]	442,425	99,913	41,956	18,593	104,425	707,312
Craig Hadfield	227,443	54,835	-	7,903	30,329	320,510
Subtotal	**669,868**	**154,748**	**41,956**	**26,496**	**134,754**	**1,027,822**
Total KMP	**1,549,522**	**184,748**	**66,783**	**27,623**	**465,728**	**2,294,404**

4. Mike Brady resigned from the Board 31 January 2020.
5. Karin Lindgren was appointed on 31 January 2020.
6. Restated due to an error in the prior year remuneration report.

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

	STI	
Name	2021 %	2020 %
Executive Directors		
Dr Ralph Highnam	15	8
Other KMP		
Mark Koeniguer	-	14
Craig Hadfield	15	17

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

Share-based compensation

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

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

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

2021 OPTIONS

Name	Number granted	Fair value per option grant date NZ$	Exercise price per share A$	Final vesting date	First exercise date	Last exercise date	Value of options granted during the year NZ$
Non-Executive Directors							
Paul Reid	-	-	-	-	-	-	-
Roger Allen AM	-	-	-	-	-	-	-
John Pavlidis	-	-	-	-	-	-	-
John Diddams	-	-	-	-	-	-	-
Dr Monica Saini	-	-	-	-	-	-	-
Karin Lindgren	450,000	0.92	1.84	3/02/2025	3/02/2022	3/02/2027	414,898
Executive Director							
Dr Ralph Highnam	402,200	0.60	1.30	1/04/2025	1/04/2022	1/04/2027	242,883
Other KMP							
Mark Koeniguer	279,500	0.60	1.30	1/04/2025	1/04/2022	1/04/2027	168,786
Craig Hadfield	574,900	0.71	74,900 at A$1.30 500,000 at A$1.38	18/11/2025	1/04/2022	18/11/2027	409,330

Equity instrument disclosures relating to KMP

Options holdings

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

HOLDERS OF OPTIONS UNDER ESOPS

Legacy ESOPs	New ESOPs	
John Pavlidis	Paul Reid	John Diddams
	Dr Ralph Highnam	Dr Monica Saini
	Roger Allen	Karin Lindgren
	John Pavlidis	Craig Hadfield

2021 OPTIONS

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors							
Paul Reid	450,000	-	-	-	450,000	270,000	180,000
Dr Ralph Highnam	600,000	402,200	-	-	1,002,200	360,000	642,200
Roger Allen AM	300,000	-	-	-	300,000	240,000	60,000
John Pavlidis	701,872	-	51,872	-	650,000	200,000	450,000
John Diddams	450,000	-	-	-	450,000	-	450,000
Dr Monica Saini	450,000	-	-	-	450,000	180,000	270,000
Karin Lindgren	-	450,000	-	-	450,000	-	450,000
Total	**2,951,872**	**852,200**	**51,872**	**-**	**3,752,200**	**1,250,000**	**2,502,200**
Other KMP							
Mark Koeniguer	1,810,000	279,500	1,390,000	(699,500)	-	-	-
Craig Hadfield	200,000	574,900	40,000	-	734,900	-	734,900
Total	**2,010,000**	**854,400**	**1,430,000**	**(699,500)**	**734,900**	**-**	**734,900**

2020 OPTIONS

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors							
Paul Reid	450,000	-	-	-	450,000	180,000	270,000
Dr Ralph Highnam	600,000	-	-	-	600,000	360,000	240,000
Professor Sir John Mike Brady	300,000	-	-	-	300,000	180,000	120,000
Roger Allen AM	300,000	-	-	-	300,000	180,000	120,000
John Pavlidis	451,872	450,000	200,000	-	701,872	251,872	450,000
John Diddams	-	450,000	-	-	450,000	-	450,000
Dr Monica Saini	450,000	-	-	-	450,000	-	450,000
Karin Lindgren	-	-	-	-	-	-	-
Total	**2,551,872**	**900,000**	**200,000**	**-**	**3,251,872**	**1,151,872**	**2,100,000**
Other KMP							
Mark Koeniguer	1,450,000	360,000	-	-	1,810,000	1,370,000	440,000
Craig Hadfield	200,000	100,000	100,000	-	200,000	20,000	180,000
Total	**1,650,000**	**900,000**	**100,000**	**-**	**2,010,000**	**1,390,000**	**620,000**

Shareholdings

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

2021 SHAREHOLDINGS

Name	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors				
Paul Reid	-	-	-	-
Dr Ralph Highnam	16,190,485	-	23,076	16,213,561
Roger Allen AM	18,467,848	-	-	18,467,848
John Pavlidis	200,000	51,872	(251,872)	-
John Diddams	1,519,218	-	(376,924)	1,142,294
Dr Monica Saini	-	-	-	-
Karin Lindgren	-	-	-	-

2020 SHAREHOLDINGS

Name	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors				
Paul Reid	-	-	-	-
Dr Ralph Highnam	18,190,485	-	(2,000,000)	16,190,485
Professor Sir John Mike Brady	7,919,211	-	(800,000)	7,119,211
Roger Allen AM	20,467,848	-	(2,000,000)	18,467,848
John Pavlidis	-	200,000	-	200,000
John Diddams	1,803,118	-	(283,900)	1,519,218
Dr Monica Saini	-	-	-	-
Karin Lindgren	-	-	-	-

Employee remuneration

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

Remuneration range			Number of employees	Remuneration range			Number of employees
100,000	to	110,000	10	320,001	to	330,000	-
110,001	to	120,000	14	330,001	to	340,000	-
120,001	to	130,000	10	340,001	to	350,000	1
130,001	to	140,000	13	350,001	to	360,000	1
140,001	to	150,000	6	360,001	to	370,000	-
150,001	to	160,000	6	370,001	to	380,000	-
160,001	to	170,000	10	380,001	to	390,000	-
170,001	to	180,000	5	390,001	to	400,000	-
180,001	to	190,000	5	400,001	to	410,000	-
190,001	to	200,000	7	410,001	to	420,000	-
200,001	to	210,000	7	420,001	to	430,000	1
210,001	to	220,000	4	430,001	to	440,000	-
220,001	to	230,000	2	440,001	to	450,000	1
230,001	to	240,000	2	450,001	to	460,000	1
240,001	to	250,000	2	460,001	to	470,000	-
250,001	to	260,000	1	470,001	to	480,000	-
260,001	to	270,000	2	480,001	to	490,000	-
270,001	to	280,000	3	490,001	to	500,000	1
280,001	to	290,000	1	500,001	to	510,000	-
290,001	to	300,000	3	510,001	to	520,000	-
300,001	to	310,000	2	520,001	to	530,000	-
310,001	to	320,000	2	530,001	to	540,000	1

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

Paul Reid, Chair

Independent auditor's report

To the Shareholders of Volpara Health Technologies Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Volpara Health Technologies Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2021, its financial performance and its 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).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our firm carries out other services for the Group comprising a limited assurance review of the Group's Callaghan Grant return and the provision of non-assurance engagements in the areas of security penetration testing, advisory services relating to IT security risks and the provision of a market survey relating to executive remuneration levels. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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.

PricewaterhouseCoopers, PwC Centre, 10 Waterloo Quay, PO Box 243, Wellington 6140, New Zealand
T: +64 4 462 7000, pwc.co.nz

Description of the key audit matter	How our audit addressed the key audit matter
Revenue recognition As disclosed in note 4 to the financial statements, the Group recognises revenue from goods and services provided under three main product categories: 1. Software as a Service (SaaS) contracts which involve the sale of software on a subscription basis and where applicable, cloud-based support (and associated items); 2. Capital sales contracts which involve the outright sale of software and associated items; and 3. Software Maintenance Agreements (SMAs) to support previous Capital sales. Both SaaS and SMA revenue streams have experienced growth over the past year. This growth has come from a combination of organic growth, as well as from the Group's strategy to migrate Capital customers to SaaS products on contract renewal. Revenue recognition is a key audit matter as it is an area that requires significant audit attention. Determining the allocation of the transaction price for contracts with multiple performance obligations, particularly SaaS contracts, requires judgement. Performance obligations have differing patterns of revenue recognition. As a result, the allocation of the transaction price impacts upon the amount of revenue recognised within a period. The key judgements made by management in determining that revenue has been recognised appropriately include: • whether contracts contain elements which should be separated for revenue recognition purposes; and • determining and applying the appropriate revenue recognition policy for the separable elements of the contract, including: • allocating total revenue on a contract between the identified performance obligations, and • determining the period over which revenue should be recognised and whether the conditions for recognition have been met.	We have understood the contractual terms within Volpara's contracts with customers. While a level of standardisation exists, earlier customer contracts include bespoke and tailored terms and conditions. These earlier contracts are however reducing in significance as the Group continues to onboard new customers on largely standardised terms. Our audit approach for revenue recognition is largely substantive in nature. This is due to the variability of contractual terms and the complexity involved in determining the revenue recognition. In responding to the key judgements involved in determining the recognition of revenue, we have: • obtained an understanding of the systems, processes and controls for recognising revenue for all material revenue streams; • reconfirmed and challenged our understanding of the judgements made by Volpara in identifying performance obligations for groupings of contracts with similar contractual terms; • assessed Volpara's allocation of the transaction price to each identified performance obligation; and • considered for each contract grouping the appropriate timing of revenue recognition (point in time, or over time). In addition, for a sample of revenue contracts, with specific focus on contract types with multiple performance obligations (SaaS contracts), we obtained an understanding of the contractual terms and compared the terms with the revenue recognised by Volpara. We also obtained evidence to support the performance of the obligation. We undertook these procedures to assess whether revenue was supported by contractual agreements, was recorded within the correct period, and was recognised at the appropriate amount. Based on the above procedures there were no matters to report.

