AROA™

ANNUAL REPORT

2023

2023 HIGHLIGHTS

NORMALISED EBITDA[1] PROFITABLE VS. ~ BREAKEVEN (GUIDANCE)

60%↑
TOTAL REVENUE

55%↑
PRODUCT REVENUE

268% ↑
MYRIAD™ PRODUCT REVENUE, TO NZ$13.5M

8%↑
PRODUCT GROSS MARGIN

2
NEW PRODUCTS LAUNCHED POST 31 MARCH 2023 (MYRIAD MORCELLS FINE™ & SYMPHONY™)

FIRST US FDA CLEARANCE RECEIVED POST 31 MARCH 2023 FOR COMPONENTS OF ENIVO™ SYSTEM

CONTENTS

KEY DATES

3 AUGUST 2023	Annual General Meeting of Shareholders
30 SEPTEMBER 2023	Financial Half Year End
28 NOVEMBER 2023*	Half Year Results Announcement
31 MARCH 2024	Financial Year End

**Indicative date*

This Annual Report is dated 30 June 2023 and is signed on behalf of Aroa Biosurgery Limited by Jim McLean, Independent Chair of the Board and Brian Ward, Managing Director and CEO.

J. N. McLean

Jim McLean
Independent Chair
of the Board

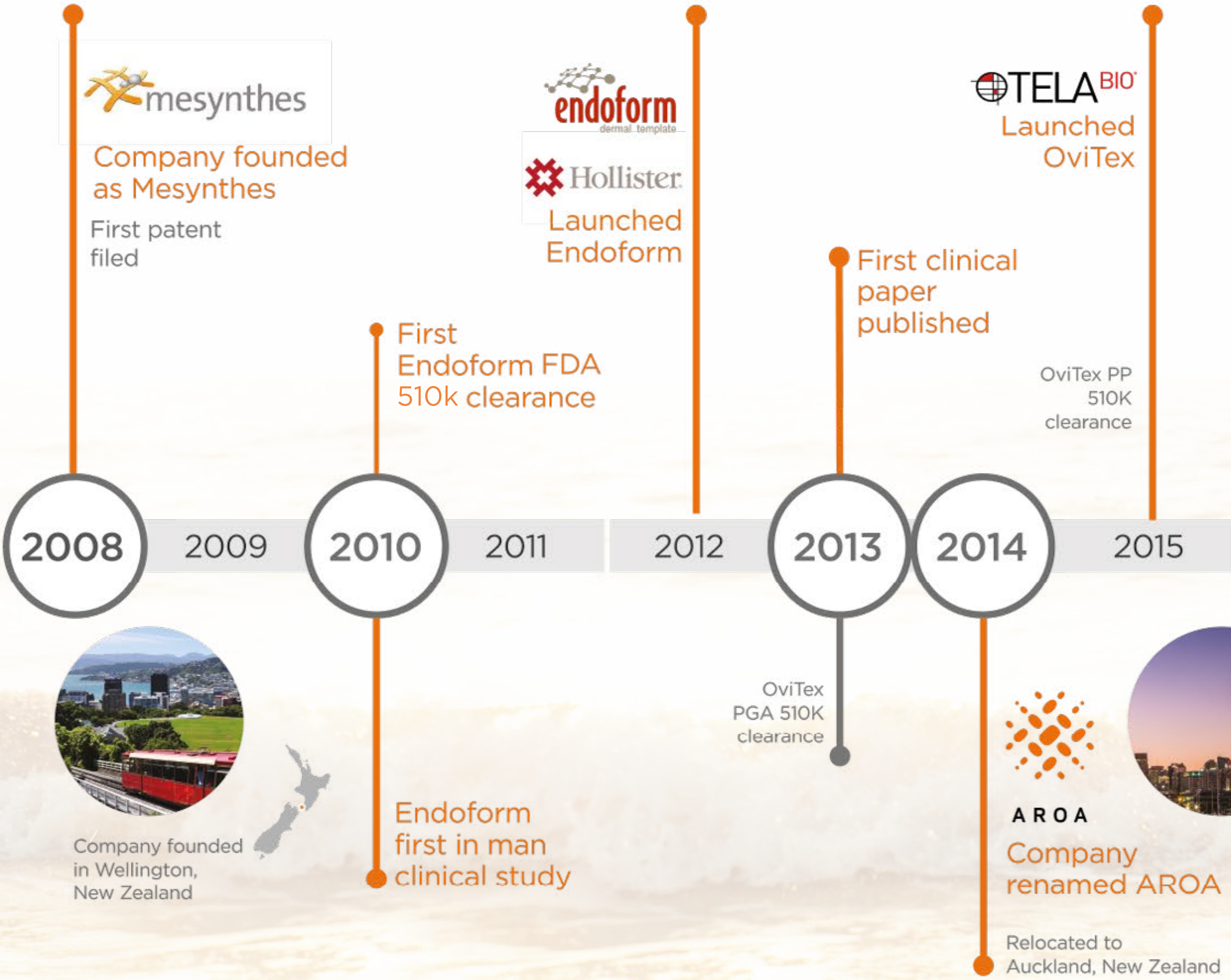
B R Ward

Brian Ward
Managing Director
and CEO

AROA'S JOURNEY TO DATE

2023 marks fifteen years since veterinary surgeon Brian Ward founded AROA with a vision to unlock regenerative healing for every*body*. Brian identified that the use of ECM for wound repair and soft tissue reconstruction was constrained by variable results and the high cost of existing products. He recognised the regenerative properties of ruminant forestomach ECM technology and was determined to improve patient outcomes by offering a leading ECM that is purposefully priced to improve patient access.

