

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





Volpara Health Technologies Limited (ASX: VHT) is a leading digital health company dedicated to the early detection of breast cancer by improving the quality of mammographic screening. Volpara enables breast imaging centres around the world to provide personalised, high-quality breast cancer screening based on automated, objective measurements of breast density, positioning, radiation dose and compression.

Volpara's technology is based on research in medical physics originally conducted at Oxford University. Today, its cloud-based quality assurance software is used by customers and/or research projects in 35 countries. Volpara's ground-breaking work is supported by numerous patents, trademarks and regulatory clearances, including FDA and CE, and a volume of peer-reviewed publications unparalleled in the breast density industry.

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Digital health services for the early detection of breast cancer

Chairman's Letter



ROGER ALLEN AM, Chairman

Dear Shareholders,

I am pleased to present the second annual report for Volpara Health Technologies Limited since its listing on the ASX in April 2016.

This past year has been one of considerable achievement. Not only have we expanded our product offering with the launch of VolparaEnterprise™ software, a significantly new and differentiated product, but we have successfully changed our business model from capital sales to Software as a Service (SaaS).

VolparaEnterprise™ software, built on our award-winning breast density software, provides the most comprehensive quality assessment tool available for breast imaging centres. It widens the scope of our measurements significantly to assess the overall quality of the mammogram, taking into account radiation dosage, compression and pressure, and enabling clinic management to track the performance of both technicians and expensive imaging machines. In the US, clinics are regulated by the FDA under its new Enhancing Quality Using the Inspection Program (EQUIP) initiative, which in late 2016 updated the Mammography Quality Standards Act to place greater emphasis on quality processes and attributes (such as position, compression and dose). Volpara is the first company to provide for clinics an automated solution to assess these important quality metrics to increase overall mammographic image quality and thus comply with EQUIP compliance guidelines.

To date, VolparaEnterprise™ software has been very well received and has gained significant attention from management and clinical staff. Early sales include several luminary sites, and the momentum of sales enquiries augers well for a very successful product. Such uptake of our cloud-deployed VolparaEnterprise™ software has enabled us to change our business model to SaaS. This is an ongoing subscription model which, while sacrificing the previous up-front perpetual licence fee, gives far greater predictability of revenue and smoother cash flow. We expect the benefits of our software to lead to very high renewal rates and provide greater long-term revenue. In FY17, 71 percent of our revenue came from SaaS contracts, with several new customers signing multi-year contracts. Under SaaS, typical annual fees range from US\$30,000 to US\$100,000, compared to a typical US\$50,000 one-off capital sale under our prior business model.

A key advantage of VolparaEnterprise™ software, for both customers and Volpara, is its cloud-based hosting. This yields strong operational benefits in not having to install and support the analytics software at each individual site (although our density product remains on site for now) and, critically, means that Volpara is the repository of the images where additional data analytics and temporal comparisons can be performed. This will allow benchmarking, where customers can compare their performance to that of other clinics, an important part of our future product development roadmap.

Volpara's transition to the cloud does bring sensitivities in transmitting and storing medical data—especially as the health industry has only just begun to move to this model. Volpara has successfully made this transition and is on the way to formal ISO accreditation. Furthermore, our partnership with Microsoft carries weight in the market, ensuring we have the highest level of security and integrity.

All this has meant a considerable investment in the new product and in the cloud infrastructure, which has been a gating factor to early sales. The key industry-accepted measurement for SaaS companies is Annual Recurring Revenue (ARR) rather than recognised sales revenue per month. Even if the contract is for multiple years and even if pre-payments are made, we can only book revenue month by month under the new accounting standards we've chosen to adopt early (IFRS15). But ARR, unlike one-off licences, is a critical indicator of future revenues. For FY17, our ARR is up 586 percent from a low base to NZ\$1.1 million. For this year, as the new product, the cloud and the sales cycle all mature, we expect ARR growth to exceed 200 percent.

In this last year, we have created a much stronger platform for growth and future profitability. We raised an additional A\$10 million to help cover the transition from up-front licences to SaaS and the cloud transformation. The new sales and marketing team we recruited after our ASX listing has developed well and is now fully trained and increasingly productive. These achievements would not have been possible without the strong performance of all our functional teams: Science, Engineering, Sales & Marketing as well as Management, Finance and Administration.

With our new software and installed base, and the acknowledged benefits to women and the management of screening clinics, Volpara was used in analysing 530,000 images. This represents only 1 percent of women in the US who are candidates for breast cancer screening and 0.5 percent worldwide. We are only at the beginning of a very large market opportunity.

Yours sincerely

Rojnallen.

CEO's Report

The directors present their report on Volpara Health Technologies Ltd and the entities it controlled during and at the end of the year ended 31 March 2017.



DR RALPH HIGHNAM, Executive Director and CEO

Dear Shareholders,

In this, Volpara's second year as an ASX-listed company, we are pleased to present our annual report. Over this past year we have seen a building of momentum and demand for Volpara's products, a result of both our own efforts and external drivers such as increased awareness of the link between breast density and cancer risk, and the need for better quality surveillance.

We are committed to providing and continuously improving a high-quality breast density analysis and enterprise management solution for breast screening clinics. When you consider breast cancer detection, the quality of the image and its analysis are critical. Volpara addresses both factors. Compression, position and the proportion of the breast that is glandular tissue (which, like cancer, appears white on mammograms) are all potential barriers to life-saving early detection. The VolparaEnterprise™ platform addresses these concerns by integrating a scientifically proven quantitative analysis of density, and is the only automated quality control solution on the market.

Volpara has been supported through its inclusion in the latest version of the world-renowned Tyrer-Cuzick Breast Cancer Risk Assessment Tool. Our VolparaDensity™ score is the only commercial input to have been included in the model, providing global validation and raising awareness of Volpara's technology among those who assess breast cancer risk. That awareness is also growing as more and more US state laws-32 and counting-legislate that women must be told their breast density.

In parallel to density momentum, FDA inspectors have begun visiting the 8,741 breast clinics in the US following the introduction of the Enhancing Quality Using the Inspection Program (EQUIP) initiative, under which practices' quality control procedures are reviewed. As of the 1st of January 2018, penalties will apply to those found to be noncompliant; these changes in the regulatory environment have opened the door to new and existing Volpara customers.

In fact, since the July 2016 launch of VolparaEnterprise™ software to the end of March 2017, we have signed 14 new customers, including US luminary sites such as Stanford University and the University of Virginia. The first few months of FY18 have seen us continue to ramp up, with new sales to two sites in Adelaide and Sydney Breast Clinic, one of Australia's luminary breast imaging centres.

Our transition from capital sales to Software as a Service (SaaS) is now complete, and this means our revenue, going forward, will be far more predictable. Although we finished FY17 with revenue of NZ\$2.04 million, which was lower than the NZ\$2.61 million recorded in FY16, we enter the new financial year in a more favourable position when you view Volpara as a SaaS company. We finished the year with NZ\$4.1 million in Total Contract Value, up from NZ\$2.8 million, giving us a greater pool of contracted revenue, NZ\$2.9 million, to be recognised in future periods. We have also chosen to adopt the new revenue accounting standard, NZ IFRS 15, which is more appropriate to SaaS companies, two years earlier than required to align with our overall transition to SaaS; this has also impacted our FY17 reported revenue.

Annual Recurring Revenue (ARR) also grew, almost 600 percent, to NZ\$1.1 million by the close of the financial year. This is a key metric that gives our investors insight into the future revenue flow for the next 12 months. Moving forward, we will provide regular updates on this figure.

To date we have made significant investments to protect our intellectual property position, and we continue to evolve our cutting-edge technology to protect our market position. VolparaEnterprise™ 2.0 software, for example, is based on Microsoft's Azure and Power BI platforms, which bring both security and scalability, as well as an expanding relationship with Microsoft.

VolparaDensityTM software continues to be the most clinically validated tool for breast density measurement, and in the past year has again been included in several key studies that have demonstrated a strong correlation between breast density and cancer. Additionally, the University of California, San Francisco, published a paper naming dense breast tissue as eclipsing all other known breast cancer risk factors.

We expect the UK National Health Service (NHS) to move from scientific evaluation of our density solution and its competitors to a trial implementation of VolparaDensity™ software into the world's largest breast screening program. We will demonstrate the integration of VolparaDensityTM software with major risk companies and expect that its inclusion in the Tyrer-Cuzick model will also drive demand for our suite of solutions.

We are very excited about the next 12 months and beyond. As our established sales team continues to build on the momentum gathered in FY17 with the launch of VolparaEnterprise™ 2.0 software, we have set an aggressive growth target of achieving a 200-percent increase in ARR while remaining focused on prudent expenditure and keeping our operating expenses stable over the coming year.

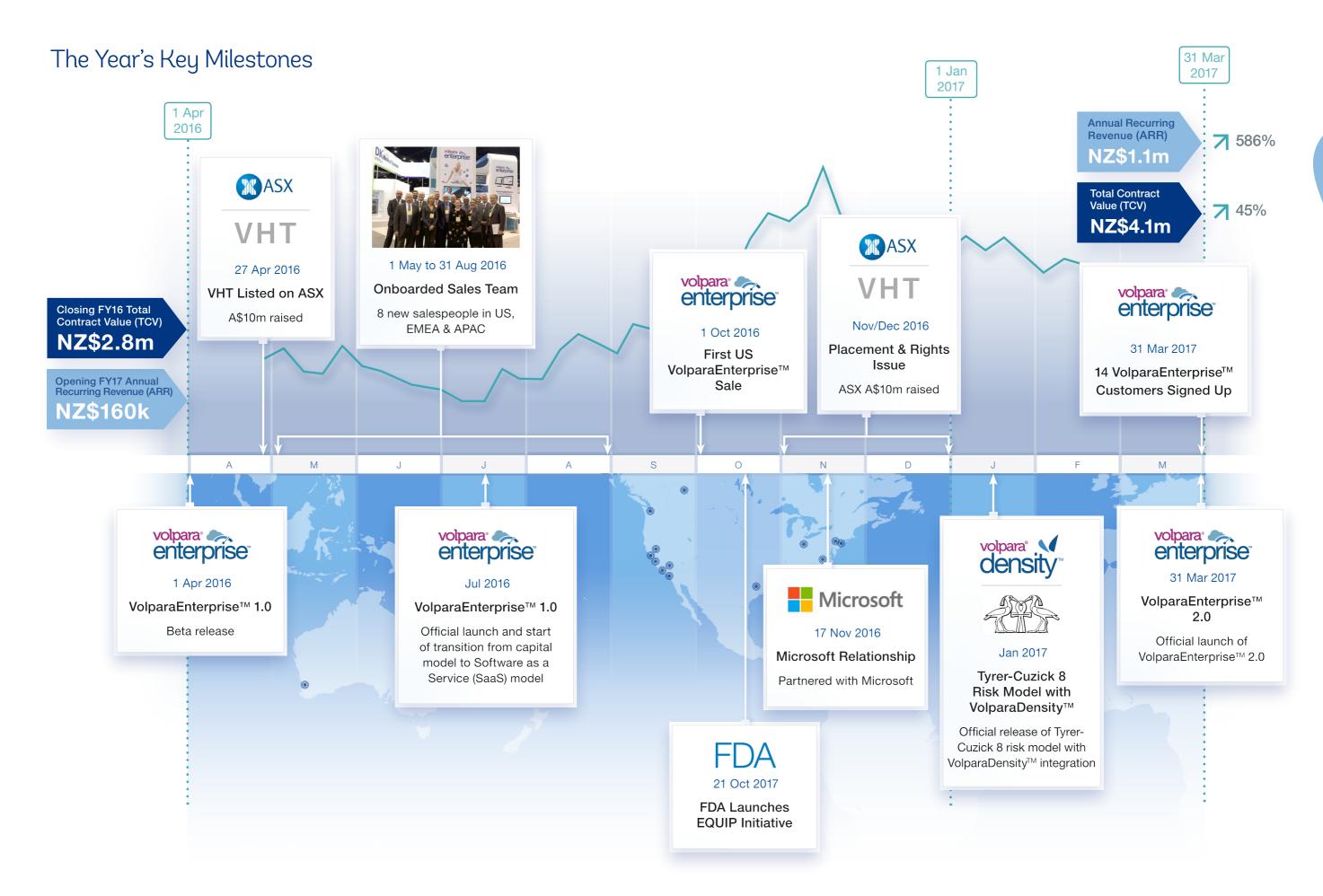
Product development and innovation are part of our DNA, and remain a strong focus: early next year we will release VolparaEnterprise™ 2.1 software, which will reduce our cost of goods and introduce new, chargeable features, such as benchmarking.

