

# INTERIM

FINANCIAL REPORT  
for the six months ended  
30 September 2018



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# Directors' Report

The directors are pleased to present their report in conjunction with the financial statements of Volpara Health Technologies Limited (Volpara or the Company) and its subsidiaries (together referred to as the Group), for the half-year (HY) ended 30 September 2018, and the auditor's report thereon. The financial statements have been reviewed by the Company's auditors and approved by the directors on the recommendation of the Audit and Risk Committee.

## Directors

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

Roger Allen AM (Chairman)

Dr Ralph Highnam (CEO)

Professor Sir John Michael Brady

Lyn Swinburne AM (did not stand for re-election 23 August 2018)

John Diddams

John Pavlidis

Paul Reid

Dr Monica Saini (appointed 23 August 2018)

## Results of operations

HY2019 has seen Volpara continuing to mature into a major player in the US breast imaging market. Just over 5.4% of women being screened (approximately 2.1M+) are now being actively analysed by a Volpara product. By the financial year end this is forecasted to rise to 9.0% of women, a significant level of penetration into the world's biggest breast imaging market. Volpara, with much of its breast imaging analytics data flowing to the cloud, now has one of the biggest cross-vendor data sets in mammography, a powerful asset not only for finding key insights to help detect breast cancer early but also for developing new products that can help increase our average price per patient (ARPU).

Globally, our reach continues to extend as the major long-term trials in the UK, Norway, the Netherlands and across Australia continue. We were gratified to see the signing of our first public screening provider, BreastScreen Central, NZ, which selected VolparaEnterprise software due to its now-proven ability to help improve image quality and patient experience while reducing costs of compliance. Such government-funded screening programs for the public tend to move more slowly than the private sector but potentially can yield larger-reaching sales.

Although as a company we usually focus on the typical SaaS metrics such as Total Contract Value and Annual Recurring Revenue, it's pleasing to see that the more traditional accounting metrics are now following the expected path with HY revenue from customers sitting at \$2.3M, an increase of 83% compared to HY2018. Costs have risen this HY entirely consistent with expectations as set out in the capital raise in May 2018, when we forecasted costs to rise as we seek more aggressive growth, especially in the US. As such, the overall loss has risen to \$5.0M. However, we still retain \$20M in the bank as at the end of Q2.



## Results of operations (continued)

As of the end of HY19 we have 99 VolparaEnterprise SaaS customers, the ARR at the HY was \$4.8M (up 35%), TCV was \$6.5M (up 65%), and we had negligible churn (<2%). Our aggressive forecast for the year was to get to \$9M ARR by the end of the financial year. At the end of a record October, ARR was over \$5.1M. Note that Q3 and Q4 are traditionally our biggest quarters as they are outside of the US summer, and we have our biggest trade show, RSNA in Chicago, at the end November. With our momentum, educated sales force and strong pipeline we continue to anticipate achieving our FY19 goals.

Additional highlights of this HY include:

- The Company raised A\$20M in capital in Q1. Thank you to Morgans and Bell Potter for their help in that raise, which brought in a number of new international institutions and demonstrated an excellent level of continuing shareholder support.
- The US sales team expanded from 11 to 15 as planned, with the associated supporting functions such as the marketing and customer success teams also growing.
- We appointed Dr Monica Saini, a US radiologist, our Chief Medical Officer and Executive Director. She performs a dual role with Hutt Valley DHB in Wellington, NZ.
- Several important studies including Volpara were released, including:
  - o The Dr Shia paper in the Journal of Surgical Research, which showed that VolparaDensity software could be used to estimate breast implant size and volume in breast reconstructive surgeries;
  - o A second paper by Dr Shia, in Scientific Reports, which described how VolparaDensity software was used to create a standardised mammographic density model that can be implemented in future breast cancer research in Asian women;
  - o The Dr Aase paper in European Radiology, which described how VolparaDensity software was used to stratify breast density in a population of Norwegian women and examine radiation doses using two different mammographic imaging techniques, enabling the comparison of breast density to recall rates, radiation doses and screening time for future population-based screening programmes; and
  - o The Dr Puliti paper in Breast Cancer Research, which discussed VolparaDensity software's correlation of the incidence of breast cancer with volumetric breast density, showing that accurate assessment of breast density is important in breast screening effectiveness.
- Volpara increased its presence in Asia, especially Japan, where we now have 16 contracts.
- Volpara increased its footprint, with some key wins, across both Australia—Alfred Imaging—and New Zealand—Broadway Radiology, Mercy Radiology Auckland, and BreastScreen Central, NZ.
- The Company was delighted to see some of our early-adopter customers renew their contracts, including sites such as Charlotte Radiology and Austin Radiological Association Diagnostic Imaging.
- Volpara obtained a new FDA 510(k) clearance for technologies used in its VolparaEnterprise software and VolparaDensity clinical application, setting the stage for the launch of the VolparaLive! system—mammography's first real-time decision support system at the point of care—at RSNA in November.
- On October 18th, 2018, FDA Commissioner Scott Gottlieb, MD, announced a new proposal regarding the quality of mammography and patient health information, calling for “. . . increased use of digital imaging devices; revised screening recommendations from CDC and others; the need for more uniform, nation-wide breast density reporting in lieu of the patchwork of reporting requirements that has been implemented in various states; and the increasing clinical value of breast density information in informing medical practice and effective patient care.”