Description of the key audit matter

Valuation of intangible assets acquired as part of the CRA Health LLC acquisition

As disclosed in note 23 to the financial statements, Volpara acquired 100% of CRA Health LLC (CRA) on 31 January 2021 for NZ$24.67 million (US$17.70 million).

Volpara has identified, and measured at fair value, the assets and liabilities acquired. The consideration paid for the acquisition of CRA has then been allocated to these identifiable assets and liabilities, with any excess consideration being allocated to goodwill.

We consider the valuation of the identified assets to be a key audit matter. This is because of the significance of the transaction to the financial statements and the judgements applied by Volpara in determining the assets' fair values.

Volpara used an independent valuation expert to assist them to identify and determine the fair value of the CRA assets acquired.

Asset identified	*Value ($m's)*	*Valuation method*
Developed technology	3.76	Replacement cost
Customer relationships	8.15	Multi-period excess earnings
Goodwill	11.89	Residual

The judgements of most significance to the valuation of the assets include the:

- estimated labour effort and costs associated with developing the CRA technology assets, and
- assumed average life of customers based on customer churn rates. This determines the forecast period for cash flows used in the valuation of the customer relationship asset.

Additionally, a retention plan agreement was entered into with key CRA employees at the

How our audit addressed the key audit matter

To obtain an understanding of the CRA business combination we read the sale and purchase agreement and minutes of Board of Directors' meetings relating to the acquisition.

Volpara used an independent valuer to assist them with the purchase price allocation exercise. We used our own valuation expert to assess the work of Volpara's expert and to challenge the reasonableness of the fair value measurements of the material intangible assets recognised.

Together with our valuation expert we assessed the methodology applied by Volpara to fair value the assets acquired. This included comparing the valuation approaches adopted for each of the material intangible assets recognised against our knowledge and experience of commonly used and recognised approaches.

Information provided by Volpara to their independent valuation expert was a key input to the valuations. The information of most significance related to customer churn rates and cash flows associated with customer relationships, and cost estimates associated with technology development. To assess the reliability of the information provided we:

- compared the customer churn rate to the conclusions reached in the independent financial due diligence report;
- compared the customer churn rate used to rates observed within other comparable Volpara customer bases;
- tested forecast revenue for a sample of customers to signed customer contracts;
- discussed with CRA personnel the basis for assessment and determination of the estimated labour effort for the development of CRA's technology assets, and inquired of Volpara product engineers as to the reasonableness of these estimates; and
- assessed the reasonableness of the average cost of labour development to underlying records.

Description of the key audit matter

time of the acquisition. As disclosed in note 11, the retention plan involves payments which are to be made if CRA achieves certain revenue performance and staff retention targets. The Group determined that the retention plan relates to future employee services and is not part of the consideration for the CRA acquisition.

We consider the accounting treatment of the retention plan a key audit matter as determining if the retention plan should be included as part of the consideration paid for the acquisition is complex.

How our audit addressed the key audit matter

In relation to the retention plan, Volpara has obtained independent accounting advice which concludes the plan should not be included as part of the consideration for the business acquisition, and instead be accounted for as an employee entitlement. We have assessed this advice against the relevant accounting standards to ensure the accounting treatment applied is appropriate.

Based on the above procedures there were no matters to report.

Our audit approach

Overview

Overall group materiality: $406,000, which represents approximately 1% of total expenses.

Given the losses incurred to date and the current focus on revenue growth, in our judgement, total expenses provide a more stable basis for calculating materiality.

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

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

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

- Revenue recognition; and
- Valuation of intangible assets acquired as part of the CRA Health LLC acquisition.

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

Materiality

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

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

How we tailored our group audit scope

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

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

All audit procedures were performed by PricewaterhouseCoopers New Zealand.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

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

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's Shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
27 May 2021

Wellington

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March 2021

	Notes	2021 NZ$'000	2020 NZ$'000
REVENUE			
Revenue from contracts with customers	4	19,747	12,602
Cost of revenue	7	(1,692)	(1,772)
Gross profit		**18,055**	**10,830**
Government grants and other operating income	6	1,705	1,122
Sales and marketing	7	(12,283)	(13,248)
Product research, development, and engineering	7	(14,171)	(10,905)
General and administration	7	(12,542)	(11,891)
Foreign exchange (losses)/gains		(189)	1,087
Net loss before interest and tax		**(19,425)**	**(23,005)**
Finance income		622	771
Finance expense		(146)	(74)
Net loss for the year before tax		**(18,949)**	**(22,308)**
Income tax benefit	8	1,461	1,937
Net loss for the year after tax		**(17,488)**	**(20,371)**
OTHER COMPREHENSIVE INCOME			
Net loss for the year		(17,488)	(20,371)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss (net of tax):			
Exchange differences on translation of foreign operations		(2,968)	1,498
Other comprehensive (expense)/income for the year (net of tax)		**(2,968)**	**1,498**
Total comprehensive loss for the year, net of tax		**(20,456)**	**(18,873)**
Basic and diluted loss per share (NZ$)	12	(0.07)	(0.10)

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

Consolidated statement of financial position

as at 31 March 2021

	Notes	2021 NZ$'000	2020 NZ$'000
ASSETS			
Non-current assets			
Fixed assets	21	720	1,029
Intangible assets	22	46,426	26,233
Right-of-use assets	14	2,686	3,519
Contract costs	5	1,753	1,593
Deferred tax assets	8	80	-
Total non-current assets		**51,665**	**32,374**
Current assets			
Cash and cash equivalents	9	7,873	3,673
Cash on deposit	9	24,357	27,705
Trade receivables	10	7,754	7,103
Contract assets	10	862	440
Prepayments and other receivables		1,608	1,186
Inventory		53	54
Contract costs	5	442	389
Total current assets		**42,949**	**40,550**
Total assets		**94,614**	**72,924**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	180,678	140,078
Share option reserve	13	3,759	3,326
Foreign currency translation reserve		(1,583)	1,385
Accumulated losses		(110,057)	(92,569)
Total equity		**72,797**	**52,220**
Non-current liabilities			
Employee entitlements	11	856	-
Lease liabilities	14	2,416	3,159
Borrowings	24	486	-
Deferred tax liabilities	8	281	1,641
Total non-current liabilities		**4,039**	**4,800**
Current liabilities			
Trade and other payables	11	3,872	4,530
Deferred revenue	4	11,434	10,769
Lease liabilities	14	483	605
Borrowings	24	1,989	-
Total current liabilities		**17,778**	**15,904**
Total liabilities		**21,817**	**20,704**
Total equity and liabilities		**94,614**	**72,924**

For and on behalf of the Board, who authorised the issue of these consolidated financial statements on 27 May 2021.

Ralph Highnam **John Diddams**

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

Consolidated statement of changes in equity

for the year ended 31 March 2021

	Notes	Share capital NZ$'000	Share option reserve NZ$'000	Foreign currency translation reserve NZ$'000	Accumulated losses NZ$'000	Total equity NZ$'000
Balance at 1 April 2020		**140,078**	**3,326**	**1,385**	**(92,569)**	**52,220**
Net loss for the year after tax		-	-	-	(17,488)	(17,488)
Other comprehensive loss		-	-	(2,968)	-	(2,968)
Total comprehensive loss for the year, net of tax		**-**	**-**	**(2,968)**	**(17,488)**	**(20,456)**
Transactions with owners:						
Issue of share capital from placement and share purchase plan	12	39,499	-	-	-	39,499
Costs of placement and share purchase plan capital raise	12	(1,601)	-	-	-	(1,601)
Issue of share capital from exercise of share options	13	2,702	(955)	-	-	1,747
Forfeiture of share options	13	-	(772)	-	-	(772)
Recognition of share-based payments	13	-	2,160	-	-	2,160
Balance at 31 March 2021		**180,678**	**3,759**	**(1,583)**	**(110,057)**	**72,797**
Balance at 1 April 2019		**84,129**	**2,374**	**(113)**	**(72,208)**	**14,182**
Net loss for the period after tax		-	-	-	(20,371)	(20,371)
Other comprehensive income		-	-	1,498	-	1,498
Total comprehensive loss for the period, net of tax		**-**	**-**	**1,498**	**(20,371)**	**(18,873)**
Transactions with owners:						
Issue of share capital from placement and accelerated non-renounceable entitlement offer (ANREO)		58,032	-	-	-	58,032
Costs of placement and ANREO		(3,118)	-	-	-	(3,118)
Issue of share capital from exercise of share options	13	1,035	(419)	-	-	616
Forfeiture of share options	13	-	(19)	-	10	(9)
Recognition of share-based payments	13	-	1,390	-	-	1,390
Balance at 31 March 2020		**140,078**	**3,326**	**1,385**	**(92,569)**	**52,220**