We are passionate and firmly focused on our goals: to reduce the incidence of breast cancer through improved quality of screening and to drive shareholder value.

We thank you, our investors, for your support, and our talented and dedicated team for their work in executing on our strategy.

Yours sincerely

RALPH HIGHNAM, PHD CEO & Chief Scientist



Worldwide Clinical and Commercial Validation



5 FTEs in Europe in United States of America





Region	Number of screening sites	X-ray systems	Current women screened per year
US	8,741	15,500	38,577,000
EMEA	1,300	13,000	28,350,000
APAC	456	4,700	6,556,000

Market opportunity

Volpara's addressable market is estimated to be greater than A\$1 billion.

With the incidence of breast cancer expected to double by 2030, greater and more wideranging screening programs are expected, with increasing numbers of women tested.













Registered Trademarks



VolparaEnterprise™

Increases employee effectiveness

Decreases costs through the reduction of retakes

> Real-time quality assurance

Technologists can track their own performance



Based on Microsoft's robust Azure platform

Fully integrated with VolparaDensity™

Assists clinics to become **EQUIP** compliant

Intuitive. interactive, role-specific dashboards







VolparaEnterprise™ 2.0 software delivers real-time quality assurance and performance monitoring through dynamic, interactive dashboards that update over 100 key indicators and quality metrics with every mammography or tomosynthesis exam. With role-defined access to such data, employees of practices of all sizes can perform rapid quality control, which optimises productivity and efficiency of imaging resources.

 Cancer may be detected earlie

Benefits for patients

- More comfortable
- Most appropriate radiation dose
- Rapid results

Benefits for screening centres

Budget controllers

- Improved patient care
- Enhanced profitability
- Key metrics for comparing performance within a network of breast imaging centres

Benefits for physicians

Referrers, radiologists, surgeons

- Integrated quality assurance metrics drive better image quality and uniformity
- Better imaging may lower risk of not seeing a cancer
- Better imaging may lower risk of normal tissue masquerading as a cancer
- Objective triage of high-risk patients and those who might need supplemental imaging

Benefits for radiographers

- Understand positioning and compression performance
- Compare performance with colleagues
- Use integrated tools to self-improve positioning and compression performance

Customer Testimonials



Dr Stephen Birrell, BMBS, PhD, FRACS

Founder, Executive Director & Chief Medical Officer



Wellend Health at Burnside War Memorial Hospital, Toorak Gardens SA

Early detection of breast cancer is essential, and targeted breast cancer treatments are making great advances. But there's nothing better than prevention, and that's our focus at Wellend Health: preventing women from developing breast cancer.

To achieve this goal, we first need to know a woman's risk of developing breast cancer, and to understand her risk we also need to know her mammographic breast density, as the number-one risk factor.

That's why we rely on VolparaDensity™ software, because we know that it calculates, very accurately, a woman's breast density. With this information we can give the woman an understanding of her relative risk-just as she would know her cholesterol or blood pressure.

Then we use VolparaDensity™ software to monitor the effectiveness of our preventative treatment in reducing women's breast density and thus reducing their risk of getting breast cancer.

I am a big fan of Volpara's technology and use it on all my patients.



Dr Maria Vanessa Atienza-Hipolito, FRANZCR

Principal & Consultant Radiologist



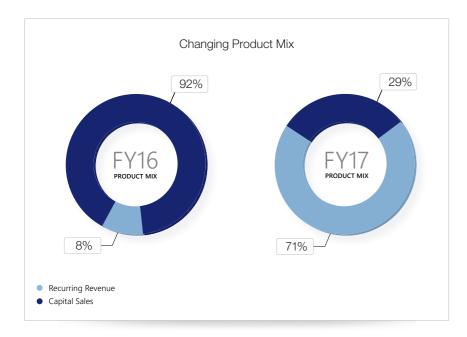
Women's & Breast Imaging Cottesloe, Perth, Bunbury WA

At Women's & Breast Imaging, we have always sought the latest breast imaging technology to help us improve mammography's ability to save lives. As such, we were the first clinic in WA to invest in VolparaDensity™ software. Its objective, computerised measurement of breast density allows us to better care for women with dense breasts, educate women about their own breast density and its associated risks, and discuss the potential benefits of additional screenings tests, such as breast ultrasound. Given the strong link between breast density and the risk of developing breast cancer, VolparaDensity[™] software has differentiated our clinic as a leader in the medical community.

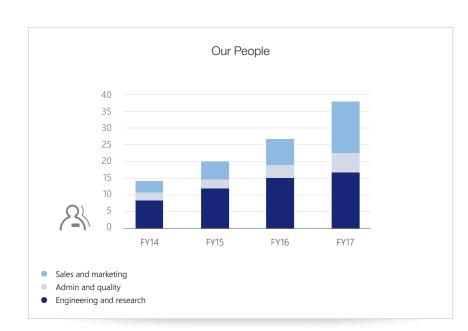
Our relationship with Volpara continues with our implementation of VolparaEnterprise™ software. With this breast imaging analytics platform, the benefit to both patient and clinic is increased: our staff receive feedback on appropriate positioning and compression for each scan they perform, giving us the best chance of picking up any cancers. VolparaEnterprise™ software is an all-in-one tool that helps Women's & Breast Imaging deliver the highest standards of mammographic screening and cancer detection for women.



Volpara Metrics at a Glance



Before the introduction of VolparaEnterprise™ in July 2016, the product mix was made up almost entirely of capital sales. This has now completely reversed, with over 70 percent of sales being recurring revenue in nature, as SaaS and SMA sales.



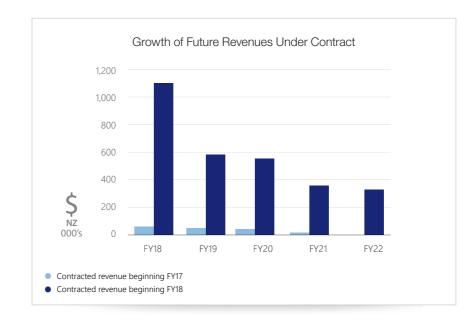
Volpara's listing on the ASX and introduction of VolparaEnterprise™ represent a step change in the business. In the current year, Volpara has hired several engineers and researchers to drive innovation; eight salespeople to achieve more direct sales; and several other specialists to strengthen quality and administrative functions.



FY17 quarter-over-quarter total contract value for Q1 and Q2 tracked very closely to that for FY16, as in Q1 we listed on the ASX and in Q2 brought on board eight new salespeople. In Q2, once the sales team was engaged and VolparaEnterprise™ was launched, TCV grew strongly in Q3 and Q4. With the addition of VolparaEnterprise™, much bigger contract values are being signed compared to when we were selling only VolparaDensity™.



The changing product mix has resulted in serious exponential growth in our Annual Recurring Revenue (ARR), from less than NZ\$200k at the end of FY16 to over NZ\$1.1M by the end of FY17, an increase of almost 600 percent. For FY18, we anticipate growth of ARR, a key indicator of future revenues, to exceed 200 percent.



We started FY17 with ~NZ\$640k in contracted revenue and now start FY18 with ~NZ\$2.9M in contracted revenue to be recognised between now and FY22, representing a year-over-year increase of over 350 percent.

Directors' Report

Directors

The following persons held office as directors of Volpara Health Technologies Ltd for the financial year:

Roger Allen AM
Dr Ralph Highnam
Professor Sir John Michael (Mike) Brady
Lyn Swinburne AM
John Diddams
John Pavlidis



Roger Allen AM

CHAIRMAN
BA (Hons), FACS

Roger joined the Board in June 2010 and was appointed Chairman in October 2015. Roger is a highly experienced entrepreneur and investor in early-stage growth companies in Australia and internationally. He built 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 ASX in 1987. In 1996 he cofounded Allen & Buckeridge. an early-stage venture capital fund with offices in Silicon Valley and Australia. He is dedicated to social entrepreneurship, especially to enterprises focused on indigenous economic development and digital health.

Roger has served on two Prime Ministers' Science and Technology Councils and Advisory Boards, and was Deputy Chairman of Austrade from 1990 to 1997, Currently 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 philanthropic interests and support of the indigenous community. He is based in Sydney, Australia.

Roger is a member of the Audit and Risk Committee.



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 25 years. Initially a research scientist at the University of Oxford, Ralph's innovative work in quantitative breast imaging technology led him to form first OXIVA Limited and then Mirada Solutions with Professor Sir 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 Professor Sir Mike 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, New Zealand, in 2015 he was named a Wellingtonian of the Year finalist.



Professor Sir Mike Brady

NON-EXECUTIVE DIRECTOR FREng, FMedSci, HonFIE

Mike, a founding director of VHT, is currently Professor of Oncological Imaging at the University of Oxford, having recently retired after 25 years as Professor of Information Engineering. He served for 20 years as a non-executive director and deputy chairman of the FTSE 250 company Oxford Instruments plc and for 10 years as a non-executive Director of AEA Technology plc.

Mike is founding director of Perspectum Diagnostics, which performs liver image analysis by MRI; Mirada Medical Limited, which develops medical image analysis software and is installed in almost 2000 hospitals worldwide; ScreenPoint, which develops machine learning methods for computer-aided diagnosis in mammography; Optellum, which develops software to classify lung nodules in CT; and Guidance Navigation Holdings, which develops systems to aid navigation of vessels near large structures.

Mike is the author of over 750 articles and 35 patents in computer vision, robotics, medical image analysis and artificial intelligence, and the author or editor of 10 reference books. He is based in Oxford, UK.



John Diddams

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 25 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 and the New Zealand developer of the Martin Jetpack.

John is currently a non-executive director of ASX-listed Skydive the Beach Group Limited, an adventure tourism business operating in Australia and New Zealand, and a non-executive director of Oliver's Real Food Limited, a healthy and organic fast food chain operating in Australia.

John is also a non-executive director and deputy chair of House with No Steps, a not-for-profit organisation that supports 3,000 people to make the most of their abilities.

John is chair of the Audit and Risk Committee and is based in Sydney, Australia.



Lyn Swinburne AM

NON-EXECUTIVE DIRECTOR Hon Doc (Social Sciences)

Lyn joined the Board in December 2015. Lyn is a prominent women's advocate, inspirational speaker and long-standing spokesperson on behalf of Australians personally affected by cancer. Following her own diagnosis and treatment for breast cancer in 1998, Lyn founded Breast Cancer Network Australia (BCNA), the peak national breast cancer consumer organisation with more than 130.000 members.

The creator of the Field of Women concept, Lyn led the development of BCNA's Seat at the Table program, which provides trained and supported consumer representatives at advisory and decision-making forums nationally. She has been an invited public speaker at medical conferences globally and across Australia.

Lvn has received numerous awards for her work: in 2006 she was named an Australian of the Year finalist and appointed a Member of the Order of Australia, and in 2007 she was named Melburnian of the Year. More recently she was awarded an Honorary Doctorate from Swinburne University for advancing the cause of women affected by breast cancer. She has been appointed to a number of boards, including the National Breast and Ovarian Cancer Centre and Cancer Australia, by various national Health Ministers

Lyn retired from her role as CEO of BCNA at the end of 2011 and is currently Chair of the Board of the Royal Women's Hospital in Melbourne. She is based in Melbourne, Australia.

Lyn is a member of the Audit and Risk Committee.



John Pavlidis

NON-EXECUTIVE DIRECTOR BS, MS

John joined the VHT board in early 2015 with more than 25 years of medical device experience as an executive and company director. John currently serves 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 startup 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-aided detection of breast cancer. until Hologic, Inc. acquired the company in 2006. Before joining R2 Technology, John was president of the Ultrasound group 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.