## Results of operations (continued)

### Customer success stories:

We are hearing from more and more satisfied customers happy to report their success with Volpara products. Dr Robin Shermis, MD, MPH, of ProMedica, a US healthcare network in Ohio and Michigan, had this to say about VolparaDensity software:

We evaluated other commercially available density measurement tools, but we adopted VolparaDensity because it has been proven to provide objective, volumetric measurement, demonstrating to payors that we have a consistent, standardised approach to density assessment and supplemental imaging. This also reassures women that they have been thoroughly assessed and vectored to the imaging tool best suited to improve the early detection of cancer, based on their breast density and individual risk factors.

Dr Shermis has also implemented VolparaEnterprise software and estimates that its automation has saved him 100 hours in image quality review, saying, "I can't see how a large and busy practice in breast imaging can meaningfully meet quality assurance without VolparaEnterprise."

Mayfair Diagnostics, a large diagnostic imaging practice in Alberta, Canada, has also put VolparaEnterprise software to good use in its quality improvement program, enjoying multiple benefits across its network, from staff performance improvements in breast compression and positioning to analysis of referring physician trends by breast density category. From one six-month period to another, Mayfair saw the following improvements, all of which resulted in either reduced cost or increased revenue:

- 60% reduction in time spent searching for cases
- 37% reduction in the number of Inadequate images
- 20% increase in attaining target compression
- 14% reduction in percentage of technical recalls

According to Mark Sevcik, Mayfair's Vice President, Infrastructure, "Many of these benefits would not have been possible without the automation provided by VolparaEnterprise."

The Board is pleased with the progress in all these areas, which positions us well not only for the next six months, but also for the longer term.

## Outlook

As a rapidly growing SaaS company, Volpara will continue to focus and drive toward the following goals for the next six months:

- **Continued sales growth and an ever-expanding footprint.** We now have an expanded US sales team and a very active APAC team.
- **Very low churn.** Our customer success team has been effective not only at ensuring we have negligible churn (<2%), but also that our customers are increasingly reporting positive stories that we can use for marketing purposes and coming back to buy more licences.
- **Increasing ARPU on two fronts.** We are seeing organic growth in the price per patient that we achieve since we now have the data to help drive our ROI story as well as excellent case studies showing our value-add. The VolparaLive! system, to be launched at RSNA, should also add significantly to ARPU over time.

Our main goals and focus for the year are aggressive but remain unchanged:

- Increase ARR to \$9M by the end of FY19.
- Increase market share to 9% of US women being analysed by Volpara software.

## Outlook (continued)

Additionally, the recent publication of the Dr Shia papers noted above signals the opening of surgery as a new market for Volpara. As the only known clinical studies that associate automated volumetric breast measurements with surgical outcomes were performed with VolparaDensity software, we look forward to increased application of VolparaDensity software to the streamlined selection of appropriate breast implants for reconstructive surgery and the improvement of surgical outcomes.

## Dividends

No dividends have been paid or proposed.

## Events subsequent to balance date

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



**Roger Allen AM**

CHAIRMAN

*Dated this 19th day of November 2018*



**Dr Ralph Highnam**

CHIEF EXECUTIVE OFFICER

*Dated this 19th day of November 2018*

## 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 review report for the half year ended 30 September 2018, 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 half year.