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

Consolidated statement of cash flows

for the year ended 31 March 2021

	Notes	2021 NZ$'000	2020 Restated NZ$'000
OPERATING ACTIVITIES			
Receipts from customers		19,685	16,339
Payments to suppliers and employees		(35,141)	(33,550)
Other income received		1,686	977
Net interest received		1,014	487
Net taxes paid		(137)	(146)
Business integration and acquisition expenses[1]		(1,032)	(680)
Payment of low-value asset leases		(96)	(65)
Net cash utilised in operating activities	9	**(14,021)**	**(16,638)**
INVESTING ACTIVITIES			
Purchases of property and equipment		(76)	(484)
Proceeds from sale of PPE		48	-
Payments for intangible assets		(751)	(525)
Acquisition of subsidiary net of cash acquired		(24,672)	(21,707)
Payments into term deposits		(116,732)	(32,820)
Receipts from term deposits		119,078	16,221
Net cash utilised in investing activities		**(23,105)**	**(39,315)**
FINANCING ACTIVITIES			
Proceeds from issue of share capital from placement, share purchase plan, and ANREO		39,499	58,032
Transaction costs of raising capital		(1,601)	(3,122)
Proceeds from exercise of share options		1,747	616
Proceeds from borrowings		2,822	-
Payment of principal portion of the lease liabilities		(599)	(290)
Net cash provided by financing activities		**41,868**	**55,236**
Net increase in cash and cash equivalents		**4,742**	**(717)**
Effects of currency translation on cash and cash equivalents		(542)	278
Cash and cash equivalents as at 1 April		3,673	4,112
Cash and cash equivalents at the end of the period[2]	9	**7,873**	**3,673**

1. Reclassed from investing activities to operating activities. Refer to note 2.5.
2. Cash and cash equivalents do not include cash on deposit totalling NZ$24.4M (2020: NZ$27.7M). Refer to note 9 for further details.
The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

for the year ended 31 March 2021

1. Corporate Information

The consolidated financial statements of Volpara Health Technologies Limited (the Company or Volpara) and its subsidiaries (collectively, the Group) for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Directors on 27 May 2021.

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. Information on the Group's structure and other related party relationships of the Group is provided in note 25.

2 Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements for the year ended 31 March 2021 have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with International Financial Reporting Standards (IFRS), New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for for-profit entities.

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

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

The consolidated financial statements provide comparative information in respect of the previous period.

2.2 Basis of consolidation

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

2.3 New and amended standards and interpretations

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

2.4 Significant accounting policies

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

Note 13: Valuation of share-based payments

Note 22: Intangible assets

Note 23: Acquisitions

a) Current versus non-current classification

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

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

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

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

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

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

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

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

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

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

2.5 Restatement of comparatives
To ensure consistency with the current period, comparative figures have been restated where appropriate.

An adjustment was made to the classification of business integration and acquisition expenses in the consolidated statement of cash flows. The $680K relating to costs associated with the acquisition of MRS Systems, Inc., was originally classified as an investing activity within the consolidated statement of cash flows. Upon further inspection of the applicable accounting standards, it was noted that this should be classified as an operating activity. This adjustment reflects this reclassification.

There is no impact to the consolidated statement of profit or loss or to the consolidated statement of financial position of the Group.

2.6 Going concern
The considered view of the Directors of the Group is that the going concern assumption is valid. This view has been reached after making due enquiry and having regard to the circumstances which the Directors consider will occur and those which are reasonably likely to affect the Group during the period of one year from the date these consolidated financial statements are approved.

The Group recorded a net loss of NZ$17.5M for the year ended 31 March 2021 (2020: NZ$20.4M) and is expected to make further losses in the following financial year.

Notwithstanding the above, the Group has prepared cash flow forecasts which indicate that cash 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.

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 four reporting segments based on region and separating out head office:

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

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

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

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

The CODM assesses the performance of the reportable segments based on net profit/(loss) after tax. The segment information provided to the Board of Directors for the year ended 31 March 2021 is as follows:

2021

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
Revenue from breast contracts					
• SaaS	9,781	82	423	-	10,286
• SMA	6,601	15	18	-	6,634
• Capital	1,501	3	88	-	1,592
Revenue from lung contracts	1,187	-	-	-	1,187
Other	48	-	-	-	48
Total revenue	**19,118**	**100**	**529**	**-**	**19,747**
Cost of revenue	(1,496)	(89)	(107)	-	(1,692)
Gross profit	**17,622**	**11**	**422**	**-**	**18,055**
Government grants and other operating income	17	88	106	1,494	1,705
Sales and marketing	(10,624)	(319)	(995)	(345)	(12,283)
Product research, development, and engineering	(4,832)	(369)	(8)	(8,962)	(14,171)
General and administration	(6,989)	(128)	(172)	(5,253)	(12,542)
Foreign exchange gains/(losses)	9	(2)	(150)	(46)	(189)
Net loss before interest and tax	**(4,797)**	**(719)**	**(797)**	**(13,112)**	**(19,425)**
Finance income	1	-	-	621	622
Finance expense	(91)	(1)	-	(54)	(146)
Net loss for the year before tax	**(4,887)**	**(720)**	**(797)**	**(12,545)**	**(18.949)**
Income tax benefit/(expense)	1,426	(3)	38	-	1,461
Net loss for the year after tax	**(3,461)**	**(723)**	**(759)**	**(12,545)**	**(17,488)**

2020

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
Revenue from breast contracts					
• SaaS	5,927	121	382	-	6,430
• SMA	2,286	11	12	-	2,309
• Capital	3,200	2	194	-	3,396
Revenue from lung contracts	467	-	-	-	467
Total revenue	**11,880**	**134**	**588**	**-**	**12,602**
Cost of revenue	(1,545)	(89)	(138)	-	(1,772)
Gross profit	**10,335**	**45**	**450**	**-**	**10,830**
Government grants and other operating income	-	30	-	1,092	1,122
Sales and marketing	(11,631)	(292)	(880)	(445)	(13,248)
Product research, development, and engineering	(3,624)	(245)	(45)	(6,991)	(10,905)
General and administration	(4,538)	(78)	(10)	(7,265)	(11,891)
Foreign exchange gains/(losses)	1	2	28	1,056	1,087
Net loss before interest and tax	**(9,457)**	**(538)**	**(457)**	**(12,553)**	**(23,005)**
Finance income	7	-	15	749	771
Finance expense	(50)	(8)	1	(17)	(74)
Net loss for the period before tax	**(9,500)**	**(546)**	**(441)**	**(11,821)**	**(22,308)**
Income tax benefit	1,931	2	4	-	1,937
Net loss for the period after tax	**(7,569)**	**(544)**	**(437)**	**(11,821)**	**(20,371)**

SEGMENT NON-CURRENT ASSETS

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
As at 31 March 2021	48,725	4	123	2,813	51,665
As at 31 March 2020	29,562	-	27	2,785	32,374

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. Capital sales contracts, which involve the outright sale of software and associated items;
3. Software Maintenance Agreements (SMAs) to support previous Capital sales.

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

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

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

Software as a Service

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

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

Revenue for each performance obligation is recognised as follows:

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

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

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

A number of contracts allow the customer to renew the contract at a discount to the initial price, or to obtain additional role licences or other goods and services at a discount. Where the discount is incremental to the range of discounts typically given for the goods or services, the value of the discount is determined and some revenue is allocated to this customer option known as the material right. Revenue allocated to the customer option is recognised when the subsequent discounted goods or services are provided.

There are no warranties to be accounted for on SaaS products for the current period. Warranties will be applicable on Live sales after the first year. This will include a warranty on the hardware sold with the Live product. It is expected that the number of claims will be minimal. A provision will be recognised for the cost associated with warranty claims if it is expected that these claims will be more than insignificant. The recognition of any provision does not impact revenue recognition.

Capital

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

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

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

SMAs

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

Contract modifications

There were several contract modifications that occurred during the year where customers on an existing SMA or Scorecard (previously Density, Dose, and Pressure) agreement signed SaaS contracts and as a result they were accounted for as contract modifications. Separate performance obligations did not arise from the changes. The cash flow associated with these contracts changed as a result of these modifications.