We are very proud to reflect on the significant milestones our team has achieved in that relatively short time. With your support, over 6 million AROA devices (and counting) have been applied in treating patients globally.



2016

2017

Endoform Antimicrobial 510K clearance

2018

Appulse Established

Endoform™ Natural Restorative Bioscaffold

Endoform™ Antimicrobial Restorative Bioscaffold

Launched

Myriad 510K clearance

Hollister divested wound care

2019

San Diego office opened. Inside sales launched.

TELA BIO® Restella launched

Restella 510k clearance

Myriad Matrix™ Soft Tissue Bioscaffold Launched

2020

ASX Initial public offering

Myriad Morcells clearance

Symphony 510K clearance

2021

Fully direct US sales team established

2022

Second manufacturing facility in Auckland opened

Myriad Morcells™ Morcellized Bioscaffold Launched

Today

6+ MILLION devices applied in patients

270+ employees worldwide

Myriad Morcells Fine™ Launched

Symphony™ Proliferative Bioscaffold Launched

RESULTS IN BRIEF

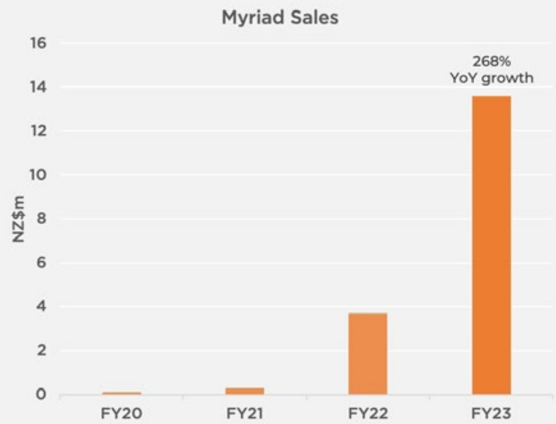
NZ $63.4m
TOTAL REVENUE
(↑ 60% ON FY22)