**Trevor Deed**  
**Partner**  
19 November 2018



# Financial Statements

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Volpara Health Technologies Limited Group  
Consolidated Income Statement and Other Comprehensive Income  
For the 6 months ended 30 September 2018

		2018 Unaudited	2017 Unaudited
	Notes	NZ\$'000	NZ\$'000
<b>Revenue</b>			
Sales	2	2,308	1,263
Government grants	4	354	472
<b>Total revenue</b>		<b>2,662</b>	<b>1,735</b>
Cost of sales	5	(769)	(374)
<b>Gross profit</b>		<b>1,893</b>	<b>1,361</b>
<b>Operating expenses</b>			
Sales and marketing		(3,402)	(2,557)
Product research and development		(2,085)	(1,454)
General and administration		(2,099)	(1,700)
<b>Total operating expenses</b>	5	<b>(7,586)</b>	<b>(5,711)</b>
Foreign exchange gains/(losses)		320	(15)
<b>Operating deficit</b>		<b>(5,373)</b>	<b>(4,365)</b>
Finance income		233	167
Finance expense		(42)	(2)
<b>Net loss before tax</b>		<b>(5,182)</b>	<b>(4,200)</b>
Income tax benefit		63	-
<b>Net loss after tax for the period</b>		<b>(5,119)</b>	<b>(4,200)</b>
<b>Statement of comprehensive income</b>			
Net loss after tax for the period		(5,119)	(4,200)
Other comprehensive income/(expense)			
Translation of international subsidiaries		74	(8)
<b>Total items that may be reclassified to profit or loss</b>		<b>74</b>	<b>(8)</b>
<b>Other comprehensive income/(expense) for the period</b>		<b>74</b>	<b>(8)</b>
<b>Total comprehensive (loss) for the period</b>		<b>(5,045)</b>	<b>(4,208)</b>
Basic and diluted (loss) per share (NZ\$)	10	(0.03)	(0.03)

The notes on pages 12 to 22 form part of and should be read in conjunction with these financial statements.



Volpara Health Technologies Limited Group  
Consolidated Statement of Financial Position

		As at 30 Sept. 2018 Unaudited	As at 31 March 2018 Audited
	Notes	NZ\$'000	NZ\$'000
<b>Non-current assets</b>			
Property and equipment	14	356	106
Intangible assets	14	128	71
Trade receivables	8	27	46
Right-of-use assets	14	283	348
Contract costs	3	838	557
<b>Total non-current assets</b>		<b>1,632</b>	<b>1,128</b>
<b>Current assets</b>			
Cash and cash equivalents	7	2,247	3,342
Cash on deposit	7	17,965	1,500
Trade and other receivables	8	2,578	1,273
Contract assets	2	223	70
Inventory		6	14
<b>Total current assets</b>		<b>23,019</b>	<b>6,199</b>
<b>Total assets</b>		<b>24,651</b>	<b>7,327</b>
<b>Equity</b>			
Share capital	10	83,992	63,192
Share option reserve	11	2,171	2,066
Foreign currency translation reserve		(97)	(171)
Accumulated losses		(65,630)	(60,592)
<b>Total equity</b>		<b>20,436</b>	<b>4,495</b>
<b>Non-current liabilities</b>			
Deferred revenue	2	67	13
Lease liabilities	12	191	210
<b>Total non-current liabilities</b>		<b>258</b>	<b>223</b>
<b>Current liabilities</b>			
Trade and other payables	9	1,911	1,558
Deferred revenue	2	1,929	921
Lease liabilities	12	117	130
<b>Total current liabilities</b>		<b>3,957</b>	<b>2,609</b>
<b>Total liabilities</b>		<b>4,215</b>	<b>2,832</b>
<b>Total equity and liabilities</b>		<b>24,651</b>	<b>7,327</b>

Approved by Directors:



Ralph Highnam



John Diddams

The notes on pages 12 to 22 form part of and should be read in conjunction with these financial statements.

Volpara Health Technologies Limited Group  
Consolidated Statement of Changes in Equity  
For the 6 months ended 30 September 2018

		Share capital	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	Notes	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
<b>Unaudited</b>						
Balance at 1 April 2018		63,192	2,066	(171)	(60,592)	4,495
Net loss after tax for the period		-	-	-	(5,119)	(5,119)
Other comprehensive income/(expense)		-	-	74	-	74
<b>Total comprehensive loss for the period, net of tax</b>		<b>-</b>	<b>-</b>	<b>74</b>	<b>(5,119)</b>	<b>(5,119)</b>
<b>Transactions with owners:</b>						
Issue of share capital from placement and share purchase plan	10	21,488	-	-	-	21,488
Costs of placement and share purchase plan capital raise		(980)	-	-	-	(980)
Issue of share capital from exercise of share options		292	(106)	-	-	186
Forfeiture of share options	11	-	(84)	-	81	(3)
Recognition of share-based payments	11	-	295	-	-	295
<b>Balance at 30 Sept. 2018</b>		<b>83,992</b>	<b>2,171</b>	<b>(97)</b>	<b>(65,630)</b>	<b>20,436</b>
<b>Unaudited</b>						
Balance at 1 April 2017		62,644	1,858	(154)	(51,774)	12,574
Net loss after tax for the period		-	-	-	(4,200)	(4,200)
Other comprehensive income/(expense)		-	-	(8)	-	(8)
<b>Total comprehensive loss for the period, net of tax</b>		<b>-</b>	<b>-</b>	<b>(8)</b>	<b>(4,200)</b>	<b>(4,208)</b>
<b>Transactions with owners:</b>						
Issue of share capital from exercise of share options		408	(400)	-	-	8
Recognition of share-based payments	11	-	391	-	-	391
<b>Balance at 30 Sept. 2017</b>		<b>63,052</b>	<b>1,849</b>	<b>(162)</b>	<b>(55,974)</b>	<b>8,765</b>