Disaggregation of revenue

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

For the year ended 31 March 2021

	Capital sales NZ$'000	Software maintenance agreements NZ$'000	Software as a service NZ$'000	Other NZ$'000	Total NZ$'000
Timing of revenue recognition					
Goods or services transferred at a point in time	1,592	-	2,046	48	3,686
Services transferred over time	-	6,634	9,427	-	16,061
Total revenue from contracts with customers	**1,592**	**6,634**	**11,473**	**48**	**19,747**

For the year ended 31 March 2020

	Capital sales NZ$'000	Software maintenance agreements NZ$'000	Software as a service NZ$'000	Other NZ$'000	Total NZ$'000
Timing of revenue recognition					
Goods or services transferred at a point in time	3,396	-	1,298	-	4,694
Services transferred over time	-	2,309	5,599	-	7,908
Total revenue from contracts with customers	**3,396**	**2,309**	**6,897**	**-**	**12,602**

Deferred revenue

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

	Notes	2021 NZ$'000	2020 NZ$'000
Opening balance as at 1 April		10,769	2,184
Amount recognised upon acquisition	23	1,135	1,564
Amount recognised in revenue during the year		(16,649)	(8,254)
Amounts invoiced during the year		16,179	15,275
Closing balance as at 31 March		**11,434**	**10,769**

Deferred revenue by contract type

As at 31 March	2021 NZ$'000	2020 NZ$'000
Capital	276	18
SMA contracts	3,829	5,926
SaaS contracts	7,329	4,825
Total deferred revenue	**11,434**	**10,769**

5. Contract costs

Cost to obtain a contract

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

	2021 NZ$'000	2020 NZ$'000
As at 1 April	1,982	1,183
Costs to obtain contracts entered into in current year	771	1,363
Amortisation within cost of revenue	(558)	(564)
As at 31 March	**2,195**	**1,982**

6. Government grants and other operating income

For the year ended 31 March	2021 NZ$'000	2020 NZ$'000
Government grants - Callaghan Innovation	1,314	1,077
Other income	391	45
Total government grants and other operating income	**1,705**	**1,122**

Government grants are received for certain expenses incurred by the Group, and are recognised in profit or loss, when it becomes reasonably certain that the grants will be received. The Callaghan Innovation R&D Growth Grant has 10% withheld until conditions are met. This has been accrued for on the basis that conditions will be met.

7. Operating expenses and cost of revenue

Cost of revenue

Cost of revenue expenses consist 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.

Overhead allocation

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

Sales and marketing

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

Product research, development, and engineering

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

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

General and administration

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

For the year ended 31 March	Notes	2021 NZ$'000	2020 NZ$'000
Salaries and benefits[1]		17,043	17,865
Research, development, and other product engineering costs not capitalised		7,251	3,802
Depreciation and amortisation	14, 21, 22	3,089	2,240
Superannuation contributions		2,073	1,567
Consulting and subcontracting		2,035	1,595
Share-based payments expense	13	1,379	1,382
Customer cloud costs		933	927
Advertising and marketing		847	1,510
Retention plan costs	11	833	-
Business integration and acquisition expenses	23	698	1,004
Directors' fees		406	401
Fees paid to auditors		373	244
Low-value lease expenses		90	65
Bad debts written off		171	44
Travel		47	1,578
Impairment of right-of-use asset		-	106
Movement in provision for expected credit losses	10	(55)	148
Other operating expenses		3,475	3,338
Total cost of revenue and operating expenses[2]		**40,688**	**37,816**

AUDITORS' REMUNERATION

The auditor of the Group is PwC	2021 NZ$'000	2020 NZ$'000
Audit of financial statements	220	155
Review of interim financial statements	35	35
Review of Callaghan Grant return	5	5
Non-assurance engagement[3]	97	33
Total	**357**	**228**

FEES TO A NON-PWC AUDIT FIRM

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

1. Excludes salaries and benefits associated with research for $6,962,000 (2020: $3,586,000). These are included as part of "Research, development, and other product engineering costs not capitalised".
2. This total excludes foreign exchange gains/(losses).
3. The Group engaged PwC to perform security penetration testing and advisory services relating to IT security risks, and to obtain a market survey of executive remuneration levels.

8. Taxation

Current income tax

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

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

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

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

As at 31 March	2021 NZ$'000	2020 NZ$'000
RECONCILIATION OF EFFECTIVE TAX RATE		
Net loss for the year before tax	(18,949)	(22,308)
Prima facie taxation at 28% (2020: 28%)	(5,306)	(6,246)
Less tax effect		
Income not subject to tax	(757)	(302)
Difference in effective tax rate	259	-
Expenses not deductible for tax purposes	340	531
Tax differences not recognised	4,066	4,945
Deferred tax on temporary differences relating to earlier periods	(18)	-
Tax losses recognised relating to earlier periods	(45)	(865)
Income tax benefit	**(1,461)**	**(1,937)**
Represented by:		
Current tax	(200)	23
Deferred tax	(1,261)	(1,960)
Income tax benefit	**(1,461)**	**(1,937)**
The Group has unrecognised deferred tax assets consisting of:		
Temporary differences	3,986	3,251
Accumulated losses	10,411	7,280
Total unrecognised deferred tax assets	**14,397**	**10,531**

The Group has tax losses in New Zealand of NZ$37,103,000 (2020: NZ$25,772,000); tax losses in the USA of US$4,050,000 (2020: US$3,230,000); tax losses in Australia of $nil (2020: A$70,000), and tax losses in Europe of GBP61,000 (2020: GBP75,000) that are available for offset against future taxable profits of the companies in which those losses arose, subject to satisfying relevant jurisdiction income tax-loss carry-forward rules and maintaining minimum levels of shareholder continuity; and therefore realisation is currently uncertain.

DEFERRED TAX ASSETS/(LIABILITIES)	Intangible assets	Tax losses	Other	Total
Balance at beginning of year	(3,752)	1,507	604	(1,641)
Charged to profit or loss	415	185	661	1,261
Gain/(loss) from movement in exchange rates	509	(221)	(109)	179
Balance at end of year	**(2,828)**	**1,471**	**1,156**	**(201)**

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

Imputation credits

As at 31 March 2021, the Group had no imputation credits (2020: $nil).

9. Cash, cash equivalents, and cash on deposit

	2021 NZ$'000	2020 NZ$'000
Cash at bank and on hand	5,873	3,673
Short-term deposits	2,000	-
Cash on deposit*	24,357	27,705
Total cash and cash equivalents and cash on deposit	**32,230**	**31,378**

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

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

At 31 March 2021, the Group had available NZ$10,000 (2020: NZ$10,000) of undrawn committed borrowing facilities.

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

Reconciliation of operating cash flows

For the year ended 31 March	2021 NZ$'000	2020 restated[1] NZ$'000
Net loss for the year after tax	(17,488)	(20,371)
NON-CASH AND NON-OPERATING ITEMS		
Depreciation and amortisation	3,089	2,240
(Gains)/losses on foreign exchange transactions	1,151	(755)
Share-based payments	1,379	1,382
(Gain)/loss on disposal of fixed assets	(48)	-
Bad debts write-off	171	44
Impairment of right-of-use asset	-	106
Movement in provision for expected credit losses	(55)	148
Deferred tax benefit	(1,261)	(1,960)
Interest on loan	24	-
Write-off lease liability	(33)	-
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(1,342)	(2,965)
Increase in contract costs	(506)	(603)
Decrease/(increase) in inventory	2	(14)
Increase in trade and other payables and employee entitlements	335	736
Increase in deferred revenue and contract assets	511	5,870
Effect of foreign exchange variance	50	(496)
Net cash used in operating activities	**(14,021)**	**(16,638)**

1. Business integration and acquisition expenses were reclassed from investing activities to operating activities. Refer to note 2.5.

10. Trade receivables and contract assets

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

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

	2021 NZ$'000	2020 NZ$'000
Trade receivables	7,846	7,248
Allowance for expected credit losses	(92)	(145)
Total trade receivables	**7,754**	**7,103**

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

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CONTRACT ASSETS

	2021 NZ$'000	2020 NZ$'000
Opening balance as at 1 April	440	157
Amount recognised in revenue during the year	1,458	952
Amounts transferred to trade receivables during the year	(1,005)	(687)
(Loss)/gain from movement in exchange rates	(31)	18
Closing balance as at 31 March	**862**	**440**
Contract assets	874	454
Allowance for expected credit losses	(12)	(14)
Total contract assets	**862**	**440**

Customer credit risk

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

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

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

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

31 March 2021	Contract assets	Trade receivables					Total
		Days past due					
		Current	<30 days	31–60 days	61–90 days	>90 days	
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Expected credit loss rate	1.4%	0.7%	0.6%	1.4%	1.3%	2.6%	**1.2%**
Estimated total gross carrying amount at default	874	4,560	800	587	151	1,748	**8,720**
Expected credit loss	12	31	5	8	2	46	**104**

31 March 2020	Contract assets	Trade receivables					Total
		Days past due					
		Current	<30 days	31–60 days	61–90 days	>90 days	
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Expected credit loss rate	3.1%	0.8%	0.5%	0.5%	4.0%	8.5%	**2.1%**
Estimated total gross carrying amount at default	454	2,969	2,485	385	250	1,159	**7,702**
Expected credit loss	14	23	12	2	10	98	**159**

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

	2021 NZ$'000	2020 NZ$'000
As at 1 April	159	11
Movement in provision for expected credit losses (note 7)	(55)	148
As at 31 March	**104**	**159**

The Group continues to recognise expected credit losses at an increased level due to the ongoing economic impacts of the COVID-19 pandemic.

11. Trade and other payables

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

	2021 NZ$'000	2020 NZ$'000
Trade payables	949	879
Accrued expenses	549	991
Employee entitlements	2,336	2,660
Retention plan accrual	856	-
Tax payable	38	-
Total trade and other payables	**4,728**	**4,530**

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

Employee entitlements comprise entitlements for annual leave, superannuation contributions in their various forms (401(k), UK pension, Super, and Kiwisaver), salaries, commissions for sales staff, and an accrual for the CRA retention plan (refer to note 23). Employee entitlements expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date.