Chief Financial Officer and Company Secretary

Craig Hadfield CA(SA), came on board as a full-time chief financial officer, replacing Brian Leighs, who was part-time. John Diddams and Brian both resigned as joint company secretaries, with Craig taking over this responsibility.

Principal activities

The Group's principal activity during the year was the sale of VolparaEnterprise™ software, a comprehensive cloud-based breast imaging analytics platform that delivers real-time quality assurance and performance monitoring. With dynamic, interactive dashboards that update over 100 key indicators and quality metrics with every mammography or tomosynthesis exam, VolparaEnterprise™ software is supported by the company's suite of market-leading products: VolparaDensity™, VolparaDose™, VolparaServer and VolparaAnalytics™. These continue to be sold in markets where VolparaEnterprise™ software has not yet been marketed.

Operating results for the year

As a result of the switch from a capital-only sales model to a Software as a Service (SaaS) model, Volpara's revenue decreased by 27 percent compared to the prior year. This is despite an increase in total contract value during the year of over 45 percent. In line with the goals set out in the prospectus for FY17, Volpara increased the US sales team from two to eight, hired a VP of sales for EMEA and APAC, and delivered VolparaEnterprise™ 1.0 and beta 2.0 software to the market. This has resulted in a loss of NZ\$9.6M for the year versus a loss of NZ\$30.4M in the prior year (NZ\$4.4M when excluding one-time non-cash charges for convertible preferences shares).

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 March 2017 that has significantly affected, or may significantly affect, the Group's operations, results of those operations or state of affairs in future years.

Likely developments and expected results of operations

Over the course of the 2017 financial year, Volpara underwent a large transformation, from using a predominantly capital sales model, involving a one-off fee, to implementing a SaaS model that provides annual recurring revenue as long as the customer remains with Volpara. This saw the Company revenues decrease this year compared to last year; but it also saw an increase in recurring revenue from NZ\$160k per annum to NZ\$1.1M per annum (586 percent growth) as well as an increase in the total value of contracts signed from NZ\$2.8M in FY16 to NZ\$4.1M in FY17 (45-percent growth year on year). In the 2018 financial year, Volpara expects to be able to continue to grow annual recurring revenue and total contract value, albeit at the cost of short-term revenue, as the Company gains more and more traction in the market.

Volpara will also continue to invest in VolparaEnterprise™ software and its suite of other products to ensure that the Company remains at the forefront of the market.

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.

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:

- (i) 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;
- (ii) any liability to any third party for any act or omission by the director as an officer of the Company; and
- (iii) 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 (i) and (ii).

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 2017, there were 14.084M unissued ordinary shares under employee share options. Refer to the remuneration report and note 11 of the financial statements 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 2017 on the exercise of options granted under the Legacy Employee Share Option Plan (ESOP). A further 2.548M shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options exercised	Average Issue Price of Shares	Number of Shares Issued
	NZ\$	
21/6/2016	0.0003	720,000
28/7/2016	0.0277	1,091,738
28/2/2017	0.0006	551,502
		2,363,240

Meetings of Directors

During the financial year, the Company's Board of Directors and each Board committee held meetings. Attendance by each director during the year was as follows:

Director	Board of	Directors	Audit and Ri	sk Committee
	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Roger Allen AM	12	11	3	3
Dr Ralph Highnam	12	12		7///////
Professor Sir Mike Brady	12	11		[]//////.
Lyn Swinburne AM	12	9	3	2
John Diddams	12	10	3	3
John Pavlidis	12	11		



Non-audit services

The Board of Directors, after receiving advice from the Audit and Risk Committee, is satisfied that the provision of the non-audit services by Deloitte does not compromise their objectivity and independence in relation to the external audit.

Auditor's independence declaration

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

Deloitte.

AUDITOR INDEPENDENCE DECLARATION TO THE DIRECTORS OF VOLPARA HEALTH TECHNOLOGIES LIMITED

In relation to the independent audit report for the year ended 31 March 2017, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001;and
- (ii) No contraventions of any applicable code of professional conduct.

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

Trevor Deed Partner

26 May 2017

Remuneration Report (unaudited)

The directors are pleased to present the 2017 remuneration report, which sets out remuneration information for Volpara Health Technologies Ltd's non-executive directors, executive directors and other key management personnel.

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined 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 Group.

For the purposes of this report, the term "executive" encompasses the chief executive, and other senior executives of the Parent and the Group.

Directors and KMP disclosed in this re	eport
Name	Position
Roger Allen AM	Chairman, Non-Executive Director
Dr Ralph Highnam	Chief Executive Officer, Executive Director
Lyn Swinburne AM	Non-Executive Director
Professor Sir Mike Brady	Non-Executive Director
John Pavlidis	Non-Executive Director
John Diddams	Non-Executive Director
Other KMP	
Mark Koeniguer	Chief Commercial Officer
Julian Marshall	Chief Marketing Officer
Dave Murray	Chief Technology Officer
Craig Hadfield	Chief Financial Officer & Company Secretary (1 month)
Brian Leighs	Chief Financial Officer & Joint Company Secretary (11 months)

Remuneration philosophy

The performance of Volpara is dependent upon the quality of its directors and senior executives. Given the changing nature of Volpara, the remuneration policy must reflect the need to attract, motivate and retain highly skilled directors and executives.

To this end, key objectives of the Group's remuneration framework are to:

- Align remuneration with the Group's overall business strategy;
- Provide competitive rewards to attract high-quality executives;
- · Provide an equity incentive for senior executives that will highly motivate them and align their motivation with creation of shareholder value; and
- Ensure that rewards are in line with current employment market conditions.



Remuneration structure

The Board of Directors (the "Board") has resolved that for the time being the whole Board will discharge the responsibility of the Nomination and Remuneration Committee functions as the Board considers that such a committee is not necessary and would be burdensome at this time, given the role such a committee would play and the Board's current size and composition. The Board considers that it collectively has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively in considering the matters that would otherwise be considered by that committee. The Board will keep this matter under review and, if deemed desirable or necessary, may constitute a Nomination and Remuneration Committee at an appropriate time in the future.

In accordance with best practice, the structure of non-executive director and senior executive remuneration is separate and distinct.

Non-executive director remuneration policy

Objective

The maximum aggregate remuneration for non-executive directors is approved by the shareholders. It has been set 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 utilise that full amount based on its current Board of Directors.

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

The remuneration of non-executive directors for the year ended 31 March 2017 is detailed later in this report.

Executive remuneration policy and framework

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The objective of the remuneration policy is to:

- Reward executives for company and individual performance;
- Align the interests of the executives with those of the shareholders; and
- Ensure that total remuneration is competitive by market standards.

Structure

The remuneration structure consists of fixed and variable elements, with the variable component broken down further into short- and long-term incentives.

Base salary and benefits

Objective

The level of fixed remuneration is set so as to provide a base salary which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually; 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.

Structure

Executives receive their fixed remuneration as a salary payment.

Short-term incentives (STI)

Objective

The objective of the STI is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets.

Structure

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as sales growth, process improvement, product and business development and overall contribution.

The aggregate pool of potential STI payments has been approved by the Board.

Long-term incentives (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. They are not, however, linked to performance of the individual when it comes to the non-executive directors.

Structure

LTI grants to executives are delivered in the form of options.

Employee share option plans (ESOP)

Volpara currently has two ESOPs; a Legacy ESOP and a New ESOP.

Holders of ESOPs					
Legacy	New				
Dr Ralph Highnam	Dr Ralph Highnam				
John Pavlidis	Brian Leighs				
John Diddams	Julian Marshall				
Mark Koeniguer	Craig Hadfield				
Lyn Swinburne AM	David Murray				
	Roger Allen AM				
	Professor Sir Mike Brady				

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



Should a director (executive or non-executive) or senior executive cease to be employed by Volpara, then all options which have not yet vested will automatically lapse. Any options that have vested with that person must be exercised within 30 days of ceasing employment or those vested options will also lapse.

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. Usually options are issued using a 30-day VWAP (Volume weighted average price), with a floor of A\$0.60 (as at financial year end).

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.

Employment contracts

CEO

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 will 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 six 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 six months.
- Upon termination, any options that are vested may be exercised by Mr Highnam within a 30-day period. Any options
 that are unvested, or any vested options not exercised within 30 days of termination of the employment contract, will be
 forfeited.

KMP

All executives have rolling contracts, except for Brian Leighs, who was on a consulting contract. The Company may terminate the executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The notice period is determined by the employment agreement for each executive and can vary from 30 to 90 days. On termination or notice by the Company, any LTI options that have vested or that will vest during the notice period must be exercised within 60 days of the leaving date. 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 only entitled 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.

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	2017	2016
Total revenue (NZ\$'000)	2,047	2,614
Operating expenses (NZ\$'000)	(10,862)	(6,489)
Net loss after tax for the year (NZ\$'000)	(9,571)	(30,359)
Basic and diluted (loss) per share (NZ\$)	(0.07)	(1.08)
Share price at financial year end (A\$)	0.47	

Details of remuneration

2017	Short-t	erm employe	ee benefits	Post-employment benefits	Share-based payments#	
Name	Cash salary and fees NZ\$	Cash bonus NZ\$	Non-monetary benefits NZ\$	Superannuation NZ\$	Options NZ\$	Total NZ\$
Non-executive directors						
Roger Allen AM	82,500	-	-	-	30,716	113,216
Lyn Swinburne AM	60,000	-	-	-	51,854	111,854
Professor Sir Mike Brady	45,833	-	-	-	30,716	76,549
John Pavlidis	53,460	-	-	-	18,314	71,774
John Diddams	101,594	-	-	-	214,886	316,480
Sub total	343,387	-	-	-	346,486	689,873
Executive director						
Dr Ralph Highnam	265,154	-	15,881	-	61,592	342,627
Other KMP						
David Murray	200,000	10,000	-	6,000	43,002	259,002
Mark Koeniguer	324,642	35,287	-	75,427	155,562	590,918
Julian Marshall	282,299	53,637	-	72,187	102,386	510,509
Craig Hadfield	10,833	-	-	325	615	11,773
Brian Leighs*	167,300	-	-	-	39,350	206,650
Total KMP	1,593,615	98,924	15,881	153,939	748,993	2,611,352

2016	Short-term employee benefits		Post-employment benefits	Share-based payments#		
Name	Cash salary and fees NZ\$	Cash bonus NZ\$	Non-monetary benefits NZ\$	Superannuation NZ\$	Options NZ\$	Total NZ\$
Non-executive directors						
Roger Allen AM	-	-	-	-	1,431	1,431
Lyn Swinburne AM	10,874	-	-	-	12,634	23,508
Professor Sir Mike Brady	26,732	-	-	-	1,431	28,163
John Pavlidis	80,095	-	-	-	21,164	101,259
John Diddams	32,533	-	-	-	356,143	388,676
Sub total	150,234	-	-	-	392,803	543,037
Executive director						
Dr Ralph Highnam	200,000	-	-	-	2,861	202,861
Other KMP						
David Murray	200,000	10,000	-	4,221	2,003	216,224
Mark Koeniguer	84,946	-	9,621	6,094	37,902	138,563
Julian Marshall	24,522	-	3,408	2,031	4,769	34,730
Craig Hadfield	-	-	-	-	-	-
Brian Leighs*	180,653	-	-	-	-	180,653
Total KMP	840,355	10,000	13,029	12,346	440,338	1,316,068

^{*} Consultant position, not a full-time employee.

[#] 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.



Details of remunerations (continued)

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

	S	STI		ті
Name	2017 %	2016 %	2017 %	2016 %
Non-executive directors				
Roger Allen AM	-	-	-	-
Lyn Swinburne AM	-	-	-	-
Professor Sir Mike Brady	-	-	-	-
John Pavlidis	-	-	-	-
John Diddams	-	-	-	-
Executive director				
Dr Ralph Highnam	-	-	18	1
Other KMP				
David Murray	4	5	17	1
Mark Koeniguer	6	-	26	27
Julian Marshall	11	-	20	14
Craig Hadfield	-	-	5	-
Brian Leighs	-	-	19	-

Remuneration options: granted and vested during the year

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. Forty percent of the options may be exercised after two years. The remaining 60 percent may be exercised in three equal tranches over the following three years.