The notes on pages 12 to 22 form part of and should be read in conjunction with these financial statements.

Volpara Health Technologies Limited Group  
Consolidated Statement of Cash Flows  
For the 6 months ended 30 September 2018

		2018 Unaudited	2017 Unaudited
	Notes	NZ\$'000	NZ\$'000
<b>Cash flow from operating activities</b>			
Receipts from customers		2,669	1,601
Payments to suppliers and employees		(8,419)	(5,409)
Other income received		350	198
Net interest received		16	211
Net taxes received		80	2
Lease payments for low-value assets		(3)	(2)
<b>Net cash utilised by operating activities</b>	<b>6</b>	<b>(5,307)</b>	<b>(3,399)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment		(324)	(77)
Payments for intangibles		(59)	(24)
Net (payments)/receipts to/from term deposits		(16,467)	3,600
<b>Net cash (utilised)/provided by investing activities</b>		<b>(16,850)</b>	<b>3,499</b>
<b>Cash flows from financing activities</b>			
Issue of share capital from placement and share purchase plan		21,488	-
Costs of capital raising		(980)	-
Exercising of share options		186	8
Payments for principal portion of the lease liability		(31)	(70)
<b>Net cash provided/(utilised) by financing activities</b>		<b>20,663</b>	<b>(62)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,494)</b>	<b>38</b>
Effects of currency translation on cash and cash equivalents		399	(23)
Cash and cash equivalents as at 1 April		3,342	1,276
<b>Cash and cash equivalents at the end of the period*</b>	<b>7</b>	<b>2,247</b>	<b>1,291</b>

\*Cash and cash equivalents does not include cash on deposits totalling \$18M. Refer to note 7 for further details.

The notes on pages 12 to 22 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 7, 44 Victoria Street, Wellington 6011, New Zealand.

Volpara Health Technologies Limited is designated as a profit-oriented company incorporated under the Companies Act 1993 (NZCN: 2206998) and is listed on the Australian Securities Exchange. The Company is also registered in Australia (ARBN: 609 946 867). The Company's principal sales and services are in the medical device software industry. These condensed consolidated interim financial statements for the six month period ended 30 September 2018 comprise Volpara Health Technologies Limited and its subsidiaries (together the Group); Volpara Solution Limited, Volpara Solutions Incorporated, Volpara Solutions Europe Limited and Volpara Solutions Australia Pty Limited.

## Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with NZ IAS 34 and IAS 34 Interim Financial Reporting as appropriate for profit-orientated entities.

These condensed consolidated interim financial statements have been authorised for issue by the Directors on 19 November 2018.

## New standards, interpretations and amendments adopted by the Group

Apart from the changes noted below (refer to "Adoption of new accounting standards") the condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's annual report for the year ended 31 March 2018.

## Functional and presentation currency

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

## Going concern

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

The Group recorded a net loss of \$5,119k for the half-year ended 30 September 2018 and is expected to make further losses for the remainder of 2019.

The Group has prepared forecasts which indicate that cash on hand at the six month period 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.

## Adoption of new accounting standards

The Group has elected to early adopt NZ IFRS 16 Leases as issued in February 2016, effective 1 April 2017, and has applied and will continue to apply the standard going forward.

The Group elected to early adopt NZ IFRS 15 Revenue from Contracts with Customers effective 1 April 2016 and has applied and will continue to apply the standard going forward.

NZ IFRS 9 Financial Instruments became applicable for the current reporting period beginning 1 April 2018 and the Group had to change its accounting policies. The Group has considered that the prior year effect is not material and has therefore not adjusted the prior year balances.

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

## 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 (once-off) sales, Software Maintenance Agreement (SMA) contracts and Software-as-a-Service (SaaS) contracts. Currently, the information reviewed by the CODM is prepared in a similar format as included in the consolidated financial statements. For disclosure purposes only, the Group has decided to disclose additional information in respect of the three regions in relation to the revenue from contracts with customers note. Operating costs, finance income, finance expenses and taxes (where applicable) are not allocated to individual segments as these are managed on an overall Group basis and as such operating profits/(losses) by region are not disclosed.