As part of the acquisition, Volpara entered into a retention plan agreement with key employees of CRA. This retention plan involves two US$2M payouts which are to be made if CRA achieves certain ARR performance and staff-retention targets by 31 December 2021 and 30 June 2022. These retention payments are related to employee remuneration and are not treated as consideration for the purchase of the business. The fair value of the payments has been accrued in line with services performed from the employees on a straight-line basis based on the probability of achieving the targets. The Directors have considered the likelihood of achievement of the ARR performance targets as probable. Additionally, the Directors have assumed that all employees will meet the service conditions.

12. Share capital and earnings per share (EPS)

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

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

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

All ordinary shares rank equally with regard to Volpara.

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

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

Ordinary shares issued and fully paid	Notes	2021 NZ$'000	2021 000's	2020 NZ$'000	2020 000's
In issue as at 1 April		140,078	218,480	84,129	179,350
Exercise of share options	13	2,702	4,078	1,042	2,466
Issue of share capital from placement		29,768	21,538	47,485	30,000
Issue of share capital from share purchase plan		9,731	6,923	10,547	6,664
Issue costs		(1,601)	-	(3,125)	-
In issue as at 31 March		**180,678**	**251,019**	**140,078**	**218,480**

Dividends
No dividends have been declared or paid for the year ended 31 March 2021 (2020: $nil).

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

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

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

As at 31 March	2021	2020
Net loss after tax (NZ$'000)	(17,488)	(20,371)
Ordinary number of shares ('000's)	251,019	218,480
Weighted average number of shares on issue ('000's)	247,257	210,136
Basic and diluted loss per share (NZ$)	**(0.07)**	**(0.10)**

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

13. Share-based payments

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

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 zero 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 and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for the year represents the movement in cumulative expense recognised as at the beginning and end of that year.

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 reversed through profit or loss when options lapse or are forfeited.

Legacy ESOP
There were no new options issued under this model for the period ended 31 March 2021 (31 March 2020: $nil).

Grant date/employees entitled	Number of share options outstanding '000's	Vesting conditions	Contractual life of options
OPTIONS GRANTED TO DIRECTORS			
2015	200	Monthly over a period of 36 months service from grant date	10 years
OPTIONS GRANTED TO EMPLOYEES			
2013	64	Annually over a period of 2–3 years' service from grant date & subject to performance criteria	10 years
2014	192	Quarterly over a period of 1 year's service from grant date	10 years
2015	390	1 year's service from grant date	10 years
2016	450	Annually over a period of 3 years' service from grant date	10 years
Total share options	**1,296**		

The vesting conditions on all options were met in prior periods. As a result, there is no expense recognised for the year ended 31 March 2021 for the Legacy ESOP share options (2020: $nil).

The number and weighted-average exercise prices of share options under the Legacy ESOP plan were as follows:

	Number of options	Weighted-average exercise price	Weighted-average share price at date of exercise	Number of options	Weighted-average exercise price	Weighted-average share price at date of exercise
	2021 000's	2021 NZ$	2021 A$	2020 000's	2020 NZ$	2020 A$
Outstanding at 1 April	3,645	0.38	-	5,415	0.31	-
Exercised during the period	(2,349)	0.35	1.36	(1,770)	0.14	1.55
Outstanding as at 31 March	**1,296**	**0.43**	**-**	**3,645**	**0.38**	**-**
Vested as at 31 March	1,296			3,645		

The options outstanding at 31 March 2021 had an exercise price in the range of $0.1567 to $0.4667 (2020: $0.08 to $0.4667) and weighted-average contractual life of 3.6 years (2020: 1.8 years).

The following Legacy ESOPs were in existence during the current and prior year:

Grant year (financial year)	Number of share options '000's	NZ$ exercise price	Expiry date (financial Year)	NZ$ fair value at grant date
2010	749	0.0003	2020	0.08
2011	446	0.0800	2021	0.10
2012	450	0.1567	2022	0.12
2013	360	0.3117	2023	0.15
2013	351	0.1567	2023	0.21
2014	372	0.3117	2024	0.16
2014	45	0.3333	2024	0.15
2015	452	0.4667	2025	0.20
2015	390	0.4600	2025	0.20
2016	1,350	0.4667	2021	0.21
2016	450	0.4667	2026	0.21
Total	**5,415**			
Less forfeited and exercised as at 31/3/2020	(1,770)			
Exercised during the year	(2,349)			
Total share options remaining	**1,296**			

No further options are granted under the Legacy ESOP.

The Black-Scholes model was used to value the Legacy ESOPs. Given there have been no issues of options in the current or comparative year, the Company has not disclosed the previously applied valuation assumptions.

New ESOP

In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, Executives, senior employees, employees, and others were granted options to purchase ordinary shares at exercise prices detailed below.

Each New ESOP converts into one ordinary share of Volpara on exercise. The options carry neither rights to dividends nor voting rights. Options vest upon satisfying the condition of continued employment with the Group for the service period specified in the contract (ranging from two to five years). Vested options can be exercised at set times during the year, 30 days prior to expiry or at the time of an exit event.

The options granted expire or are forfeited after seven years of their issue or on termination of employment within the vesting period, whichever occurs first.

The key terms and conditions related to the grants under these programs are as follows; all options are to be settled by the issue of ordinary shares.

Standard New ESOPs have a service period of five years and a contractual life of seven years. There are four tranches which begin to vest two years after the grant date and annually thereon.

Grant date/employees entitled	Number of share options outstanding '000's
OPTIONS GRANTED TO DIRECTORS	
2016	300
2018	450
2019	450
2020	900
2021	450
OPTIONS GRANTED TO KEY MANAGEMENT PERSONNEL	
2016	600
2017	20
2018	40
2020	100
2021	977
OPTIONS GRANTED TO EMPLOYEES	
2016	768
2017	193
2018	40
2019	772
2020	2,415
2021	715
Total share options	**9,190**

The expense recognised for the year ended 31 March 2021 for the New ESOP share options was $1,379,000 as per note 7 (2020: $1,382,000).

The number and weighted-average exercise prices of share options under the New ESOP plan were as follows:

	Number of options 2021 000'	Weighted-average exercise price 2021 A$	Weighted-average share price at date of exercise 2021 A$	Number of options 2020 000's	Weighted-average exercise price 2020 A$	Weighted-average share price at date of exercise 2020 A$
Outstanding as at 1 April	10,421	1.00	-	6,997	0.56	-
Granted during the year	4,171	1.42	-	4,200	1.66	-
Exercised during the year	(1,729)	0.51	1.36	(696)	0.51	1.59
Forfeited during the year	(3,673)	1.27	-	(80)	0.78	-
Outstanding 31 March	**9,190**	**1.18**	**-**	**10,421**	**1.00**	**-**
Vested as at 31 March	2,164	0.56	-	2,339	0.51	-

The options outstanding at 31 March 2021 had an exercise price in the range of A$0.50 to A$1.84 (2020: A$0.50 to A$1.84) and weighted-average contractual life of 4.6 years (2020: 4.8 years).

The following New ESOPs were in existence during the current and prior year:

Grant year (financial year)	Number of share options granted '000's	A$ exercise price	Expiry date	A$ fair value at grant date
2016	4,000	0.50	2023	0.27
2017	125	0.50	2024	0.17
2017	140	0.50	2024	0.19
2017	40	0.50	2024	0.20
2017	90	0.50	2024	0.22
2017	72	0.50	2024	0.27
2017	100	0.50	2024	0.27
2018	25	0.60	2025	0.16
2018	160	0.60	2025	0.22
2018	450	0.60	2025	0.39
2018	50	0.60	2025	0.42
2018	40	0.67	2025	0.39
2018	80	0.68	2025	0.35
2019	675	0.60	2026	0.48
2019	450	0.60	2026	0.52
2019	460	0.89	2026	0.47
2019	40	1.19	2026	0.63
2020	900	1.51	2027	0.68
2020	200	1.58	2027	0.77
2020	90	1.68	2027	0.98
2020	2,770	1.70	2027	0.87
2020	240	1.84	2027	0.89
2021	450	1.84	2028	0.89
2021	1,454	1.30	2028	0.54
2021	40	1.41	2028	0.72
2021	1,587	1.42	2028	0.65
2021	40	1.31	2028	0.66
2021	500	1.38	2028	0.69
2021	100	1.46	2028	0.75
Total	**15,368**			
Less forfeited and exercised as at 31/3/2020	(776)			
Exercised during the year	(1,729)			
Forfeited during the year	(3,673)			
Total share options remaining	**9,190**			

Valuation model assumptions

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

Option series	2021	2020
Grant date share price	A$ 1.14–1.79	A$ 1.39–1.85
Exercise price	A$ 1.30–1.84	A$ 1.51–1.84
Expected volatility	50.00%	50.00%
Option life	7 years	7 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	0.51–0.81%	0.79–1.19%

14. Lease liabilities and right-of-use assets

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

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

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

Lease liabilities

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

- termination of the lease for the previous Wellington head of office in November 2020

LEASE LIABILITIES	2021 NZ$'000	2020 NZ$'000
Balance as at 1 April	3,764	252
Leases entered into during the year	-	1,753
Leases assigned as part of acquisition of a subsidiary	-	1,881
Principal repayments	(599)	(336)
Interest expense on lease liabilities	156	74
Write- off lease liability	(33)	-
(Loss)/gain from movement in exchange rates	(389)	140
Balance as at 31 March	**2,899**	**3,764**
Current	483	605
Non-current	2,416	3,159
Total	**2,899**	**3,764**