Historically options expire after five to 10 years; however, since March 2016 options issued expire after seven years.

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 11 in the financial statements.

Share-based compensation

Options granted to non-executive directors, executive directors and key management personnel during the year are detailed in the below table:

Name	Granted number	Fair value per option grant date	Exercise price per share	Final vesting date	First exercise date	Last exercise date	Value of options granted during the year
		NZ\$	A\$				NZ\$
Non-executive directors							
Roger Allen AM	-	-	-	-	-	-	-
Lyn Swinburne AM	-	-	-	-	-	-	-
Professor Sir Mike Brady	-	-	-	-	-	-	-
John Pavlidis	-	-	-	-	-	-	-
John Diddams	-	-	-	-	-	-	-
Sub total							
Executive director							
Dr Ralph Highnam	-	-	-	-	-	-	-
Other KMP							
Mark Koeniguer	-	-	-	-	-	-	-
Julian Marshall	-	-	-	-	-	-	-
David Murray	-	-	-	-	-	-	-
Craig Hadfield	100,000	0.20	0.50	7/25/2021	7/25/2018	7/25/2023	20,314
Brian Leighs	-	-	-	-	-	-	-

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 key management personnel of the Group, including their personally related parties, are set out below.

2017 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							
Roger Allen AM	300,000	-	-	-	300,000	-	300,000
Lyn Swinburne AM	450,000	-	-	-	450,000	150,000	300,000
Professor Sir Mike Brady	300,000	-	-	-	300,000	-	300,000
John Pavlidis	451,872	-	-	-	451,872	326,352	125,520
John Diddams	1,320,000	-	1,020,000	-	300,000	-	300,000
Dr Ralph Highnam	3,148,336	-	-	-	3,148,336	2,548,336	600,000
Total	5,970,208	-	1,020,000	-	4,950,208	3,024,688	1,925,520
Other KMP							
David Murray	1,070,650	-	650,650	-	420,000	-	420,000
Mark Koeniguer	1,350,000	-	-	-	1,350,000	450,000	900,000
Julian Marshall	1,000,000	-	-	-	1,000,000	-	1,000,000
Craig Hadfield		100,000		-	100,000	-	100,000
Brian Leighs	420,000	-	-	-	420,000	-	420,000
Total	3,840,650	100,000	650,650	-	3,290,000	450,000	2,840,000

2016 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							
Roger Allen AM	-	300,000	-	-	300,000	-	300,000
Lyn Swinburne AM	-	450,000	-	-	450,000	-	450,000
Professor Sir Mike Brady	-	300,000	-	-	300,000	-	300,000
John Pavlidis	451,872	-	-	-	451,872	175,728	276,144
John Diddams	-	1,320,000	-	-	1,320,000	-	1,320,000
Dr Ralph Highnam	4,332,976	600,000	1,784,640	-	3,148,336	2,548,336	600,000
Total	4,784,848	2,970,000	1,784,640	_	5,970,208	2,724,064	3,246,144
Other KMP				-			
David Murray	650,650	420,000	-	-	1,070,650	650,650	420,000
Mark Koeniguer	-	1,350,000	-	-	1,350,000	-	1,350,000
Julian Marshall	-	1,000,000	-	-	1,000,000	-	1,000,000
Craig Hadfield	-	-	-	-	-	-	-
Brian Leighs	515,746	420,000	515,746	-	420,000	-	420,000
Total	1,166,396	3,190,000	515,746	-	3,840,650	650,650	3,190,000

Shareholdings

The numbers of shares in the company held during the financial year by each director of Volpara Health Technologies Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2017 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
Roger Allen AM	20,467,848	-	-	20,467,848
Lyn Swinburne AM	-	-	42,000	42,000
Professor Sir Mike Brady	7,919,211	-	-	7,919,211
John Pavlidis	-	-	-	-
John Diddams	253,014	1,020,000	190,402	1,463,416
Dr Ralph Highnam	15,632,298	-	-	15,632,298

2016 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
Roger Allen AM	20,467,848	-	-	20,467,848
Lyn Swinburne AM	-	-	-	-
Professor Sir Mike Brady	7,919,211	-	-	7,919,211
John Pavlidis	-	-	-	-
John Diddams	-	-	253,014	253,014
Dr Ralph Highnam	13,847,658	1,784,640	-	15,632,298

End of Remuneration Report

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

Ralph Highnam, Executive Director

Independent Auditor's Report

Deloitte.

Independent Auditor's Report

To the Shareholders of Volpara Health Technologies Limited

Opinion

We have audited the consolidated financial statements of Volpara Health Technologies Limited (the 'Company') and its subsidiaries (the 'Group' or 'Volpara') on pages 34 to 70 which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Volpara as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ')'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

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

Other than in our capacity as auditor and the provision of review services for a Callaghan Innovation (R&D Growth Grant), we have no relationship with or interests in the Company or any of its subsidiaries.

Material uncertainty related to going concern

We draw attention to page 39 in the consolidated financial statements, which notes that the Group is an early stage business which has not yet achieved the commercial sales levels required to achieve sustained profitability. In the current year the Group incurred a net loss of \$9.571m. The financial statements have been prepared on a going concern basis which is dependent on existing cash resources, cash flows from operations and the potential for additional capital (share capital or debt funding) to be raised. These events or conditions, along with other matters as set forth on page 39 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined the quantitative materiality for our audit of the Group financial statements as a whole to be \$65,500.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Key audit matter

How our audit addressed the key audit matter and results

Revenue Recognition

The Group has elected to early adopt NZ IFRS 15 Revenue from Contracts with Customers ('NZ IFRS 15') in the current year as discussed on page 40. The standard was applied on a full retrospective basis, with several practical expedients implemented as allowed on transition. The Group has noted that there were no material changes arising for the comparative period.

Note 2 provides information on the accounting policies applied to revenue under NZ IFRS 15. As contracts with customers generally comprise a number of distinct performance obligations, the Group has exercised judgement in order to:

- · identify the performance obligations in each contract,
- allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of the goods and services, and
- determine the appropriate timing for revenue to be recognised.

Therefore we considered this to be a key audit matter.

We assessed the Group's revenue recognition policy for compliance with the new standard and its impact on Volpara's business. In doing so we have read material contracts in order to ascertain the key terms and assumptions applied by management and the appropriate application of NZ IFRS 15 to these contracts for both the current and prior year.

For a sample of revenue contracts:

- We agreed the performance obligations identified to the key terms and conditions of the customer agreements or other supporting documentation.
- We agreed the transaction price to the contract, or sales invoice where appropriate.
- We agreed the stand-alone selling prices used by the Group to allocate the transaction price to each performance obligation to market rates
- We assessed the criteria for revenue to be recognised at a point in time or over time and for each performance obligation we recalculated the revenue recorded for the services provided during the period.

Share Options

The Group has in place a number of different share incentive arrangements which are accounted for in accordance with NZ IFRS 2: Share-based Payment as set out in note 11. These include a legacy employee share option plan ('ESOP') and a new employee share option plan ('new ESOP') which has taken effect since the initial pubic offering to various directors, management and senior employees. A share based payment compensation charge of \$1.006M was recorded as an expense in the current year.

The accounting treatment for share transactions of this nature and the valuation of the related share-based compensation expenses is complex and involves significant judgment as the assumptions used when determining the grant date valuations are inherently subjective.

For new options issued during the year:

- We evaluated the terms of each issue by reference to the ESOP agreements in order to challenge the Group's application of NZ IFRS 2, including the vesting period applied.
- We obtained the Group's valuation model and in conjunction with our internal valuation specialist:
 - We compared the assumed volatility to the historical share price volatility of the group since listing and benchmarked this against other companies in similar industries and if appropriate stage in life cycle.
 - We considered the judgement made by the Group in determining the period over which the share based compensation expense should be recognised by reference to the terms set out in the share agreements.
 - The exercise price was agreed to the share option agreements and the board meeting minutes approving the individual transactions.
 - The share price at grant date was compared to the market share price for the Group.

For previously issued arrangements:

- We considered whether the assumptions applied in the prior period, particularly in relation to the vesting period, remained appropriate at year end.
- Where options were exercised (or lapsed), we tested a sample of transactions recorded in share capital, or transferred from the share option reserve. Where applicable, we also agreed the exercise price received to the share agreement.





Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

Our responsibility is to read the other information identified above when it becomes available and 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.

When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.

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

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

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

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

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

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholder. Our audit has been undertaken so that we might state to the Company's shareholder those matters 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's shareholder, for our audit work, for this report, or for the opinions we have formed.

Trevor Deed, Partner for Deloitte Limited Wellington, New Zealand

Deloitte Limited

26 May 2017

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		2017	2016
	Notes	NZ\$'000	NZ\$'000
Revenue			
Sales	2	1,839	2,518
Grants	3	208	96
Total revenue		2,047	2,614
Cost of sales	4	(680)	(620)
Gross profit		1,367	1,994
Operating expenses			
Sales and marketing	4	(5,223)	(2,534)
Product research and development	4	(2,302)	(1,941)
General and administration	4	(3,337)	(2,014)
Total operating expenses		(10,862)	(6,489)
Foreign exchange gains/(losses)		(344)	80
Operating deficit		(9,839)	(4,415)
Finance income		271	65
Finance expense	12	(3)	(1,392)
Loss on fair value revaluation of convertible preference shares	13	-	(24,617)
Net loss before tax		(9,571)	(30,359)
Income tax expense	5	-	-
Net loss after tax for the year		(9,571)	(30,359)
Statement of comprehensive income			
Net loss after tax for the year		(9,571)	(30,359)
Other comprehensive income/(expense)			
Translation of international subsidiaries		(48)	(35)
Total items that may be reclassified to profit and loss		(48)	(35)
Other comprehensive (loss) for the period		(48)	(35)
Total comprehensive (loss) for the period		(9,619)	(30,394)
Pagis and diluted (local pay share (N74)	10	(0.07)	(1.00)
Basic and diluted (loss) per share (NZ\$)	10	(0.07)	(1.08)

 $The \ notes \ on \ pages \ 38 \ to \ 70 \ form \ part \ of \ and \ should \ be \ read \ in \ conjunction \ with \ these \ financial \ statements.$

Consolidated Statement of Financial Position

As at 31 March 2017

		2017	2016
	Notes	NZ\$'000	NZ\$'000
Non-current assets			
Fixtures and equipment		50	49
Patents and trademarks	19	28	2
Trade receivables	8	76	-
Total non-current assets		154	51
Current assets			
Cash and cash equivalents	7	1,276	277
Cash on deposit	7	11,600	-
Trade and other receivables	8	1,192	1,170
Inventory		14	-
Total current assets		14,082	1,447
Total assets		14,236	1,498
Equity			
Share capital	10	62,644	744
Share option reserve	11	1,858	1,534
Accumulated losses		(51,774)	(42,203)
Foreign currency translation reserve		(154)	(106)
Total equity		12,574	(40,031)
Non-current liabilities			
Deferred revenue		19	36
Total non-current liabilities		19	36
Current liabilities			
Convertible preference shares	13	-	40,111
Trade and other payables	9	1,107	1,274
Deferred revenue	2	536	108
Total current liabilities		1,643	41,493
Total liabilities		1,662	41,529

The notes on pages 38 to 70 form part of and should be read in conjunction with these financial statements.