At 30 September 2018 no customers accounted for more than 10% of revenue (September 2017: no customers accounted for more than 10% of revenue).

## 2. Revenue from contracts with customers

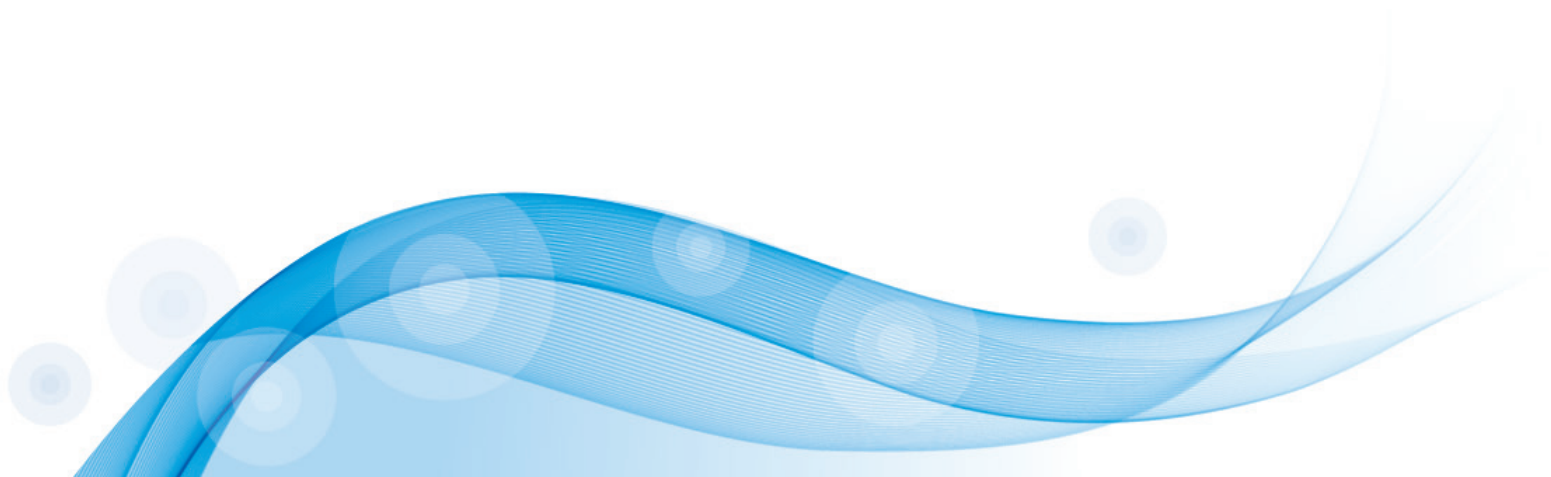
The Group recognises revenue from goods and services provided under three main contract types:

- Capital sales contracts which involves the outright sale of software and associated items;
- Service Maintenance Agreements to support previous capital sales;
- Software-as-a-Service contracts which involves the sale of software and cloud based support (and associated items).

The policies relating to the Capital and Service Maintenance Agreement revenue streams have not changed since the annual report for the year ended 31 March 2018; see that document for further details. The policy for Software-as-a-Service revenue has been amended during the period, however the changes are not material and the overall impact is considered not significant.

### Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major categories and geographic regions. This is consistent with the revenue information that is disclosed for each reportable segment under NZ IFRS 8 (refer to Note 1).





## 2. Revenue from contracts with customers (continued)

### Revenue from contracts with customers

For the period ended 30 September 2018 Unaudited				
NZ\$'000				
	Capital sales	Service maintenance	Software-as-a-service	Total
North America	96	163	1,719	1,978
EMEA	63	2	82	147
APAC	53	6	124	183
<b>Total revenue from contracts with customers</b>	<b>212</b>	<b>171</b>	<b>1,925</b>	<b>2,308</b>
<b>Timing of revenue recognition</b>				
Goods or services transferred at a point in time	212	-	575	787
Services transferred over time	-	171	1,350	1,521
<b>Total revenue from contracts with customers</b>	<b>212</b>	<b>171</b>	<b>1,925</b>	<b>2,308</b>

For the period ended 30 September 2017 Unaudited				
NZ\$'000				
	Capital sales	Service maintenance	Software-as-a-service	Total
North America	65	121	794	980
EMEA	-	-	3	3
APAC	177	16	87	280
<b>Total revenue from contracts with customers</b>	<b>242</b>	<b>137</b>	<b>884</b>	<b>1,263</b>
<b>Timing of revenue recognition</b>				
Goods or services transferred at a point in time	242	-	511	753
Services transferred over time	-	137	373	510
<b>Total revenue from contracts with customers</b>	<b>242</b>	<b>137</b>	<b>884</b>	<b>1,263</b>