The Group's undiscounted cash flows relating to lease liabilities are summarised below:

2021
NZ$'000

Property	≤ 3 months	3 to 6 months	6 months to 1 year	> 1 year	**Total**
Level 14–15, 40 Mercer Street, Wellington, NZ	86	86	172	1,146	**1,490**
Suite 130, 19000 33rd Ave W, Lynnwood, WA, USA	56	57	116	1,658	**1,887**
Suite 220, 19000 33rd Ave W, Lynnwood, WA, USA	11	11	23	56	**101**
Total	**153**	**154**	**311**	**2,860**	**3,478**

The details for the leases are as follows:

	Level 14–15, 40 Mercer Street	Suite 130, 19000 33rd Ave W	Suite 220, 19000 33rd Ave W
Start date	1 Aug 19	1 Jul 13	1 Jul 16
Initial lease period	6 years	15 years	4 years
Extension options	6 years	N/A	3 years
Extension options exercised	N/A	N/A	Yes
Termination options	After 6 years	After 15 years	After 3 years
Termination penalties	None	None	None
Residual value guarantees	None	None	None
Variable lease payments	None	None	None
Indirect costs incurred	Lawyers' fees	Lawyers' fees	Lawyers' fees
Restrictions and/or covenants	None	None	None
Incremental rate of borrowing	6.00%	6.00%	6.00%
Market rent reviews	Every three years	None	None

The total cash outflow for leases for the year ended 31 March 2021 totalled $755,000 (31 March 2020: $412,000).

The total cash inflow from subleasing Level 7, 44 Victoria Street was $58,000 (31 March 2020: $12,000).

The Group considers laptop computers to be of “low value” and has therefore used the recognition exemption. The lease expense related to these items is therefore recognised as an expense on a straight-line basis over the lease term (2021: NZ$90,000, 2020: NZ$65,000). There are commitments relating to low-value assets totalling NZ$125,000 (2020: NZ$230,000).

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

	2021 NZ$’000	2020 NZ$’000
COST		
Balance as at 1 April	4,249	424
Leases entered into during the year	-	1,753
Leases assigned as part of acquisition of a subsidiary	-	1,881
Disposals	(424)	-
Foreign exchange differences	(310)	191
Balance as at 31 March	**3,515**	**4,249**
DEPRECIATION		
Balance as at 1 April	(730)	(207)
Depreciation	(535)	(405)
Impairment	-	(106)
Disposals	424	-
Foreign exchange differences	12	(12)
Balance as at 31 March	**(829)**	**(730)**
Net book value	**2,686**	**3,519**

15. Financial risk management objectives and policies

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

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

16. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s cash and cash equivalents with floating interest rates. The Group's deposit accounts are on fixed interest rates, repricing periodically. The Group's remaining bank accounts are predominantly non-interest bearing. However, the Group holds NZ$1,510,000 with varying interest rates (2020: $10,000).

At balance date, the Group had the following mix of financial assets exposed to New Zealand interest rate risk.

	2021 NZ$’000	2020 NZ$’000
FINANCIAL ASSETS		
Cash and cash equivalents	7,873	3,673
Cash on deposit	24,357	27,705
Total exposure	**32,230**	**31,378**

The cash on deposit has fixed interest rates between 0.28% and 1.15%.

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

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

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

At 31 March 2021 if interest rates had moved on the basis that all investments had rolled, as illustrated in the table below, assuming the amount of the financial instruments outstanding at balance date was outstanding for the whole year and all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post-tax loss higher/(lower)	
	2021 NZ$’000	2020 NZ$’000
+0.5% (50 basis points)	(139)	(139)
-0.5% (50 basis points)	139	139

17. Foreign currency risk

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

From time to time, the Group may enter into forward contracts to hedge the currency exposure of large transactions. There are no forward contracts in place at 31 March 2021. Where possible, the Group maintains a portion of available funds in USD, AUD, and GBP to match the respective expected expenses. The following tables demonstrate the sensitivity to a reasonably possible change in USD, AUD, and GBP exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Carrying amount in USD	Carrying amount in GBP	Carrying amount in AUD
2021			
Cash & deposits	6,860	695	1,242
Trade receivables	4,996	43	159
Trade payables	(83)	(15)	(4)
Borrowings	(1,732)	-	-
Total	**10,041**	**723**	**1,397**
2020 (RESTATED)			
Cash & deposits*	4,316	924	868
Trade receivables	3,744	3	59
Trade payables	(356)	(13)	(25)
Total	**7,704**	**914**	**902**

SENSITIVITY ANALYSIS	Carrying amount US$'000	Change in USD rate %	Effect on loss before tax/equity NZ$'000
2021	10,041	10%	1,305
		-10%	(1,595)
2020 (restated)	7,704	10%	1,165
		-10%	(1,423)

	Carrying amount in GBP	Change in GBP rate	Effect on loss before tax NZ$'000
2021	723	10%	129
		-10%	(158)
2020 (restated)	914	10%	171
		-10%	(209)

	Carrying amount in AUD	Change in AUD rate	Effect on loss before tax NZ$'000
2021	1,397	10%	138
		-10%	(169)
2020 (restated)	902	10%	84
		-10%	(103)

*Prior period numbers have been restated to include foreign currency term deposits.

18. Credit risk

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

There are significant concentrations of credit within the Group with $26,357,000 in outstanding term deposits held at the end of the financial year (2020: $27,705,000). The Group holds some cash in current and savings accounts with various large and reputable financial institutions in NZ, AUS, the UK, and the USA. The credit risk is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. In the USA, deposits are insured by the government up to US$250k per bank. Volpara holds US$1,630,000 in excess of the $250k threshold.

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

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

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

19. Liquidity risk

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

All financial liabilities are due for payment in less than 12 months except for the PPP loan (refer to note 24). This is the undiscounted contractual position.

	≤ 3 months NZ$'000	3 to 6 months NZ$'000	6 months to 1 year NZ$'000	>1 year NZ$'000	**Total NZ$'000**
FINANCIAL LIABILITIES					
As at year ended 31 March 2021					
Trade and other payables	1,498	-	-	-	**1,498**
Lease liabilities	153	154	311	2,860	**3,478**
Provision for commissions	354	-	-	-	**354**
Borrowings	-	497	1,492	507	**2,496**
	2,005	**651**	**1,803**	**3,367**	**7,826**
As at year ended 31 March 2020					
Trade and other payables	1,870	-	-	-	**1,870**
Lease liabilities	198	201	390	3,805	**4,594**
Provision for commissions	539	-	-	-	**539**
	2,607	**201**	**390**	**3,805**	**7,003**

20. Financial instruments

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

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

Financial assets

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

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

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

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

Financial liabilities

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

Financial instruments by category	2021 NZ$'000	2020 NZ$'000
FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Cash and cash equivalents	7,873	3,673
Cash on deposit	24,357	27,705
Trade receivables	7,754	7,103
Other receivables*	195	117
Total	**40,179**	**38,598**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Trade and other payables	1,498	1,870
Borrowing	2,475	-
Total	**3,973**	**1,870**

*Other receivables in the prior period were restated to exclude prepayments.

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

21. Fixed assets

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

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

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

Leasehold improvements or an item of property or computer equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

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

Year ended 31 March 2021	Leasehold improvements NZ$	Property NZ$'000	Computer equipment NZ$'000	Vehicles NZ$'000	**Total** NZ$'000
COST					
Balance as at 1 April 2020	747	361	580	24	**1,712**
Additions	4	39	33	-	**76**
Acquisitions of a subsidiary	-	-	6	-	**6**
Disposals and write-offs	(44)	-	(18)	(24)	**(86)**
Foreign exchange differences	(43)	(43)	(41)	-	**(127)**
Balance as at 31 March 2021	**664**	**357**	**560**	**-**	**1,581**
DEPRECIATION AND IMPAIRMENT					
Balance as at 1 April 2020	(129)	(202)	(338)	(14)	**(683)**
Depreciation	(98)	(101)	(107)	(10)	**(316)**
Disposals and write-offs	44	-	17	24	**85**
Foreign exchange differences	4	34	15	-	**53**
Balance as at 31 March 2021	**(179)**	**(269)**	**(413)**	**-**	**(861)**
Net book value	**485**	**88**	**147**	**-**	**720**

Year ended 31 March 2020					
COST					
Balance as at 1 April 2019	49	221	347	-	**617**
Additions	377	48	59	-	**484**
Acquisitions of a subsidiary	293	60	173	22	**548**
Disposals and write-offs	-	(1)	(14)	-	**(15)**
Foreign exchange differences	28	33	15	2	**78**
Balance as at 31 March 2020	**747**	**361**	**580**	**24**	**1,712**
DEPRECIATION AND IMPAIRMENT					
Balance as at 1 April 2019	(23)	(43)	(214)	-	**(280)**
Depreciation	(103)	(145)	(128)	(13)	**(389)**
Disposals and write-offs	-	1	14	-	**15**
Foreign exchange differences	(3)	(15)	(10)	(1)	**(29)**
Balance as at 31 March 2020	**(129)**	**(202)**	**(338)**	**(14)**	**(683)**
Net book value	**618**	**159**	**242**	**10**	**1,029**

22. Intangible assets

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

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

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

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

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

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

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

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

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

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

	Goodwill	Software development	Patents, trademarks & copyrights	Customer relationships
Useful lives	Indefinite		Finite	
Estimated useful lives	Indefinite but assessed annually for impairment	3–10 years	3–20 years	15 years[1]
Estimated residual value			$nil	
Method used	Assessed annually for impairment	Amortised over the period of expected future benefit from the related project on a straight-line basis		
Internally generated/acquired	Acquired	Internally generated/acquired		
Impairment test/recoverable amount test	Management believes the most relevant indicators of impairment are where there is evidence of obsolescence or where unfavourable changes to the economic benefits derived from the assets have been experienced.			