Approved by Directors:

Ralph Highnam

John Diddams



		Share capital	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	Notes	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Balance at 1 April 2016		744	1,534	(106)	(42,203)	(40,031)
Net loss after tax for the year		-	-	-	(9,571)	(9,571)
Other comprehensive loss		-	-	(48)	-	(48)
Total comprehensive loss for the year, net of tax		-	-	(48)	(9,571)	(9,619)
Transactions with owners:						
Conversion of convertible preference shares to ordinary shares	10, 13	40,111	-	-	-	40,111
Issue of share capital at initial public offering (IPO)	10	11,198	-	-	-	11,198
Costs of IPO capital raising	10	(774)	-	-	-	(774
Issue of share capital from exercise of share options	10, 11	716	(682)	-	-	34
Recognition of share based payments	11	-	1,006	-	-	1,006
Issue of share capital from placement and entitlement offer	10	11,232	-	-	-	11,232
Costs of placement and entitlement offer capital raising	10	(583)	-	-	-	(583)
Balance at 31 March 2017		62,644	1,858	(154)	(51,774)	12,574
Balance at 1 April 2015		504	1,281	(71)	(11,844)	(10,130)
Net loss after tax for the year		-	-	-	(30,359)	(30,359)
Other comprehensive loss		-	-	(35)	-	(35)
Total comprehensive loss for the year, net of tax		-	-	(35)	(30,359)	(30,394)
Transactions with owners:						
Issue of share capital from exercise of share options	10, 11	240	(233)	-	-	7
Recognition of share based payments	11	-	486	-	-	486
Balance at 31 March 2016		744	1,534	(106)	(42,203)	(40,031)

The notes on pages 38 to 70 form part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

		2017	2016
	Notes	NZ\$'000	NZ\$'000
Cash flow from operating activities			
Receipts from customers		2,270	2,409
Payments to suppliers and employees		(10,837)	(5,880)
Other income received		177	-
Net interest received		135	62
Net taxes received/(paid)		5	(21)
Net cash used in operating activities	6	(8,250)	(3,430)
Cash flows from investing activities			
Purchases of fixtures and equipment		(30)	(24)
Payments for intangible assets		(28)	-
Payments into term deposits		(25,602)	-
Receipts from term deposits		14,002	-
Net cash used in investing activities		(11,658)	(24)
Cash flows from financing activities			
Issue of share capital at initial public offering (IPO)		11,198	-
Issue of share capital from placement and entitlement offer		11,232	-
Costs of capital raising		(1,155)	-
Exercising of share options		34	7
Short-term loan advances		81	5
Short-term loan repayments		(85)	-
Net cash provided from financing activities		21,305	12
Net increase/(decrease) in cash and cash equivalents		1,397	(3,442)
Effects of currency translation on cash and cash equivalents		(398)	-
Cash and cash equivalents as at 1 April		277	3,719
Cash and cash equivalents at the end of the year *	7	1,276	277

 $^{^{\}star}$ Cash and cash equivalents does not include cash on deposits totalling NZ\$11.6M. Refer to note 7 for further details.

The notes on pages 38 to 70 form part of and should be read in conjunction with these financial statements.



Reporting entity

Volpara Health Technologies Limited (the Company) is a limited liability company incorporated and domiciled in New Zealand. Its principal place of business and registered office is Level 12, 86 Victoria Street, Wellington 6011, New Zealand.

Volpara Health Technologies Limited is designated as a profit-oriented company incorporated under the Companies Act 1993 and is listed on the Australian Securities Exchange. The Company's principal sales and services are in the medical device software industry. These consolidated financial statements for the year ended 31 March 2017 comprise Volpara Health Technologies Limited and its subsidiaries (the Group); Volpara Solution Limited, Volpara Solutions Incorporated, Volpara Solutions Europe Limited, and Volpara Solutions Australia Pty Limited. Volpara Health Technologies Limited is a FMC reporting entity under the Financial Markets Conduct Act 2013 and these financial statements comply with that Act.

Basis of preparation

The consolidated financial statements 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 profit-oriented entities.

These consolidated financial statements have been authorised for issue by the directors on 25 May 2017.

Basis of measurement

These financial statements have been prepared on the historic cost basis, except for the following:

Financial assets and liabilities at fair value.

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Use of accounting estimates & judgements

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

The only new significant accounting judgments and key sources of estimation uncertainty applied in the current year relate to revenue recognition. Refer to "Adoption of new accounting standards" for more details.

Other key judgments relate to the valuing of share options using the Black-Scholes pricing model.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

Going concern

The Group recorded a net loss of \$9.571M for the year ended 31 March 2017 (2016: \$30.359M). At 31 March 2017 the Group had equity of \$12.574M (2106: -\$40.031M). The consolidated financial statements have been prepared using the going concern assumption.

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 are reasonably likely to affect the Group during the period of one year from the date these consolidated financial statements are approved.

The Group has prepared forecasts which indicate that cash on hand at the year end, combined with cash flow as a result of operations and the potential for additional capital to be raised, will enable the Group to continue operating and satisfy its going concern requirements.

While the directors believe in the Group's ability to continue as a going concern, as is common with early stage businesses there is material uncertainty as to the extent of future profits, if any, and the time required to achieve a sustained profitability. If the Group fails to penetrate, or further penetrate, the international markets for its products, the Group may take longer than anticipated to, or may never, become profitable. This would also affect the Group's ability to achieve commercial sales levels within the timeframe set out in the Group's forecasts and therefore the cash flow required to operate as a going concern, prior to utilisation of current and any future available cash resources.

Notwithstanding the above, the directors are confident that the Group remains a going concern and are confident of being able to raise further share capital, or raise further debt funding which would enable the Group to continue operating and satisfy its going concern requirements.

If the Group was unable to continue as a going concern, and pay debts as and when they become due, adjustments would have to be made to reflect the situation. In such circumstances, assets may need to be realised, and liabilities extinguished, other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the Consolidated Statement of Financial Position.

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

Significant accounting policies

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.

Basis of consolidation

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

Standards, amendments and interpretations to existing standards that are not yet effective.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2018, or later periods but which the Group has not early adopted:

NZ IFRS 9 (2014) Financial Instruments (effective 1 January 2018) consolidates previous issuances of NZ IFRS 9 and will be effective from the Group's 2019 financial year. The initial assessment of the impact of this standard has determined that the standard will not have a material impact on the financial reporting.

NZ IFRS 16 Leases (effective 1 January 2019) will be effective from the Group's 2020 financial year. The impact of this standard has not yet been determined.



Adoption of new accounting standards

The Group has elected to early adopt NZ IFRS 15 Revenue from Contracts with Customers as issued in December 2014, which would otherwise be mandatorily effective for annual reporting periods beginning on or after 1 January 2018. The initial application date for the Group is 1 April 2016.

The Group elected to apply the standard on a full retrospective basis as permitted by NZ IFRS 15 whereby the cumulative effect of retrospective application is recognised by adjusting opening accumulated losses or other relevant components of equity for the earliest comparative period presented (which for the Group is the comparative period beginning on 1 April 2015).

See below for further details on the key impacts arising from the adoption of the new standard. In addition, refer to the note 2 for details, including key judgements made as part of the adoption of the new standard.

The following practical expedients allowed under first time adoption of NZ IFRS 15 have been selected and applied accordingly:

Completed contracts need not be restated if they begin and end in the same reporting period. In the Group's case, all Capital sales which result in a one-off fee for the indefinite right to use the Group's software meet this criteria and have therefore not been restated. Software Maintenance Agreements (SMAs) have been reviewed on a contract by contract basis and have not been restated based on materiality. Software as a Service (SaaS) contracts have only been entered into in the current financial year, therefore no restatement is required.

Contracts that are completed at the beginning of the earliest period presented (1 April 2015) need not be restated. In the Group's case all Capital sales completed pre –1 April 2016 have not been restated for the same reason as mentioned above. The Group's SMAs, which typically span one to three years, that were not completed by 31 March 2015 have not been restated based on materiality. SaaS contracts have only been entered into in the current financial year, therefore no restatement is required.

There have been no contract modifications pre 1 April 2015 that require restating, nor were there contracts with variable consideration requiring restating.

In summary, as a result of early adopting NZ IFRS 15 on a full retrospective basis, no material changes were noted.

Notes to the Consolidated Financial Statements For the year ended 31 March 2017

The structure of the financial statements for the Group has been amended to give readers an enhanced understanding of the performance of the Group. The notes to the financial statements have been restructured into the following categories:

Performance

- 1. Segment information
- 2. Revenue from contracts with customers
- 3. Grants
- 4. Expenses
- 5. Income and deferred taxes
- 6. Cash flow reconciliation

Working Capital

- 7. Cash and cash equivalents, and cash on deposit
- 8. Trade and other receivables
- 9. Trade and other payables

Debt and Equity

- 10. Share capital and earnings per share (EPS)
- 11. Share-based payments
- 12. Finance expenses
- 13. Convertible preference shares (CPSs)

Financial Risk Management

- 14. Interest rate risk
- 15. Foreign exchange risk
- 16. Credit risk
- 17. Liquidity risk
- 18. Financial instruments

Other

- 19. Intangible assets
- 20. Related parties
- 21. Contingencies and commitments
- 22. Events occurring after balance sheet date

Notes to the Consolidated Financial Statements For the year ended 31 March 2017 Performance 1. Segment information 2. Revenue from contracts with customers 3. Grants 4. Expenses 5. Income and deferred taxes 6. Cash flow reconciliation

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

1. Segment information

The Chief Operating Decision Maker ("CODM") is the Board of Directors, who reviews information for the Group as a whole. The Group operates in one industry, being medical device software. The Group operates across three geographical locations (APAC - Asia Pacific; EMEA - Europe, Middle East & Africa; North America - US & Canada) and three revenue streams. Namely Capital (one-off) sales, Software Maintenance Agreement (SMA) contracts, and the newly entered space of Software as a Service (SaaS) contracts. Currently, the information reviewed by the CODM is prepared in the same format as included in the consolidated financial statements. The Group has therefore determined that three reportable segments exist for the medical device software products and this has been broken down further by region below. Refer to the table in revenue from contracts with customers.

At 31 March 2017 one customer accounted for more than 10 percent of revenue, totalling \$287,000 (2016, one customer accounted for more than 10 percent of revenue, totalling \$542,000). All material non-current assets are based in New Zealand.

2. Revenue from contracts with customers

All contract revenue streams

Revenue is recognised when control of a service is transferred to the customer. The Group recognises revenue in respect of Capital, SMA and SaaS contracts at a point in time and over time, depending on the deliverable. Due to the nature of the services provided in each contract the timing of various point in time and over time deliverables may vary; these are monitored on a deliverable by deliverable basis. Refer below for more detail.

The Group has determined that no significant financing component exists in respect of the various revenue streams. This is because for all contracts with customers, the customer is invoiced for the services as they are provided, or in advance and payment is expected within 30 to 90 days. Where invoicing occurs in advance of the performance of the various performance obligations a corresponding deferred revenue obligation is recognised. This is then subsequently unwound as the obligations are met.

Trade receivables at note 8 consists solely of unconditional rights to consideration with no contract assets having been recognised as defined by NZ IFRS 15. Contract liabilities are reflected at the end of this note in the form of deferred revenue from contracts with customers.

Capital sales

Capital sales contracts involve the provision of base software, and in some cases the server hardware, density software and other add-on software (e.g., DoseRT, DoseSR, etc.), installation services and training. Where these contracts involve several performance obligations, they all occur at or around the same time and as such the Group recognises revenue at a single point in time. This is usually the date the customer has been provided with the server (where applicable), the licence key(s) and training (where applicable) has been completed.

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



2. Revenue from contracts with customers (continued)

Software as a Service

The Group's Software as a Service (SaaS) contracts with customers, as with Capital and SMA contracts, generally comprise of a number of distinct performance obligations. These could include onboarding costs, base software (and hardware in some instances) and feature licences, role licences, training, software updates and upgrades, ongoing technical support, etc. As a result, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis. In most cases, each separate performance obligation is identified in the contract, but the contract price is set for the agreement as a whole. Therefore, management has determined the stand-alone selling price based on price lists used to generate quotes for contracts, and other information. Where there is no price list, management uses market adjusted information. Where the sum of the stand-alone selling prices exceeds the transaction price, the discount is allocated to each performance obligation on a proportionate basis.

Part of the transaction price is variable in the form of a usage based royalty.

SaaS contracts are for one year terms, with a right to renew. Some revenue has been allocated to this renewal right.

Base software revenue is typically recognised at a point in time when the customer is provided with the server (where applicable), the licence keys and training (if applicable). Other licences (which include their login credentials) and services are recognised as the service is provided. In some cases these are "stand-ready" services which are recognised on a straight-line basis over the period of service.

Contract modifications

There have been no significant modifications to contracts over the period.

Contract costs

Costs incurred to fulfil a contract are incurred in line with the deliverables within the contract and as such are expensed as incurred with no asset recognised as at balance date.

Applying the practical expedient in paragraph 94 of NZ IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred.