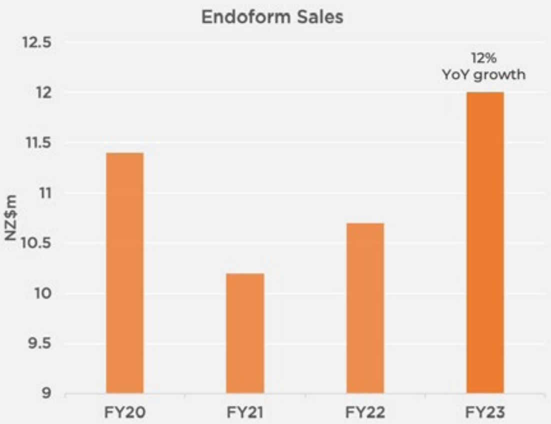
NZ $60.5m
PRODUCT REVENUE
(↑ 55% ON FY22)

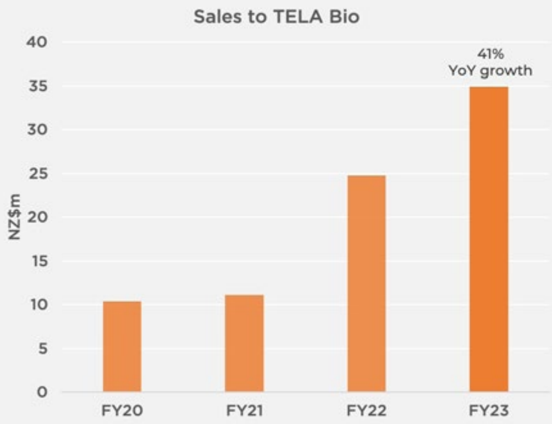
84%
PRODUCT GROSS MARGIN
(↑8% ON FY22)