1. Note that the estimated useful life of MRS Systems, Inc. (MRS), customer relationships has been adjusted from 20 to 15 years based on approximate current churn rates. This increased amortisation on MRS customer relationships by $12,000 for FY21.

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

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

The Group performed its annual impairment test as at 31 March 2021, using the model developed by an external independent expert.

North America CGU
Using the capitalisation of revenue method (a market approach), the recoverable amount of the North America CGU was estimated to be US$114M to US$137M, as at 31 March 2020. This was determined based on a fair value less costs of disposal, as it exceeded the value in use. In order to determine the fair value using the market approach, a multiple of revenue which a hypothetical buyer (i.e., average market participant) would pay for the business that reflects the size, growth potential, risks, and other characteristics of the business were considered by management, as was the appropriate revenue multiple. Management updated the prior year discounted cash flow (DCF) model (income approach) as at 31 March 2021. Management has used similar assumptions to the prior year, albeit the cash flows have been updated to reflect current budgets. The updated valuation continues to suggest significant headroom exists and indicates an enterprise value in the range of US$114M to US$141M.

Based on the valuation of the recoverable amount as calculated by the external independent expert and as updated by management, no impairment charge is required at this time.

Although the North America CGU is currently loss-making, it is expected to reach cash flow break-even in the near term as SaaS revenues continue to grow faster than expenses.

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

The inputs used in calculating the fair value less costs of disposal are deemed to be level 2 given that revenue is observable by the market.

Year ended 31 March 2021	Goodwill NZ$'000	Software development NZ$'000	Patents, trademarks & copyrights NZ$'000	Customer relationships NZ$'000	Total NZ$'000
COST					
Balance as at 1 April 2020	8,221	7,104	4,092	8,375	**27,792**
Additions	-	698	53	-	**751**
Acquisitions of a subsidiary	11,886	3,764	753	8,154	**24,557**
Foreign exchange differences	(852)	(832)	(500)	(969)	**(3,153)**
Balance as at 31 March 2021	**19,255**	**10,734**	**4,398**	**15,560**	**49,947**
AMORTISATION AND IMPAIRMENT					
Balance as at 1 April 2020	-	(569)	(655)	(335)	**(1,559)**
Amortisation	-	(1,003)	(756)	(479)	**(2,238)**
Foreign exchange differences	-	97	117	62	**276**
Balance as at 31 March 2021	**-**	**(1,475)**	**(1,294)**	**(752)**	**(3,521)**
Net book value	**19,255**	**9,259**	**3,104**	**14,808**	**46,426**
Year ended 31 March 2020					
COST					
Balance as at 1 April 2019	-	89	283	-	**372**
Additions	-	413	112	-	**525**
Acquisitions of a subsidiary	7,504	6,026	3,376	7,645	**24,551**
Foreign exchange differences	717	576	321	730	**2,344**
Balance as at 31 March 2020	**8,221**	**7,104**	**4,092**	**8,375**	**27,792**
AMORTISATION AND IMPAIRMENT					
Balance as at 1 April 2019	-	(8)	(9)	-	**(17)**
Amortisation	-	(526)	(607)	(313)	**(1,446)**
Foreign exchange differences	-	(35)	(39)	(22)	**(96)**
Balance as at 31 March 2020	**-**	**(569)**	**(655)**	**(335)**	**(1,559)**
Net book value	**8,221**	**6,535**	**3,437**	**8,040**	**26,233**

Refer to note 23 for details on the goodwill acquired through a business combination.

23. Acquisitions

Acquisition of CRA Health, LLC (CRA)

One hundred percent of CRA's units was acquired on 31 January 2021, thereby enabling Volpara to obtain control. CRA is an industry leader in breast cancer risk assessment spun out from Massachusetts General Hospital, a Harvard Medical School teaching hospital. The primary purpose of the acquisition is to enable Volpara to expedite product development through the use of existing offerings of the acquiree. CRA's year-end is 31 December.

As part of the purchase price allocation exercise (refer below) an adjustment was made to reduce the deferred revenue balance of CRA on acquisition date. This adjustment (NZ$339K) was to reflect the cost of providing these services, rather than the deferral of revenue.

Intangible assets arising from the acquisition include goodwill. Goodwill represents the combination of synergies expected to be realised through a combined entity such as sales, marketing, and administration, and items that are not separable from the business, such as the assembled workforce. The Group has recognised other separately identifiable intangible assets, including customer relationships, software (developed technology), brands, and trademarks and a restraint of trade, refer to note 22.

The fair value consideration paid for CRA is summarised as follows:

	US$'000
Net purchase price	**17,700**

Note that the agreement included a portion of deferred consideration (US$1.8M) which refers to funds which have been paid by Volpara and are being kept in escrow for 18 months for the purposes of collateral in the case of any indemnities or warranties.

Upon acquisition, the Group engaged an independent valuation expert to assist the Group in identifying and valuing the assets and liabilities of CRA. The below summarises the assessment:

	US$'000	NZ$'000
Trade receivables	905	1,261
Other receivables	109	152
Fixed assets	4	6
Trade and other payables	(121)	(169)
Deferred revenue	(814)	(1,135)
Developed technology	2,700	3,764
Brands and trademarks	20	28
Customer relationships	5,850	8,154
Restraint of trade	520	725
Goodwill	8,527	11,886
	17,700	**24,672**

For tax purposes, the acquisition of CRA is deemed an asset acquisition. The tax base of assets is revalued to the corresponding values above. As such, no deferred tax was recognised as part of the purchase price allocation exercise.

Business acquisition and merger related expenses, per note 7, total NZ$698,000 and have been expensed in these financial statements.

As part of the acquisition, Volpara entered into a retention plan agreement with key employees of CRA. Refer to note 11 for details.

Goodwill is expected to be deductible for tax purposes over a 15-year period.

The fair value of trade and other receivables acquired was equal to the carrying value and the contractual amounts receivable. As at acquisition date, there were no contractual cash flows which were not expected to be received from trade and other receivables.

	US$'000	NZ$'000
CRA CONTRIBUTIONS TO GROUP ACCOUNTS		
CRA revenue included in statement of profit or loss	549	764
CRA loss included in statement of profit or loss	(480)	(668)
CRA CONTRIBUTIONS TO GROUP ACCOUNTS EXCLUDING RETENTION PLAN COSTS[1]		
CRA loss included in statement of profit or loss	119	165
IF CRA HAD BEEN ACQUIRED AS AT 1 APRIL 2020		
CRA revenue included in statement of profit or loss	3,244	4,853
CRA profit included in statement of profit or loss	136	267
IF CRA HAD BEEN ACQUIRED AS AT 1 APRIL 2020 EXCLUDING RETENTION PLAN COSTS[1]		
CRA profit included in statement of profit or loss	735	1,100

The above numbers include adjustments required under NZ IFRS 3 to reflect the fair value of the assets and liabilities acquired.

1. These are non-GAAP numbers which are included to show the profitability of CRA once retention plan costs have been removed.

The key estimates and judgments used in determining the assets are as follows:

Asset/liability	Valuation methodology	Estimates and judgments used in the valuations
Customer relationships	Multiple period excess earnings method	Estimates were made for the following inputs: average customer life,* average customer spend, gross margin operating costs, contributory asset charges, and income tax rates.
Brands and tradenames	Relief from royalty method	Estimates were made for the following inputs: revenue, royalty rate, economic life, and income tax rates.
Developed technology	Replacement cost	Estimates were made for the following inputs: labour effort and costs,* overhead costs, developer's profit, entrepreneurial incentive, and obsolescence.
Restraint of trade	With and without analysis	Estimates were made for the following inputs: cash flow forecasts without a restraint of trade, probability of competition.
Deferred revenue	Costs to fulfil obligation	Estimates were made for the following inputs: overhead costs, labour effort and costs, and an operating profit margin.

*Denotes key estimates and judgments that have the largest impact on the valuations.

Acquisition of MRS Systems, Inc. (MRS)
One hundred percent of MRS's shares was acquired on 13 June 2019, thereby enabling Volpara to obtain control. MRS was a mammography reporting system company whose primary function was to enable the reporting and tracking of patients in breast and lung screening. The primary purpose of the acquisition is to enable Volpara to expedite product development through the use of existing offerings of the acquiree. MRS's year-end is 31 December.