2. Revenue from contracts with customers (continued)

Revenue from contracts with customers

For the year ended 31 March 2017

For the year ended 31 March	2017	2016
	NZ\$'000	NZ\$'000
Capital sales		
North America	1,226	2,224
EMEA	52	88
APAC	249	107
Capital sales total	1,527	2,419
Service maintenance agreements		
North America	210	87
EMEA	-	-
APAC	9	12
Service maintenance agreements total	219	99
Software as a Service		
North America	79	-
EMEA	4	-
APAC	10	-
Software as a Service total	93	-
Total revenue from contracts with customers	1,839	2,518

Remaining performance obligations relating to SMA and SaaS contracts

		2017			
	0 - 6 months NZ\$'000	6 - 12 months NZ\$'000	1-2 years NZ\$'000	2-5 years NZ\$'000	Total NZ\$'000
SMA contracts	125	64	13	6	208
SaaS contracts	208	139	-	-	347
Total	333	203	13	6	555

		2016			
	0 - 6 months NZ\$'000	6 - 12 months NZ\$'000	1-2 years NZ\$'000	2-5 years NZ\$'000	Total NZ\$'000
SMA contracts	70	38	36	-	144
SaaS contracts	-	-	-	-	-
Total	70	38	36	-	144

Deferred revenue from contracts with customers

	2017	2016
	NZ\$'000	NZ\$'000
Opening balance as at 1 April	144	-
Amount recognised in revenue	(312)	(99)
Contracts entered into in current year	723	243
Closing balance as at 31 March	555	144



3. Grants

Government grants are recognised as revenue when it becomes reasonably certain that the Group will comply with the conditions attached to them and that the grants will be received.

For the year ended 31 March	2017	2016
	NZ\$'000	NZ\$'000
Callaghan Innovation (R&D Careers Grant)	-	30
Callaghan Innovation (R&D Growth Grant)	208	-
European Commission (ASSURE Project)	-	66
Total Grants	208	96

For government grants received from Callaghan Innovation, there is a restriction that only research undertaken in New Zealand is reimbursed, which has been the case throughout the year and to date. The Callaghan Innovation R&D Growth Grant has 10 percent withheld until an independent audit report is received for each year of the grant. This has been accrued for as historically these have been paid out.

European Commission grants have no such restrictions.

4. Expenses

For the year ended 31 March		2017	2016
Cost of sales and operating expenses	Note	NZ\$'000	NZ\$'000
Salaries and benefits		4,183	2,973
Consulting and subcontracting		1,312	882
Other operating expenses		1,257	560
Advertising and marketing		1,068	431
Share based payments expense	11	1,006	486
Travel		891	461
Research and development		887	421
Superannuation contributions		279	141
Directors fees		343	150
Listing expenses		158	484
Operating lease expense	21	96	96
Bad debts		35	6
Depreciation and amortisation		27	18
Total cost of sales and operating expenses *		11,542	7,109

^{*} This total excludes foreign exchange gains/(losses).

The operating expenses have been reclassified in the Consolidated Income Statement and in this note to more appropriately reflect the function of the expenses.

4. Expenses (continued)

Auditor remuneration	2017	2016
Amounts received or due and receivable by Deloitte New Zealand for:	NZ\$'000	NZ\$'000
Audit of financial statements	50	76
Review of interim financial statements	20	-
Services in relation to initial public offering	-	28
Callaghan grant audit	4	4
Total fees paid/payable to auditor	74	108

5. Income and deferred taxes

The income tax expense for the period comprises current and deferred tax. Tax is recognised in the income tax component of the statement of comprehensive income, 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. No deferred tax asset has been recorded in the current year.

Income and deferred taxes	2017	2016
Current tax	NZ\$'000	NZ\$'000
Income tax payable/(refundable)	7	7
Reconciliation of effective tax rate		
Net loss before tax	(9,571)	(30,359)
Prima facie taxation at 28% (2016: 28%)	(2,680)	(8,501)
Less tax effect		
Permanent differences	389	7,282
	(2,291)	(1,219)
Deferred tax not recognised	2,291	1,219
Tax expense	-	-
Represented by		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-

The Group has unrecognised deferred tax assets of NZ\$5,341,000.



5. Income and deferred taxes (continued)

Income and deferred taxes	2017	2016
Accumulated tax losses	NZ\$'000	NZ\$'000
Balance at beginning of period	11,975	8,244
Tax loss for period	6,253	3,731
Balance at end of period	18,228	11,975

Accumulated tax losses

The Group has tax losses in New Zealand of NZ\$13,151,437 (2016: NZ\$9,436,512); tax losses in the US of US\$3,044,393 (2016: US\$1,196,131); tax losses in Australia of A\$10,704 (2016: \$nil) and tax losses in Europe of GBP 372,209 (2016: GBP98,113) 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.

Imputation credits	NZ\$'000	NZ\$'000
Imputation credit account balances	7	7
Total imputation credits	7	7

6. Reconciliation of operating cash flows

For the year ended 31 March 2017	2017	2016
	NZ\$'000	NZ\$'000
Net loss after tax for the year	(9,571)	(30,359)
Non-cash and non-operating items:		
Depreciation and amortisation	27	18
(Gains)/losses on foreign exchange transactions	360	(40)
QDEs on convertible preference shares	-	1,389
Share-based payments	1,006	486
Capital-raising costs/listing expenses	(202)	-
Loss on fair-value revaluation of convertible preference shares	-	24,617
Changes in working capital:		
(Increase) in trade and other receivables	(82)	(573)
(Increase) in inventory	(14)	-
Increase/(decrease) in trade and other payables	(184)	888
Increase in deferred revenue	410	144
Net cash used in operating activities	(8,250)	(3,430)



7. Cash and cash equivalents, and cash on deposit

	2017	2016
	NZ\$'000	NZ\$'000
Cash at bank and on hand	526	273
Short term deposits	750	4
Cash on deposit *	11,600	-
Total cash and cash equivalents and cash on deposit	12,876	277

^{*} Cash on deposit is in the form of term deposits that require between 180 and 183 days notice period to access. Refer to note 14 for further details.

8. Trade and other receivables

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

The recoverable amount of the Group's receivables, which are carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on a customer by customer basis. Trade receivables are assessed on an individual basis based on the numbers of days the account is overdue, and taking into account the history with that specific customer.

	2017	2016
	NZ\$'000	NZ\$'000
Trade receivables	1,117	952
Provision for doubtful receivables	(8)	(6)
Net trade receivables	1,109	946
Prepaid expenses	112	224
Other	47	-
Total trade and other receivables	1,268	1,170

Movement in provision for doubtful receivables:

	2017	2016
	NZ\$'000	NZ\$'000
As at 1 April	(6)	-
Charge for the year	(8)	(6)
Amounts written off	6	-
Amounts reversed	-	-
As at 31 March	(8)	(6)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

8. Trade and other receivables (continued)

Impaired receivables

As at 31 March 2017 trade receivables of NZ\$236,000 were overdue but not impaired (2016: NZ\$195,000). These relate to a number of independent customers for whom there is no history of default.

The ageing analysis of these overdue trade receivables is as follows:

	2017	2016
	NZ\$'000	NZ\$'000
0 to 30 days overdue	142	-
30 to 60 days overdue	-	118
Over 60 days overdue	94	77
Total overdue trade receivables	236	195

9. 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. Accounts payable are classified as current liabilities if payment is due within one year or less otherwise they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. Payables that are settled within a short duration are not discounted.

	2017	2016
	NZ\$'000	NZ\$'000
Trade payables	381	856
Accrued expenses	70	166
Employee entitlements	656	252
Total trade and other payables	1,107	1,274

Payables denominated in other than the functional currency compose NZ\$565,000 (2016: NZ\$658,000) of AUD; USD; EUR; GBP; and INR; denominated trade payables, accruals and employee entitlements.





Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

10. Share capital and EPS

Ordinary shares are classified as equity.

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

(a) Ordinary Shares

All issued shares are fully paid and have no par value.

Ordinary shares are entitled to one vote per share at meetings of Volpara Health Technologies Limited. All ordinary shares rank equally with regard to Volpara Health Technologies Limited residual assets.

(b) Capital risk 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.

In order to maintain and adjust the capital structure on 27 April 2016 the Group listed on the Australian Securities Exchange following an Initial Public Offering ("IPO") of 20 million shares at A\$0.50 per share. Equity increased by NZ\$11.2M (before capital raising costs of NZ\$774,000). At the same time the convertible preference shares ("CPSs") converted from debt to ordinary shares at a ratio of 1:1 based on the number of convertible preferences shares recorded as at 31 March 2016. Refer to note 13 for further details.

	2017		2016	
	No. of Shares		No. of S	Shares
Fully Paid Ordinary Shares	NZ\$'000	000's	NZ\$'000	000's
In issue as at 1 April	744	30,057	504	9,252
Conversion of convertible preference shares ***	40,111	72,411	-	-
Issue of share capital at initial public offering (IPO)	10,424	20,000	-	-
Exercise of share options	716	2,363	240	767
Issue of share capital from placement	6,983	11,600	-	-
Issue of share capital from entitlement offer	3,666	6,214	-	-
Effect of 3:1 share split **	-	-	-	20,038
In issue at 31 March *#	62,644	142,645	744	30,057

^{*} There are 142.645M shares outstanding as at 31 March 2017, which includes 60.498M shares under ASX escrow and 33.691M under voluntary escrow. These shares are escrowed for between 12 and 24 months from the date of the IPO, therefore they cannot be traded or transferred during this time.

Earnings per share

Basic earnings per share is calculated by dividing net loss after tax attributable to shareholders of the Group 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.



^{**} On 25 February 2016, the Directors resolved to reconstruct the capital of the Group by way of a 3:1 share split with the effect that all ordinary and CPS holders held three times the number of shares they held previously at that date.

^{***} Refer to note 13 for further details.

^{# 11.865}M of the shares came out of ASX escrow on 12 April 2017, and 33.691M came out of voluntary escrow on 27 April 2017.

10. Share capital and EPS (continued)

Earnings per share (continued)

As at 31 March 2017	2017	2016
Net loss after tax attributable to the shareholders (NZ\$'000)	(9,571)	(30,359)
Ordinary number of shares	142,644,785	30,056,572
Weighted average number of shares on issue	128,016,483	28,170,931
Basic and diluted (loss) per share (NZ\$)	(0.07)	(1.08)

Dividends

No dividends have been declared or paid for the year ended 31 March 2017 (2016: Nil).

11. Share-based payments

The Group operates two equity settled share based incentive plans for directors, executives, senior management, employees and others of the company and its subsidiaries. The plans are designed to retain key personnel. There is a legacy share option plan (Legacy ESOP) that was in operation from 2009 until the Initial Public Offering (IPO). Since the IPO a new employee share option plan (New ESOP) has been in operation.

The value of the services rendered for the grant of the share options is recognised as an expense over the vesting period (which ranges from 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 share option reserve arises on recognition of the share based payment expense. Amounts are transferred out of the reserve and into issued capital when the options are exercised or into retained earnings when options lapse. No options, Legacy or New ESOP, lapsed during the year.

Legacy 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 ranging from \$0.0003 to \$0.4667 per ordinary share.

Each Legacy ESOP converts into one ordinary share of Volpara Health Technologies Limited 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 (range from zero to five years) or in some cases on the completion of a successful IPO (which has since occurred). Vested options can either be exercised 30 days prior to expiry, at the time of an exit event or after a listing of shares on a public stock exchange.

The options granted expire, or are forfeited within five to 10 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.

Grant date/ employees entitled	Number of share options outstanding '000's	Vesting conditions	Contractual life of options
Options granted to di	rectors		
2015	452	Monthly over a period of 36 months service from grant date	10 years
2016	300	Annually over a period of 2 years service from grant date	10 years
2016	450	Annually over a period of 3 years service from grant date	5 years
Options granted to ke	ey management personnel		
2010	749	No vesting conditions and quarterly over a period of 1 year from grant date	10 years
2011	1,483	Monthly over a period of 1 year service from grant date	10 years
2013	1,065	Monthly over a period of 1 year service from grant date	10 years
2015	390	1 years service from grant date	10 years
2016	1,350	Annually over a period of 3 years service from grant date	5 years
Options granted to se	enior employees		
2011	446	Annually over a period of 1–5 years service from grant date	10 years
2011	450	Monthly over a period of 2 years service 1 year from grant date	10 years
2013	711	Annually over a period of 2–3 years service from grant date & subject to performance criteria	10 years
2014	225	Annually over a period of 2 years service from grant date	10 years
2014	192	Quarterly over a period of 1 years service from grant date	10 years
Total share options	8,263		

The expense recognised for the year ended 31 March 2017 for the Legacy ESOP share options was \$437,000 (of the NZ\$1.006M per note 4) (2016: \$461,000).