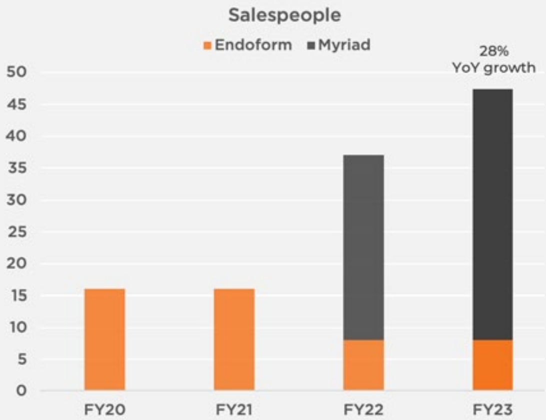
NZ $1.5m
NORMALISED EBITDA

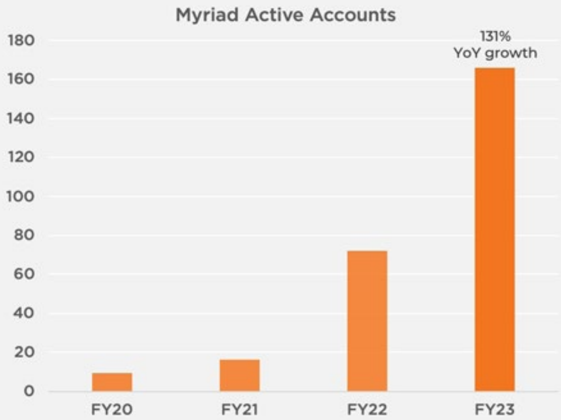
NZ ~$45m
CASH BALANCE

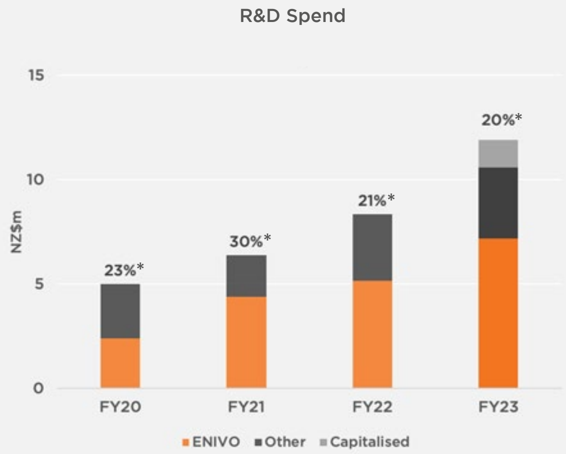




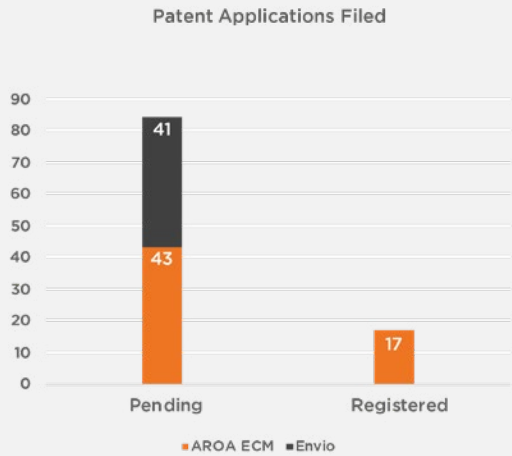








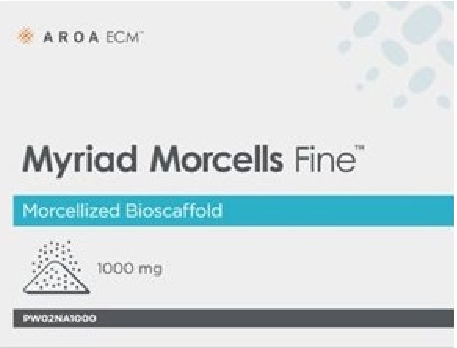
*% of product sales



Reflects an aggregate of 101 patent applications filed, relating to 14 patent families

NEW PRODUCTS

We are excited about the recent US launch of our latest products designed to achieve a step change in healing outcomes.



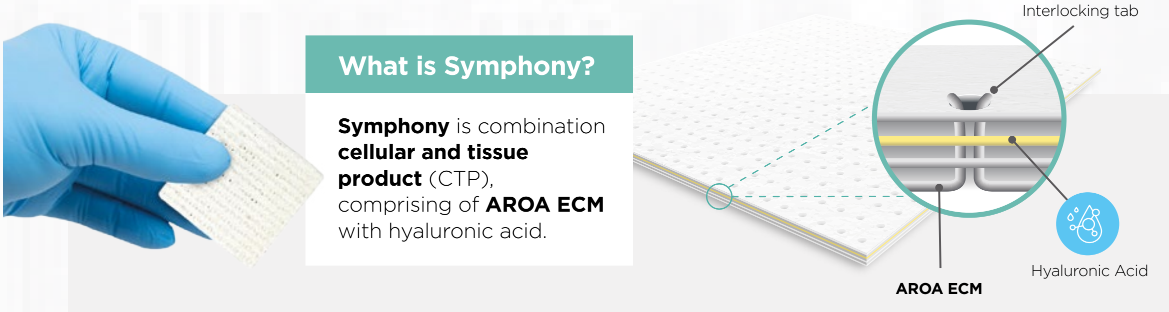
Myriad Morcells Fine

Myriad Morcells Fine is a morselised conformable ECM graft that can be used either by itself or synergistically with Myriad Matrix.

Key features include:

- increased particulate surface area maximises delivery of biology from the AROA ECM™.
- conforms to optimize contact with the wound bed & helps create a planar wound surface.
- faster incorporation & hydration (vs. Myriad Morcells).

Symphony™
Proliferative Bioscaffold



Symphony

We formally launched Symphony at industry-leading conference, Symposium of Advanced Wound Care, in April this year. It is designed to facilitate the regeneration of functional tissue and the combination of AROA ECM and hyaluronic acid (HA) acts synergistically to drive wound closure. Symphony is typically used in diabetic, venous and pressure ulcers, alongside a wide array of other acute and chronic surgical and traumatic wounds.