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

### Deferred revenue from contracts with customers

	As at 30 Sept. 2018 Unaudited	As at 31 March 2018 Audited
	NZ\$'000	NZ\$'000
Opening balance as at 1 April	934	555
Amount recognised in revenue	(2,095)	(2,206)
Contracts entered into in current year	3,157	2,585
<b>Closing balance</b>	<b>1,996</b>	<b>934</b>

## 2. Revenue from contracts with customers (continued)

Remaining performance obligations relating to Capital, SMA, and SaaS contracts

As at 30 September 2018 Unaudited				
	0—12 months NZ\$'000	1—2 years NZ\$'000	2—5 years NZ\$'000	Total NZ\$'000
Capital contracts	26	-	-	26
SMA contracts	200	4	-	204
SaaS contracts	1,703	63	-	1,766
<b>Total</b>	<b>1,929</b>	<b>67</b>	<b>-</b>	<b>1,996</b>

As at 31 March 2018 Audited				
	0—12 months NZ\$'000	1—2 years NZ\$'000	2—5 years NZ\$'000	Total NZ\$'000
Capital contracts	24	-	-	24
SMA contracts	207	8	4	219
SaaS contracts	690	1	-	691
<b>Total</b>	<b>921</b>	<b>9</b>	<b>4</b>	<b>934</b>

### Contract assets

	As at 30 Sept. 2018 Unaudited NZ\$'000	As at 31 March 2018 Audited NZ\$'000
Capital sales	-	-
Service maintenance agreements	-	-
Software-as-a-service	223	70
<b>Total</b>	<b>223</b>	<b>70</b>
Current	223	70
Non-current	-	-

Impairment losses recognised on contract asset in the six month period amounted to \$2k. (31 March 2018: nil).

### 3. Contract costs

The Group incurs commission fees paid to sales reps in connection with obtaining contracts. The costs are either amortised over the life of the contract or at a point in time in order to reflect the six month period over which the services are provided to the customer. A contract cost asset is recognised as at the reporting date. During the period, amortisation amounting to \$129k (30 September 2017: \$45k) was recognised as part of cost of sales in the consolidated income statement. There was no impairment loss in relation to the costs capitalised.

	As at 30 Sept. 2018 Unaudited	As at 31 March 2018 Audited
	NZ\$'000	NZ\$'000
Costs to obtain contracts	838	557

### 4. Government grants

For the six months ended 30 September	2018 Unaudited	2017 Unaudited
	NZ\$'000	NZ\$'000
Callaghan Innovation (R&D Growth Grant)	354	366
European Commission (ASSURE Project)	-	106
<b>Total</b>	<b>354</b>	<b>472</b>

### 5. Expenses

For the six months ended 30 September		2018 Unaudited	2017 Unaudited
Cost of sales and operating expenses	Note	NZ\$'000	NZ\$'000
Salaries and benefits		4,156	2,365
Other operating expenses		899	783
Research and development		634	686
Superannuation contributions		631	228
Consulting and subcontracting		531	582
Travel		429	404
Advertising and marketing		373	358
Share-based payments expense		292	391
Directors fees		191	168
Depreciation and amortisation	14	141	81
Net impairment losses on financial assets	2, 8	36	-
Review of interim financial statements - Deloitte Limited		22	22
Callaghan grant audit - Deloitte Limited		7	5
Bad debts		10	10
Low-value lease expenses		3	2
<b>Total cost of sales and operating expenses *</b>		<b>8,355</b>	<b>6,085</b>

\* This total excludes foreign exchange gains/(losses).



## 6. Reconciliation of operating cash flows

For the six months ended 30 September	2018 Unaudited NZ\$'000	2017 Unaudited NZ\$'000
Net loss after tax for the period	(5,119)	(4,200)
<b>Non-cash and non-operating items:</b>		
Depreciation and amortisation	144	81
(Gains)/Losses on foreign exchange transactions	(320)	15
Share-based payments	292	391
<b>Changes in working capital:</b>		
(Increase) in trade and other receivables	(1,286)	(41)
(Increase) in contract costs	(281)	(274)
(Increase) in contract assets	(153)	(156)
Decrease in inventory	8	4
Increase in trade and other payables	353	542
Increase in deferred revenue	1,062	212
Effect of foreign exchange variance	(7)	-
<b>Net cash used in operating activities</b>	<b>(5,307)</b>	<b>(3,399)</b>

## 7. Cash and cash equivalents and cash on deposit

	As at 30 Sept. 2018 Unaudited NZ\$'000	As at 31 March 2018 Audited NZ\$'000
Cash at bank and on hand	2,247	1,342
Short-term deposits	-	2,000
Cash on deposit *	17,965	1,500
<b>Total cash and cash equivalents and cash on deposit</b>	<b>20,212</b>	<b>4,842</b>

\* Cash on deposit is in the form of term deposits that require a notice period of between 120 - 365 days to access.