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	Number of options	Weighted-average exercise price
	2017	2017	2016	2016
	000's	NZ\$	000's	NZ\$
Outstanding at 1 April	10,626	0.19	10,586	0.11
Granted during the period	-	-	3,120	0.29
Exercised during the period	(2,363)	0.01	(2,300)	-
Forfeited during the period	-	-	(780)	0.46
Outstanding as at 31 March	8,263	0.20	10,626	0.19
Vested as at 31 March	6,638		7,231	

The options outstanding as at 31 March 2017 had an exercise price in the range of \$0.0003 to \$0.4667 (2016: \$0.0003 to \$0.4667) and weighted-average contractual life of 7.0 years (2016: 6.3 years).



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

Grant year (financial year)	Number of share options granted '000's	NZ\$ exercise price	Expiry date (financial year)	NZ\$ fair value at grant date
2010	3,353	0.0003	2020	0.08
2010	998	0.0003	2020	0.12
2011	893	0.0800	2021	0.10
2011	370	0.0003	2021	0.12
2011	845	0.0030	2021	0.12
2011	239	0.0003	2021	0.12
2011	638	0.0030	2021	0.16
2012	546	0.1567	2022	0.12
2012	130	0.0003	2022	0.16
2013	360	0.3117	2023	0.15
2013	56	0.0033	2023	0.15
2013	638	0.0030	2023	0.16
2013	670	0.1567	2023	0.21
2013	244	0.0003	2023	0.31
2013	427	0.0033	2023	0.16
2014	45	0.3333	2024	0.15
2014	372	0.3117	2024	0.16
2014	130	0.0003	2024	0.34
2015	452	0.4667	2025	0.20
2015	1,170	0.4600	2025	0.20
2015	49	0.0030	2025	0.47
2016	1,800	0.4667	2021	0.21
2016	1,320	0.0003	2026	0.47
Total	15,745			
Less forfeited and exercised as at 31/03/2017	(5,119)			
Forfeited/exercised during the year	(2,363)			
Total share options remaining	8,263			

No further options are granted under the Legacy ESOP.

Valuation model assumptions

The Black-Scholes which was independently prepared to assess the value of outstanding assumptions, key variables in the model include, where relevant, the expected life used in the model has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on the historical share price volatility of NASDAQ-listed companies in the biomedical field over the past five years.

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Option series	2016
Grant date share price	\$0.40-\$0.47
Exercise price	\$0.0003-\$0.47
Expected volatility	50%
Option life	5–10 years
Dividend yield	0%
Risk-free interest rate	2.17%–3%
Expected life	4 years from grant date

New employee share options plan (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 ranging from A\$0.50 to A\$0.56 per ordinary share.

Each New ESOP converts into one ordinary share of Volpara Health Technologies Limited 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 (range from two to five years). Vested options can either be exercised 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.

Grant date/ employees entitled	Number of share options outstanding '000's	Vesting conditions	Contractual life of options
Options granted to	directors		
2016	600	Annually over a period of 5 years service starting 2 years from the grant date	7 years
Options granted to	management		
2016	2,440	Annually over a period of 5 years service starting 2 years from the grant date	7 years
2017	100		
Options granted to	employees		
2016	2,076	Annually over a period of 5 years service starting 2 years from the grant date	7 years
2017	605		
Total share options	5,821		

The expense recognised for the year ended 31 March 2017 for the New ESOP share options was \$569,000 (of the NZ\$1.006M per note 4) (2016: \$25,000).



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

	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
	2017	2017	2016	2016
	000's	A\$	000's	A\$
Outstanding as at 1 April	5,236	0.50	-	-
Granted during the year	705	0.51	5,236	0.50
Exercised during the year	-	-	-	-
Forfeited during the year	(120)	0.50	-	-
Outstanding 31 March	5,821	0.50	5,236	0.50
Vested as at 31 March	-		-	-

The options outstanding as at 31 March 2017 had an exercise price in the range of A\$0.50 to \$0.56 (2016: A\$0.50) and weighted-average contractual life of 6.0 years (2016: 7.0 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	5,236	0.50	2023	0.27
2017	120	0.50	2024	0.27
2017	90	0.50	2024	0.22
2017	50	0.50	2024	0.23
2017	40	0.50	2024	0.20
2017	40	0.50	2024	0.20
2017	140	0.50	2024	0.19
2017	125	0.50	2024	0.17
2017	100	0.56	2024	0.33
Total	5,941			
Forfeited during the year	(120)			
Total share options remaining	5,821			

None of the New ESOPs granted in 2016 or 2017 have vested. 120,000 New ESOPs were forfeited in the 2017 financial year.

Valuation model assumptions

The Black-Scholes which was independently prepared to assess the value of outstanding assumptions, key variables in the model include, where relevant, the expected life used in the model has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on the historical share price volatility of NASDAQ-listed companies in the biomedical field over the past five years.

Option series	2017	2016
Grant date share price	A\$ 0.38-0.61	A\$ 0.50
Exercise price	A\$ 0.50-0.56	A\$ 0.50
Expected volatility	50.00%	50.00%
Option life	7 years	7 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	1.74%–2.29%	2.48%

For the year ended 31 March 2017

12. Finance expenses

	2017	2016
	NZ\$'000	NZ\$'000
Interest expense	(3)	(3)
Quasi-dividend entitlements (QDEs) on convertible preference shares	-	(1,389)
Total finance expenses	(3)	(1,392)

The QDEs were settled through the issue of additional ordinary shares, upon IPO, on 31 March 2016.

13. Convertible preference shares (CPSs)

As at 31 March	2017		2	016
	NZ\$'000	No. of CPSs 000's	NZ\$'000	No. of CPSs 000's
Outstanding as at 1 April	40,111	72,411	14,105	17,491
Issue of CPSs in the form of QDEs	-	-	1,389	6,646
Loss on fair value revaluation	-	-	24,617	-
Conversion to ordinary shares	(40,111)	(72,411)	-	-
Effect of 3:1 share split	-	-	-	48,274
Outstanding as at 31 March	-	-	40,111	72,411

The loss on revaluation of NZ\$24.617M was a one-off, non-cash, adjustment which was the difference between the price the various CPS tranches were initially subscribed for in prior years and their ultimate fair value, being the IPO listing price of A\$0.50.

The CPSs that were on issue as at 31 March 2016 have, subsequent to the listing on the Australian Securities Exchange, been converted to ordinary shares at a ratio of 1:1. That is, no further quasi-dividend entitlements were awarded, nor were there any further tranches sold. The value assigned to them as at 31 March 2016 was based on a fair value per share of A\$0.50 (or NZ\$0.56) per the prospectus underwritten on 24 March 2016. This was ultimately the price that the shares subscribed for were sold at and therefore no fair value adjustment was required on conversion. Refer to note 10 regarding the 3:1 share split in the prior year, which equally impacted the CPSs.



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Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, cash, short-term deposits, and cash on deposit.

Risk exposures and responses

The Group has various financial instruments such as trade debtors and trade creditors, 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 Group manages its exposure to risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The Board reviews and agrees to policies for managing these risks which are summarised below.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

14. Interest rate risk

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

Financial Assets	2017	2016
	NZ\$'000	NZ\$'000
Cash and cash equivalents (i)	1,276	277
Cash on deposit (i)	11,600	-
Net Exposure	12,876	277

(i) All of the Group's cash and cash equivalents were considered on hand at the balance date. The cash on deposit consists of four term deposit accounts totalling \$11,600,000 (2016: Nil). The four term deposits are for \$6,500,000; \$2,800,000; \$1,800,000; and \$500,000; and have original maturity dates of 29 May 2017; 21 June 2017; 6 June 2017; and 31 July 2017, with fixed interest rates between 3.5 percent and 3.75 percent.

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.



14. Interest rate risk (continued)

Sensitivity Analysis

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

At 31 March 2017 if interest rates had moved, as illustrated in the table below, assuming the amount of the financial instruments outstanding at consolidated statement of financial position 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	2017	2016
	Higher / (Lower)	Higher / (Lower)
	NZ\$'000	NZ\$'000
+1.0% (100 basis points)	(129)	(3)
-1.0% (100 basis points)	129	3

15. Foreign currency risk

As a result of operations in the United States, Australia, and Europe; denominated respectively in United States Dollars (USD), Australian Dollars (AUD), Great Britain Pound (GBP), Euros (EUR) and Indian Rupees (INR); the Group's consolidated statement of financial position can be affected by movements in these exchange rates. The Group has transactional currency exposure resulting from sales activities into the United States, Australia and Europe. The Group does not enter into any forward contracts or any other instrument to hedge the currency exposure; however where possible, the Group maintains a portion of available funds in USD, AUD, GBP and EUR to match the respective expected expenses.

At 31 March 2017, the Group had the following exposure to foreign currency:

	2017	2016
	NZ\$'000	NZ\$'000
Financial Assets	1.24	1124 222
Cash and cash equivalents - AUD	-	-
Cash and cash equivalents - EUR	5	-
Cash and cash equivalents - GBP	12	2
Cash and cash equivalents - USD	349	124
Trade and other receivables - AUD	34	25
Trade and other receivables - EUR	2	-
Trade and other receivables - GBP	-	-
Trade and other receivables - USD	1,001	920
Total financial assets	1,403	1,071
Financial Liabilities		
Trade and other payables - AUD	92	300
Trade and other payables - EUR	34	25
Trade and other payables - GBP	-	11
Trade and other payables - INR	33	71
Trade and other payables - USD	406	251
Total financial liabilities	565	658
Net exposure	838	413

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15. Foreign currency risk (continued)

At 31 March 2017 had the New Zealand dollar moved against the US dollar, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post Tax Loss		
	Higher / (Lower)		
	2017	2016	
	NZ\$'000	NZ\$'000	
NZD to USD +10% (2016: 10%)	229	170	
NZD to USD -10% (2016: 10%)	(279)	(160)	

16. Credit risk

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

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

The Group seeks to trade only with recognised, creditworthy 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, receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts is not significant.

There are significant concentrations of credit risk within the Group with \$11,600,000 in outstanding term deposits held at the end of the financial year (2016: Nil). The Group holds a small percentage of cash in current and savings accounts through Kiwibank in New Zealand, which is a large and reputable financial institution.

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

17. Liquidity risk

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

All financial liabilities are due for payment in less than 12 months. The Group has a NZ\$10,000 overdraft as at 31 March 2017, which has not been used.

As at 31 March 2017					
	≤ 6 months NZ\$'000	6 mths - 1 year NZ\$'000	1 - 2 years NZ\$'000	2 years + NZ\$'000	Total NZ\$'000
Liquid financial assets					
Cash and cash equivalents	1,276	-	-	-	1,276
Cash on deposit	11,600	-	-	-	11,600
Trade and other receivables	1,062	18	38	38	1,156
Total liquid financial assets	13,938	18	38	38	14,032
Financial liabilities					
Trade and other payables	1,107	-	-	-	1,107
Convertible preference shares	-	-	-	-	-
Total financial liabilities	1,107	-	-	-	1,107
Net flow	12,831	18	38	38	12,925



17. Liquidity risk (continued)

As at 31 March 2016					
	≤ 6 months NZ\$'000	6 mths - 1 year NZ\$'000	1 - 2 years NZ\$'000	2 years + NZ\$'000	Total NZ\$'000
Liquid financial assets					
Cash and cash equivalents	277	-	-	-	277
Cash on deposit	-	-	-	-	-
Trade and other receivables	946	-	-	-	946
Total liquid financial assets	1,223	-	-	-	1,223
Financial liabilities					
Trade and other payables	1,274	-	-	-	1,274
Convertible preference shares	40,111	-	-	-	40,111
Total financial liabilities	41,385	-	-	-	41,385
Net flow	(40,162)	-	-	-	(40,162)

18. Financial instruments

Management have assessed that the fair values of the following assets approximate their carrying amounts:

	Carrying Amount		Fair	Value
	2017 NZ\$'000	2016 NZ\$'000	2017 NZ\$'000	2016 NZ\$'000
Financial Assets				
Cash and cash equivalents	1,276	277	1,276	277
Cash on deposit	11,600	-	11,600	-
Trade and other receivables	1,156	946	1,156	946
Total financial assets	14,032	1,223	14,032	1,223
Financial Liabilities				
Trade and other payables	(1,096)	(1,274)	(1,096)	(1,274)
Convertible preference shares	-	(40,111)	-	(40,111)
Total financial liabilities	(1,096)	(41,385)	(1,096)	(41,385)

Financial Assets

Classification

The Group classifies its financial assets at amortised cost.