Volpara Solutions, Inc., merged with MRS Systems, Inc., on 31 March 2020. MRS Systems, Inc., then changed its name to Volpara Solutions, Inc. Volpara Solutions, Inc., then changed its name to Volpara Health, Inc., in October 2020.

The fair value consideration paid for MRS was US$14,059,000.

Upon acquisition, the Group engaged an independent valuation expert to assist the Group in identifying and valuing the assets and liabilities of MRS. The below summarises the assessment:

	US$'000	NZ$'000
Trade receivables	1,444	2,192
Other receivables	96	146
Fixed assets	361	548
Right-of-use assets	1,239	1,881
Deferred tax liabilities	(2,219)	(3,368)
Trade and other payables	(742)	(1,126)
Deferred revenue	(1,030)	(1,564)
Tax payable	(24)	(36)
Lease liability	(1,239)	(1,881)
Developed technology	3,970	6,026
Trademarks and trade names	2,074	3,148
Customer relationships	5,036	7,645
Restraint of trade	150	228
Goodwill	4,943	7,504
	14,059	**21,343**

24. 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 COVID-19. 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.

As of 31 March 2021, the Company has used the entire loan proceeds to fund its payroll and rent expenses. Applications for loan forgiveness have now opened and the Company is in the process of applying for forgiveness. As a result, until the loan has been forgiven, the loan has been, and will continue to be, classified as debt. Should the loan not be forgiven, Volpara would be required to repay the loan over a 10-month period from August 2021 at an interest rate of 1% per annum. If the loan is forgiven the proceeds will be reclassified as Other Income at that time.

25. Related parties

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

Name of entity	Country of Incorporation	2021 Ownership	2020 Ownership
Volpara Health Limited (previously Volpara Solutions Limited)	New Zealand	100%	100%
Volpara Health Europe Limited (previously Volpara Solutions Europe Limited)	United Kingdom	100%	100%
Volpara Health, Inc. (previously Volpara Solutions, Inc.)*	United States	100%	100%
Volpara Health Australia Pty Limited (previously Volpara Solutions Australia Pty Limited)	Australia	100%	100%
CRA Health, LLC (acquired 31 January 2021)	United States	100%	NA

*Volpara Solutions, Inc., merged with MRS Systems, Inc., on 31 March 2020. MRS Systems, Inc., then changed its name to Volpara Solutions, Inc. Volpara Solutions, Inc., then changed its name to Volpara Health, Inc., in October 2020.

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

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

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

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

Compensation of Key Management Personnel and Directors	2021 NZ$	2020 Restated[2] NZ$
Short-term employee benefits[1]	1,051,093	1,283,737
Termination benefits	163,386	-
Post-employment benefits and medical benefits	89,578	94,406
KMP share-based payment expense	184,834	151,394
Directors' fees	405,953	450,534
Directors' share-based payment expense	512,481	314,333
	2,407,325	**2,294,404**

1. Short-term employee benefits include salaries and wages, car allowances, short-term incentives earned during the period, and non-monetary benefits such as insurance;
2. Corrected for an error in the prior year financial statements relating to the exclusion of $50,000;
3. Some KMP and Directors are based in the USA and Australia and are paid in US$ and AUD$ respectively. The total compensation is therefore translated for financial reporting purposes to NZ$ on a monthly basis.

The value of outstanding balances payable to KMP and Directors at balance date totalled $114,000 (2020: $128,000).

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

Interests held by Key Management Personnel and Directors
Share options held by KMP and Directors, under the Legacy ESOP and New ESOP to purchase ordinary shares, have the following expiry dates and exercise prices:

Issue Date	Expiry Date	Exercise Price NZ$	2021 000s	2020 000s
KMP	14/03/2023–17/11/2027	0.54–1.85	1,737	2,610
Directors	14/03/2023–01/02/2027	0.47–2.00	2,750	2,352
			4,487	**4,962**

Loans to directors
There were no loans to directors issued during the year ended 31 March 2021 (2020: $nil).

Other transactions and balances
During the year, fees were paid to Karin Lindgren totalling $66,000 for legal services provided (2020: $77,000). No fees were paid to Karin after November 2020 after the Company hired in-house legal counsel.

Directors of Volpara Health Technologies Limited control 14.27% of the voting shares of the Company at balance date (2020: 19.91%).

26. Contingencies and commitments

Contingent liabilities and capital commitments

The Group had no contingencies or commitments as at 31 March 2021 (2020: $nil).

27. Events after the balance date

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

Additional Information for Listed Companies

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

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

Analysis of shareholding at 13 May 2021

Range	Securities	%	No. of holders	%
1 to 1000	3,323,768	1.32%	5,564	30.48%
1,001 to 5000	19,086,342	7.60%	7,243	39.68%
5,001 to 10,000	19,691,933	7.84%	2,605	14.27%
10,001 to 100,000	68,688,189	27.38%	2,713	14.87%
100,001 and over	140,228,849	55.86%	127	0.70%
Total	**251,019,081**	**100.00%**	**18,252**	**100.00%**

The number of shareholdings held in less than marketable parcels is 1,707, representing 521,952 shares.

Twenty largest shareholders at 13 May 2021

Rank	Name	Shareholding	Percentage holding
1	J P MORGAN NOMINEES AUSTRALIA	20,555,918	8.19%
2	PATAGORANG PTY LTD	18,467,848	7.36%
3	RALPH HIGHNAM AND KYC TRUSTEES	16,213,561	6.46%
4	CITICORP NOMINEES PTY LIMITED	12,062,094	4.81%
5	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	8,828,122	3.52%
6	PROF SIR MICHAEL BRADY	6,619,075	2.64%
7	MR MARCUS SARNER	5,980,404	2.38%
8	NATIONAL NOMINEES LIMITED	4,327,085	1.72%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,757,745	1.50%
10	SIR MARTIN FRANCIS WOOD	3,004,655	1.20%
11	LADY KATHLEEN AUDREY WOOD	3,004,654	1.20%
12	BNP PARIBAS NOMS (NZ) LTD <DRP>	2,881,734	1.15%
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,840,573	1.13%
14	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	2,198,322	0.88%
15	PROF MARTIN YAFFE	2,066,483	0.82%
16	PROF NICO KARSSEMEIJER	1,806,806	0.72%
17	SIR MARTIN GREGORY SMITH	1,366,977	0.54%
18	WHITFIELD INVESTMENTS PTY LTD	1,030,767	0.41%
19	PICKARD CAPITAL PTY LTD	1,029,106	0.41%
20	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,028,394	0.41%
	Total	**119,070,323**	**47.45%**
	Balance of register	**131,948,758**	
	Grand Total	**251,019,081**	

Donations made during the year
Donations made during the year ended 31 March 2021 totalled NZ$1,000 (2020: NZ$4,000).

Substantial shareholders
The names of the substantial shareholdings listed in the company's register are:

Shareholder	Shareholding	Percentage holding
HARBOUR ASSET MANAGEMENT LIMITED	23,008,238	9.17%
PATAGORANG PTY LTD (beneficiary for Roger Allen AM)	18,467,848	7.36%
RALPH HIGHNAM AND KYC TRUSTEES 106 LIMITED <HIGHNAM SHARE A/C>	16,213,561	6.46%

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

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

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

Entries recorded in the interest register
The company maintains an Interest Register in accordance with the Companies Act 1993. The following are particulars of entries made in the Interest register for the period 1 April 2020 to 31 March 2021.

Director	Date	Interest
John Diddams	21 Nov 2019	Director – Aroa Biosurgery Limited

Restricted securities as at 31 March 2021
As at 31 March 2021, there were no shares on issue in escrow.

Corporate Directory

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

Board of Directors
Paul Reid - Chair, Non-Executive Independent
Dr Ralph Highnam - Chief Executive Officer
Roger Allen AM - Non-Executive
John Pavlidis - Non-Executive Independent
John Diddams - Non-Executive Independent
Dr Monica Saini - Non-Executive Independent
Karin Lindgren - Non-Executive Independent

Company Secretary
Craig Hadfield

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
Sydney
NSW 2088
AUS

Share Register
Boardroom Pty Limited
Grosvenor Place
Level 12, 225 George Street
Sydney
NSW 2000
AUS

Auditor
PwC
10 Waterloo Quay
Wellington 6011
NZ

Legal Advisers
Davis Wright Tremaine LLP (USA)
Mills Oakley (AUS)
Simmonds Stewart (NZ)
Stoel Rives LLP (USA)

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

Glossary

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

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

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

Microsoft® Azure[6]
The cloud computing platform connected to the Virtual Appliance for the purposes of data storage, support, and providing anonymised data for the dashboards in Volpara Analytics.

Percentage of US market
An estimate of the number of US women who are imaged using at least element from the Volpara Breast Health Platform, based on the approximately 39 million women imaged in the United States each year, most of them screening (as opposed to diagnostic). The percentage given should be considered indicative and not definitive.

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

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

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

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

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

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

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

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

Volpara® Live™ (formerly Volpara®Live!™)
Provides radiographers instant, patient-based image quality feedback for every mammography exam. Reduces retakes and optimises compression and positioning while the patient is still in the room.

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

Volpara® Patient Hub™ (formerly Aspen® Breast)
Customisable mammography reporting and patient communications software.

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

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

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

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

HEALTH

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