Cash on deposit includes a guarantee for \$500,000 which has been provided to De Lage Landen Limited, for a Microsoft Azure agreement, against the Group's cash reserves.

## 8. Trade and other receivables

	As at 30 Sept. 2018 Unaudited NZ\$'000	As at 31 March 2018 Audited NZ\$'000
Trade receivables	1,976	1,197
Expected credit loss	(36)	(11)
<b>Net trade receivables</b>	<b>1,940</b>	<b>1,186</b>
Prepaid expenses	589	130
Other	76	3
<b>Total trade and other receivables</b>	<b>2,605</b>	<b>1,319</b>

## 9. Trade and other payables

	As at 30 Sept. 2018 Unaudited	As at 31 March 2018 Audited
	NZ\$'000	NZ\$'000
Trade payables	563	353
Accrued expenses	151	97
Employee entitlements	1,197	1,108
<b>Total trade and other payables</b>	<b>1,911</b>	<b>1,558</b>

## 10. Share capital and EPS

33.3 million shares were issued through a placement and share purchase plan in May 2018 at A\$0.60 per share (31 March 2018: nil).

	For the period ended 30 Sept. 2018 Unaudited		For the year ended 31 March 2018 Audited	
Fully Paid Ordinary Shares	NZ\$'000	000's	NZ\$'000	000's
In issue as at 1 April	63,192	145,493	62,644	142,645
Exercise of share options	292	356	548	2,848
Issue of share capital from placement	15,279	25,000	-	-
Issue of share capital from entitlement offer	5,229	8,333	-	-
<b>Closing balance*</b>	<b>83,992</b>	<b>179,182</b>	<b>63,192</b>	<b>145,493</b>

\* The 179.182M shares outstanding as at 30 September 2018 includes 51.482M shares under voluntary escrow. These shares are escrowed for 24 months from the date of the IPO. These shares were initially escrowed for 24 months from the date of the IPO (up until 27 April 2018); however, they have now been voluntarily escrowed for a further 12 months from that date.

### Dividends

No dividends have been declared or paid for the six month period ended 30 September 2018 (2017: nil).

### 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.

For the six months ended 30 September	2018 Unaudited	2017 Unaudited
	NZ\$'000	NZ\$'000
Net loss after tax attributable to the shareholders (NZ\$'000)	(5,119)	(4,200)
Ordinary number of shares ('000's)	179,182	145,193
Weighted average number of shares on issue ('000's)	171,140	144,688
<b>Basic and diluted (loss) per share</b>	<b>(0.03)</b>	<b>(0.03)</b>

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.

## 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 fair value of the options at grant date are calculated using the Black-Scholes model. During the six month period ended 30 September 2018, 1,625,000 share options were issued with an exercise price ranging from A\$0.60 to A\$0.89. 356,000 share options issued under the New ESOP were exercised during the period, all with an exercise price of A\$0.50.

### Legacy ESOP

There were no new options issued under this model for the six months ended 30 September 2018.

### New ESOP

The fair value of options granted during the period was estimated on the grant date using the following assumptions:

	Six months ended 30 September 2018 Unaudited	Year ended 31 March 2018 Audited
Dividend yield	0.00%	0.00%
Expected volatility	50.00%	50.00%
Risk-free interest rate	2.37% - 2.54%	2.17% - 3.00%
Option life	7 years	5 - 10 years
Grant date share price	A\$ 0.79 - 0.89	A\$ 0.40 - 0.47
Exercise price	A\$ 0.60 - 0.89	A\$ 0.0003 - 0.4667

The weighted average fair value of the options granted during the six months ended 30 September 2018 was \$0.53 (year ended 31 March 2018: \$0.37).

For the six months ended 30 September 2018, the Group has recognised \$292k of share based payment expense in the consolidated income statement (30 September 2017: \$391k).