The Group classifies its financial liabilities in two categories: at amortised cost and at fair value through profit or loss (FVTPL).

Recognition and measurement

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Where financial assets are measured at amortised cost, interest revenue, 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. Financial liabilities subsequently measured at amortised cost are measured using the effective interest method.

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Where financial liabilities are subsequently measured at FVTPL, all gains and losses are recognised in profit or loss. A key management judgement is the assessment that substantially all the risks and rewards of ownership have been transferred in the derecognition of financial assets.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

18. Financial instruments - Recognition and measurement (continued)

Fair value estimation

The fair value of financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As the Group's financial instruments are not traded in active markets their fair value is determined using valuation techniques. The Group makes assumptions that are based on market conditions existing at each balance date.

Financial instruments by category:

Financial assets	At amortised cost	Total
As at 31 March 2017	NZ\$'000	NZ\$'000
Cash and cash equivalents	1,276	1,276
Cash on deposit	11,600	11,600
Trade and other receivables	1,156	1,156
Total financial assets	14,032	14,032

Financial assets	At amortised cost	Total
As at 31 March 2016	NZ\$'000	NZ\$'000
Cash and cash equivalents	277	277
Trade and other receivables	946	946
Total financial assets	1,223	1,223

Financial liabilities	At amortised cost	At fair value through profit or loss	Total
As at 31 March 2017	NZ\$'000	NZ\$'000	NZ\$'000
Trade and other payables	(1,096)	-	(1,096)
Total financial liabilities	(1,096)	-	(1,096)

Financial liabilities	At amortised cost	At fair value through profit or loss	Total
As at 31 March 2016	NZ\$'000	NZ\$'000	NZ\$'000
Trade and other payables	(1,274)	-	(1,274)
Convertible preference shares	-	(40,111)	(40,111)
Total financial liabilities	(1,274)	(40,111)	(41,385)





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19. Intangible Assets

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 software products controlled by the Group are recognised as intangible assets only where the following criteria can all 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 expenditure directed towards incremental improvements in existing products does not qualify for recognition as an intangible asset. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

Currently, at the time of development work being performed there is uncertainty in meeting one or more of the above criteria. These uncertainties continue to exist until shortly before products are deployed. Development costs incurred have not met all of the above criteria as at balance date and are therefore expensed as incurred.

Patents, trademarks and copyrights

Patents, trademarks and copyrights are internally generated intangible assets that are also subject to the same recognition criteria as the software products above.

Amortisation of intangible assets

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

• Patents and trademarks three to 20 years

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.

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).

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.



19. Intangible assets - impairment of non-financial assets (continued)

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.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired, with the exception of assets that are fair valued through profit or loss. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets.

20. Related parties

Subsidiaries

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	2017 Ownership	2016 Ownership
Volpara Solutions Europe Limited (Formerly Matakina UK Limited)	United Kingdom	100%	100%
Volpara Solutions Limited	New Zealand	100%	100%
Volpara Solutions Incorporated	United States	100%	100%
Volpara Solutions Australia Pty Limited	Australia	100%	N/A

The entities in the Group all have a balance date of 31 March, except for Volpara Solutions Inc. which has a balance date of 31 December. This is to align the financial year of Volpara Solutions Inc. with the tax year in the USA. However for the purposes of the Group's consolidated financial statements the accounts from the period 1 April 2016 to 31 March 2017 are used.

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.

Compensation of Key Management Personnel & directors	2017	2016
	NZ\$'000	NZ\$'000
Short-term employee benefits (i)	1,519	725
KMP share-based payment expense	403	48
Directors fees paid	309	118
Directors IPO fees	34	32
Directors share-based payment expense	346	393
Total compensation	2,611	1,316

⁽i) Short-term employee benefits include salaries and wages, short-term incentives earned during the period, other one-time short-term incentives, and non-monetary benefits such as insurance benefits.

The value of outstanding balances payable to KMP and Directors at balance date totalled \$142,000.

⁽ii) Some KMPs are based in the US and are paid in US\$. The total compensation is therefore translated for financial reporting purposes to NZ\$ on a monthly basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

20. Related parties (continued)

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\$	2017 ′000′s	2016 '000's
KMP	06/01/2021-15/01/2026	0.01-0.54	6,438	6,989
Directors	15/03/2023-09/11/2025	0.0003-0.54	1,802	2,822
			8,240	9,811

Loans to directors

There were no loans to directors issued during the year ended 31 March 2017 (2016: Nil).

Other transactions and balances

Directors of Volpara Health Technologies control 31.88 percent of the voting shares of the company at balance date (2016: 43.21 percent).

Transactions and outstanding balances with related parties

All transactions with related parties are at arms length on normal trading terms. These intragroup amounts are eliminated upon consolidation.

21. Contingencies and commitments

The following details commitments associated with the Group:

Capital commitments

The Group has no capital expenditure commitments at balance date (2016: Nil)

Operating lease commitments - group as lessee

Operating leases and the leased assets are not recognised on the Group's Statement of Financial Position. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	NZ\$'000	NZ\$'000
Less than one year	45	92
Between one and five years	-	49
Total minimum lease payments	45	141

The operating lease relates to a property lease agreement for the office space at Level 12, 86 Victoria Street, in Wellington, New Zealand. The lease agreement is for a term of three years and two months starting from 1 August 2014 and the Group has a right to renewal once this term is complete. An expense of \$96,000 was recognised for this lease in the year ended 31 March 2017 (2016: \$96,000).

Contingencies

As at 31 March 2017 the Group had no contingent liabilities or assets (2016: Nil).



Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

22. Events after the balance date

The Company entered into a lease agreement on 3 April 2017 for a new premises, to be occupied upon expiry of the existing lease.

Additional Information for Listed Companies

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

Stock Exchange Listing

Our shares listed on the Australian Stock Exchange (ASX: VHT).

Range	Securities	%	No. of holders	%
1 to 1000	25,917	0.02%	86	7.68%
1,001 to 5000	693,978	0.48%	220	19.64%
5,001 to 10,000	1,713,018	1.20%	221	19.73%
10,001 to 100,000	15,746,345	11.00%	498	44.46%
100,001 and over	125,028,907	87.31%	95	8.48%
Total	143,208,165	100.00%	1,120	100.00%

The number of shareholdings held in less than marketable parcels is 102, representing 44,619 shares.

Rank	Name		Shareholding	Percentag Holding
1	Patagorang Pty Ltd		20,467,848	14.29%
2	Dr Ralph Highnam		16,195,678	11.31%
3	Dr Tina Jennings		12,126,337	8.47%
4	Custodial Services Limited <beneficiaries ho<="" td=""><td>olding a/c></td><td>8,826,479</td><td>6.16%</td></beneficiaries>	olding a/c>	8,826,479	6.16%
5	Professor Sir Mike Brady		7,419,075	5.18%
6	Mr Marcus Sarner		5,980,404	4.18%
7	K One W One ltd		5,579,673	3.90%
8	Prof Martin Yaffe		3,985,850	2.78%
9	Prof Nico Karssemeijer		3,556,806	2.48%
10	Mr David Kingston & Mr Christopher Darlow	<hood a="" c="" family=""></hood>	3,255,606	2.27%
11	Sir Martin Francis Wood		2,551,530	1.78%
12	Lady Kathleen Audrey Wood		2,551,530	1.78%
13	Sir Martin Gregory Smith		1,966,641	1.37%
14	Citicorp Nominees Pty Limited		1,966,552	1.37%
15	Mr Jeremy Palmer		1,966,317	1.37%
16	J P Morgan Nominees Australia Limited		1,962,405	1.37%
17	HSBC Custody Nominees (Australia) Limited		1,689,038	1.18%
18	Whitfield Investments Pty Limited		1,321,666	0.92%
19	Tea Custodian (Milford) Ltd		1,259,235	0.88%
20	Halix Pty Limited <sus 18562729299="" 8<="" abn="" td=""><td>a/c></td><td>1,259,232</td><td>0.88%</td></sus>	a/c>	1,259,232	0.88%
	Total		105,887,902	73.94%
	Balanc	ce of Register	37,320,263	
	Grand	l Total	143,208,165	



Additional information for listed companies (continued)

Donations made during the year

Donations made during the period totalled NZ\$16,000 (2016: NZ\$10,000).

Employee remuneration

Remuneration and other benefits of NZ\$100,000 per annum or more received by employees (excluding company directors) in their capacity as employees during the period were as follows:

Remunerat	tion ra	nge	Number of employees
100,000	to	110,000	1
110,001	to	120,000	2
120,001	to	130,000	1
130,001	to	140,000	1
140,001	to	150,000	1
150,001	to	160,000	-
160,001	to	170,000	-
170,001	to	180,000	1
180,001	to	190,000	-
190,001	to	200,000	2
200,001	to	210,000	1
210,001	to	220,000	2
220,001	to	230,000	1
230,001	to	240,000	-
240,001	to	250,000	1
250,001	to	260,000	1
260,001	to	270,000	-
270,001	to	280,000	-
280,001	to	290,000	1

One employee was between NZ\$300,000 and NZ\$310,000.

One employee was between NZ\$320,001 and NZ\$330,000.

One employee was between NZ\$390,001 and NZ\$400,000.

One employee was between NZ\$410,001 and NZ\$420,000.

Substantial Shareholders

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

Shareholder	Shareholding	Percentage Holding
Roger Allen AM	20,467,848	14.29%
Dr Ralph Highnam	16,195,678	11.31%
Dr Tina Jennings	12,126,337	8.47%
Custodial Services Limited <beneficiaries a="" c="" holding=""></beneficiaries>	8,826,479	6.16%
Professor Sir Mike Brady	7,419,075	5.18%
Total	65,035,417	45.41%

Additional information for listed companies (continued)

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 2016 to 31 March 2017.

Director	Date	Interest
John Diddams	8/11/2016	Oliver's Real Food Ltd ACN 166 495 441 Independent Non-executive Director

Restricted Securities as at 15 May 2017

In accordance with ASX Requirements a summary of the shares on issue and escrowed shares subject to ASX trading restrictions is as follows:

Fully paid ordinary shares (no ASX restriction)	94,010,908
Escrowed shares (24-month escrow)	49,197,257
Voluntary escrowed shares (12-month escrow)	-
Total shares on issue	143,208,165

Corporate Directory

Volpara Health Technologies Limited

Registered Office

Volpara Health Technologies Limited Level 12, 86 Victoria Street Wellington Central Wellington 6011 New Zealand

Board of Directors

Roger Allen AM - Chairman, Non-Executive Independent
Dr Ralph Highnam - Chief Executive Officer
Professor Sir Mike Brady - Non-Executive Independent
Lyn Swinburne AM - Non-Executive Independent
John Diddams - Non-Executive Independent
John Pavlidis - 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 Australia

Share Register

Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney NSW 2000 Australia

Auditor

Deloitte Limited Level 1, 98 Customhouse Quay PO Box 1990 Wellington 6140 New Zealand

Legal Advisers

Simmonds Stewart (New Zealand) Norton Rose Fulbright (Australia) Enterprise Law Group, Inc. (USA)

Bankers

Kiwibank (New Zealand) Lloyds Bank (United Kingdom) Bank of America (USA) NAB (Australia)