Key features include:[2]

- HA is a naturally occurring component of tissue ECM and plays an important role in accelerating soft tissue repair. HA has been shown to reduce wound healing times and improve the quality of new tissue.
- Symphony's unique engineered structure enables rapid 3-dimensional cell migration and proliferation to help drive wound closure, while allowing exudate flow.
- Multiple layers add more structure and biology, and enhances biomechanical strength.

CHAIR'S REVIEW

AROA is reaching an inflection point and entering an exciting new stage of its evolution.

The Board has been very focused on ensuring that the Company is set up to deliver sustainable profitable growth over the long-term. This strategy continues to deliver results.

AROA's FY23 performance reflects strong compounding growth across all key metrics. AROA was profitable on a normalised EBITDA basis, exceeding our guidance and marking the first year we have been in that position since listing. The Company also delivered on the remaining components of guidance with 60% growth in total revenue, 55% growth in total product revenue and an 8% increase in product gross margin. These are impressive statistics, and on behalf of the Board, I want to congratulate Brian and our people for their continued exceptional work.

I also want to take this opportunity to reflect on AROA's progress in the fifteen years since founding. The Company has achieved many significant milestones in that short time, exemplifying its culture of agility and delivery. The AROA ECM portfolio now comprises of four commercialised product families, representing eight products in multiple formats. The talent and breadth of our US commercial team and operations is notable, as it is just two years since we moved away from our shared salesforce with Hydrofera, LLC. The team has done an excellent job, delivering year-on-year growth in Myriad sales with 268% growth in FY23.

The Company is well placed to continue delivering strong top-line growth from current and future products. Our existing AROA ECM portfolio has an estimated TAM of over US$3 billion[3] and compounding sales growth proves the compelling value of our existing products to customers. We are confident this will continue well beyond the US$61 million achieved in FY23.[4]

AROA is in a very strong cash position. As Brian outlines in the CEO's Report, we have decided to invest into bringing AROA's innovative second technology platform, Enivo, to market as quickly as possible. Enivo has an estimated TAM of over US$1 billion[5] and is expected to deliver a pipeline of new products to

fuel medium and long-term returns. The increasingly profitable nature of our business allows us to continue this investment whilst trading EBITDA positive on a normalised basis.

We are committed to ensuring AROA stays true to its core vision and culture in spite of the changes our continuing growth will inevitably bring. We have reviewed and updated AROA's Values; a set of principles and behaviours we want our people to embody, and which guide our decisions. We are pleased to share these with you in this Annual Report. Sustainability is also a key focus at leadership level, and we are pleased to present our inaugural Sustainability Report within this Annual Report.

As previously announced, Dr. Catherine Mohr joined the Board in November 2022. She brings an impressive breadth of skills and experience, complementing the other Directors' perspectives. We have also refreshed the composition of two of our permanent Board committees, including to reflect her addition. The changes and current membership of each Board committee is outlined in this Annual Report.

AROA is on a strong growth trajectory, supported by a team of over 270 across New Zealand and North America and regulatory approval in over 50 countries. Our shareholders' confidence in AROA is instrumental to our success and we thank you for your continued support.

J. N. McLean

Jim McLean

Independent Chair of the Board of Directors

CEO'S REPORT

We have for the second year running exceeded our initial revenue guidance and also met or exceeded other upgraded guidance. This is testament to the accelerating momentum underpinning AROA's corporate strategy and the hard work and dedication of our people. As Jim outlined, AROA is entering a new phase with confidence, buoyed by the fundamentals already in place.

US operations delivering results

As previously signalled, we continued to invest into our US commercial operations, growing the overall resource by ~30% to 70. We now have 41 field sales representatives and given the importance of reimbursement in driving Symphony conversion, have established an in-house customer reimbursement support function.

Our investment continues to furnish results. We expected Myriad sales to underpin AROA's growth, and the team delivered; with strong sales of Myriad Matrix and Myriad Morcells contributing 22% of total product sales (reflecting an impressive 268% increase), 131% year-on-year growth in Myriad active accounts[6] to 166 and ten field sales representatives at an average run rate of over US$500,000 per annum. Myriad is now our direct sales team's highest selling brand.