## 12. Lease liabilities

The Group enters into property lease agreements for the head office, based in Wellington, New Zealand. The lease agreement, entered into in April 2017 began on 1 September 2017. The term of the lease is for three years with a right of renewal for an additional three years. The details for the lease are as follows:

Lease liabilities	2018 NZ\$'000 Unaudited			
Property	0—12 months	1—2 years	2+ years	Total
Level 7, 44 Victoria Street, Wellington NZ	117	134	57	308

Potential Future Rental Payments (assumes a six year lease term)	2018 NZ\$'000 Unaudited			
Property	Lease liabilities recognised	Payable in 1—5 years	Payable in 6—10 years	Total
Level 7, 44 Victoria Street, Wellington, NZ	308	268	-	576

## 13. Financial instruments and financial risk management objectives

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

The Group classifies its financial assets at amortised cost.

The Group classifies its financial liabilities at amortised cost.

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

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

Refer to the 31 March 2018 annual report for further details on the Group's financial risk management objectives.

## 14. Intangible assets, property & equipment and right-of-use assets

	Right-of-use assets Unaudited	Intangible assets Unaudited	Property and equipment Unaudited	Total Unaudited
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
<b>Cost</b>				
Balance as at 1 April 2018	424	71	243	738
Additions	-	59	324	383
Disposals and write-offs	-	-	(7)	(7)
<b>Balance as at 30 September 2018</b>	<b>424</b>	<b>130</b>	<b>560</b>	<b>1,114</b>
<b>Depreciation, Amortisation and Impairment</b>				
Balance as at 1 April 2018	(76)	-	(137)	(213)
Depreciation and amortisation	(65)	(2)	(74)	(141)
Disposals and write-offs	-	-	7	7
<b>Balance as at 30 September 2018</b>	<b>(141)</b>	<b>(2)</b>	<b>(204)</b>	<b>(347)</b>
<b>Net book value</b>	<b>283</b>	<b>128</b>	<b>356</b>	<b>767</b>

## 15. Related Parties

Details of all related party relationships have been disclosed in the annual report for the year ended 31 March 2018. For the six month interim period, no new transactions with directors occurred that would be considered a related party transaction. The value of outstanding balances payable to key management and directors at balance date total \$56k (31 March 2018: \$215k).

During the six month period ended 30 September 2018, 450,000 share options issued to Paul Reid in March 2018 were ratified at the Annual General Meeting (AGM) on 23 August 2018. A further 450,000 share options were issued to Dr Monica Saini (appointed to the Board on 23 August 2018) and approved at the same AGM.

## 16. Contingencies and commitments

### Contingent liabilities and capital commitments

The Group had no contingencies or commitments to purchase fixtures or equipment as at 30 September 2018 (30 September 2017: nil).

## 17. Events after the balance sheet date

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



# Independent Review Report



## INDEPENDENT REVIEW REPORT

### TO THE SHAREHOLDERS OF VOLPARA HEALTH TECHNOLOGIES LIMITED

We have reviewed the condensed consolidated interim financial statements of Volpara Health Technologies Limited ('the Company') and its subsidiaries ('the Group' or 'Volpara') which comprise the consolidated statement of financial position as at 30 September 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 8 to 22.

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

#### Board of Directors' Responsibilities

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

#### Our Responsibilities

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of Volpara Health Technologies Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditor and the provision of assurance review services for a Callaghan Innovation (R&D Growth) Grant, we have no relationship with or interests in the Group. These services have not impaired our independence as auditor of the Group.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Volpara do not present fairly, in all material respects, the financial position of Volpara as at 30 September 2018 and its financial performance and cash flows for the period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

A stylized, handwritten-style signature of "Deloitte Limited" in black ink.

19 November 2018  
Chartered Accountants  
WELLINGTON, NEW ZEALAND





**volpara**<sup>®</sup>  
healthtechnologies



# Corporate Directory

## Registered Office

Volpara Health Technologies Limited  
Level 7, 44 Victoria Street  
Wellington Central  
Wellington 6011  
New Zealand

## Board of Directors

Roger Allen AM - Chairman, Non-Executive  
Dr Ralph Highnam - Chief Executive Officer  
Professor Sir Mike Brady - Non-Executive  
Lyn Swinburne AM - Non-Executive Independent  
(did not stand for re-election 23 August 2018)  
John Diddams - Non-Executive Independent  
John Pavlidis - Non-Executive Independent  
Paul Reid - Non-Executive Independent  
Dr Monica Saini - Chief Medical Officer  
(appointed on 23 August 2018)

## 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 13, 20 Customhouse Quay  
PO Box 1990  
Wellington 6011  
New Zealand

## Legal Advisers

Simmonds Stewart (New Zealand)  
Mills Oakley (Australia)  
Preti Flaherty (USA)

## Bankers

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



Volpara Health Technologies Limited

ASX:VHT

(NZ Company no. 2206998/ARBN 609 946 867)