We have also added leading GPO, Premier Inc., to our existing complement of contracts, and now have purchasing agreements in place with all four of the largest GPOs in the US. Over 95% of US hospitals have access to our products through their primary GPO.

We are also continuing to build upon the clinical evidence for Myriad, with progress on the Myriad Augmented Soft Tissue Regeneration Registry (MASTRR) study tracking ahead of target. The MASTRR study is AROA's largest prospective study to date, evaluating AROA's Myriad Matrix and Myriad Morcells products (including short and long-term healing outcomes and any observed post-surgical complications) in a wide range of surgical specialties and procedures in the US. At the end of FY23, 156 patients had been recruited across four sites, against the study target of 300 patients across ten sites.

Enivo system

We are very pleased with the progress achieved since FY22 on Enivo, AROA's innovative second technology platform. We plan to develop a portfolio of products based on this platform over time for a range of soft tissue reconstruction procedures. The Enivo system is comprised of a specially designed AROA ECM implant that is coupled to an external negative pressure pump, and designed to close tissue cavities at a surgical site created by surgical dissection or tissue removal.

The Enivo technology reflects significant commercial potential; representing a unique opportunity to address a currently unmet market need, leverage synergies with the existing AROA ECM portfolio to deliver a

step change in outcomes and leverage and enhance the productivity of our field sales team. To maximise shareholder value, we have and are continuing to invest into accelerating the commercialisation of Enivo. This strategy has meant that we have sacrificed becoming highly profitable in the short-term to ensure that our medium-term portfolio has the potential to transform healing outcomes for patients and reward shareholders for this investment. In the absence of the Enivo investment, AROA's normalised EBITDA for FY23 would have been NZ$8.5 million - demonstrating that our existing underlying business is already highly profitable on a normalised basis.

On 7 April 2023, we received US FDA 510(k) clearance for the pump and catheter, key components of the Enivo system. We are currently pursuing further dialogue with the US FDA to clarify the additional requirements for the remaining components and expect to provide further updates in late September.

We are also developing a body of clinical evidence for Enivo. A peer-reviewed pre-clinical study published in October 2022[7] demonstrates the potential benefits of Enivo to promote tissue apposition and reduce the formation of seromas in surgical sites. Seromas are a common post-surgical complication which can disrupt healing, increase pain, oedema (swelling) and result in poor cosmetic outcomes. They can also lead to more severe complications such as wound dehiscence, infection and necrosis of overlying tissue. The study found that use of Enivo resulted in near complete dead space closure at the conclusion of treatment (two weeks post-treatment), with a median seroma area of 2% and median seroma volume of 1.3 mL, compared to an area of 98% and volume of 188.5 mL for the Standard of Care treatment. We have also commenced a pilot clinical study (n=10) evaluating the use of Enivo in mastectomies. We expect this study to conclude in March 2024.

TELA Bio

TELA Bio continued to perform strongly, reporting CY22 total revenue growth of ~41% to US$41.4 million. TELA Bio has also bolstered its funding, with net proceeds of US$46.4 million received from an underwritten public offering completed after 31 March 2023.

International sales and NZ operations

AROA's international sales network continued to build momentum, delivering a 60% increase on FY22 ex-US product revenue. The pipeline looks promising, including with a contract in place to provide leading Canadian GPO, HealthPRO's over 1,300 members with access to Endoform Natural and Endoform Antimicrobial from 1 June 2023. AROA also received regulatory clearance for Myriad Matrix in Australia and Brazil during the financial year.

The Company invested further into its manufacturing operations, and now has the capacity to support product sales of ~NZ$150 million. We have also operationalised initiatives to improve efficiencies and support medium-term growth. This includes implementing an enterprise resource planning platform for the New Zealand operations and acquiring additional office space in close proximity to the existing New Zealand sites.

FY24 outlook

We will continue to focus on disciplined investment into our US commercial operations to drive growth, while also managing expenses to facilitate increasing profitability beyond FY24.

We expect our expanded product portfolio to drive product revenue and gross margin growth, through sales of our higher margin Myriad and Symphony products. Our recently launched Myriad Morcells Fine products can be used synergistically with the existing Myriad Matrix products. Symphony is also a notable addition to our portfolio. It builds upon our existing Endoform business in the outpatient setting and early clinical feedback indicates effective healing and persistence. Whilst TELA Bio's CY23 product revenue is expected to grow by 45-57%, we are currently assuming modest growth in FY24 product sales to TELA Bio due to high safety stock levels during H1 and lumpy shipments of replacement SKUs. We will have increasing clarity of TELA Bio's demand requirements as the year progresses.

Assuming currency headwinds (reflecting a constant currency rate of US$0.65/NZ$1.00), we have announced product revenue, product gross margin and normalised EBITDA guidance of NZ$72-75 million, 85% and NZ$1-2 million respectively.[8]

We also look forward to Scott Sherriff joining our leadership team as Chief Operating Officer from July. Scott has substantial global sales and marketing experience, including with Novartis in the US and Bayer in Europe. His most recent role was as Chief Commercial Officer at Douglas Pharmaceuticals, a New Zealand headquartered life sciences company that, like AROA, develops, manufactures and commercialises products globally. Scott will further bolster our existing sales and marketing expertise and we look forward to having him on board.

Concluding remarks

2023 marks fifteen years since I founded AROA to unlock regenerative healing for every*body*. It has been an incredibly rewarding journey, seeing that vision crystalising with the support of many stakeholders; customers, commercial partners, suppliers, government agencies, and especially – our shareholders and our people. I am proud of everything that we have achieved so far, and I look forward to the future as we advance that founding vision.

B R Ward

Brian Ward

Managing Director and CEO


TELA Bio
Endoform

OUR VALUES

A core set of values helps us stay true to who we are, identify the behaviours we want our team to display and guides our decision making. As a growing business, change is constant and our values provide an anchor, representing what we stand for and helping to shape our future.

Being a trusted partner means that we take the opportunity to build relationships with the people we encounter. Whether interacting with other team members, suppliers or customers, we use our skills to earn trust and credibility. We communicate effectively, are transparent and keep patient outcomes front of mind.

We courageously push boundaries, are entrepreneurial in our approach and focused on innovation.

We are proud of the diversity across our team and want to foster a sense of belonging at AROA. We respect and appreciate each other, and are encouraged to bring our true selves to work, letting our personality, values and spirit shine through.

As a team, we know that we can achieve so much more together. Through conscious collaboration we can support each other to get the best outcomes. Along the way we will become more resilient and respond to challenges more effectively as they arise. In the long run, our relationships will be stronger allowing us to focus on successful patient outcomes.

OUR BOARD

James McLean

BOARD RESPONSIBILITIES
Chairman and independent non-executive director and member of the Audit Committee. Until 1 March 2023, Jim also served as member of the Risk Committee and member of the Remuneration & Nomination Committee

TERM OF OFFICE
First appointed 10 August 2011
Last re-elected 10 August 2022

James (Jim) is a resident of New Zealand. He has over 25 years' experience serving as chair, director, or an executive of research and technology businesses for both commercial and New Zealand Government organisations. In addition to AROA, current appointments include Chair of Prevar Limited and R J Hill Laboratories Limited.

He was Chair of the New Zealand Institute of Plant & Food Research and Chair of its predecessor HortResearch, as well as several private businesses and start-up companies. He served on the board of the then Foundation for Research, Science, and Technology including five years as Deputy Chair. Jim was an executive and director of Genesis Research & Development Corporation Limited during its early stages through to public listing.

Before specialising in science and technology businesses, Jim held management positions with an international manufacturing business and spent thirteen years as a partner at chartered accountants, EY. His time at EY was focused on business strategy and included two years' secondment to EY's Washington DC office.

Jim has a BSc (Hons) in Chemistry from University of Otago and a Post Graduate Diploma in Accounting from Victoria University of Wellington.

Brian Ward

BOARD RESPONSIBILITIES
Managing Director (and CEO)

TERM OF OFFICE
First appointed
21 September 2007

Brian is the founder of AROA and a resident of New Zealand. He has held senior corporate roles in life sciences and health care companies for more than 25 years. He has extensive management experience in life science companies spanning clinical, technical, sales, marketing, corporate development and strategy having worked for a number of multinationals including Baxter, Beecham and SmithKline Beecham throughout the world. He has managed investments into New Zealand technology companies for the Foundation for Research Science and Technology, served as the founding CEO of NZBio, and has sat on a number of government and industry expert panels.

Brian has been responsible for leading AROA's growth from start-up through to the present.

As CEO and a substantial shareholder in the Company, he is considered by the Board to not be an independent director.

Brian is a graduate of Massey University with a Bachelor's degree in Veterinary Science, a Member of the Royal College of Veterinary Surgeons (UK), and holds a Masters degree in Business Administration graduating with distinction.

DR. CATHERINE MOHR

BOARD RESPONSIBILITIES
Independent non-executive director and (from 1 March 2023) member of the Risk Committee

TERM OF OFFICE
First appointed 1 November 2022

Catherine is a New Zealand citizen and resident of the US. She has over 30 years' experience across a diverse range of fields, including engineering, healthcare, alternative energy, aerospace and global entrepreneurship.

Her expertise spans many areas related to AROA's next stage of growth, including medtech product research and development, FDA approvals, product commercialisation and surgery technology innovation.

She has been President of the Intuitive Foundation since 2018. Prior to leading the Foundation, Catherine held senior roles at Intuitive Surgical, including Vice President of Strategy and Director of Medical Research. Intuitive Surgical is a pioneer in the robotic-assisted surgery field and developed the da Vinci surgical robotic system which is used in millions of surgical procedures across the globe every year.

Catherine is also on the board of directors for FINCA International and cofounded VeriSure, where she invented the LapCap™, the first of a new category of laparoscopic surgery enabling products.

Catherine holds a Bachelor of Science and Master of Science in Mechanical Engineering from Massachusetts Institute of Technology (MIT) and Doctor of Medicine from the Stanford University School of Medicine.

STEVEN ENGLE

BOARD RESPONSIBILITIES
Independent non-executive director, Chair of the Remuneration & Nomination Committee and member of the Risk Committee

TERM OF OFFICE
First appointed 1 April 2015
Last re-elected 10 August 2022

Steve is a resident of the US. He has over 20 years' executive leadership experience with public biotech companies developing breakthrough products in metabolic, autoimmune, oncologic and infectious disease areas.

Steve is the CEO and executive director of Gradalis Inc., a late-stage biopharmaceutical company focused on the development and commercialisation of novel personalized therapeutics to treat cancer. He is also the non-executive Chairman of the board of Prescient Therapeutics Ltd. (ASX: PTX), an ASX listed clinical stage oncology company, and executive Chairman of Author-it Software Corporation, a developer of authoring information solutions for pharmaceutical and biotechnology companies. Steve also runs Averigon, an advisory firm to the life science industry on matters ranging from business development to management team coaching.

He was previously CEO of CohBar, a clinical stage biotechnology company developing mitochondria-based therapeutics to treat age-related diseases and extend healthy lifespan. Prior to that, he held roles as Chairman and CEO of XOMA Corporation, a leader in the development of therapeutic antibodies and antibody technologies, and La Jolla Pharmaceutical Company, which discovered the biology of B cell tolerance, developed the first B cell toleragen for lupus patients, and received an approvable letter from the FDA. Earlier, he served as Vice President of Marketing for Cygnus, a drug delivery systems company, where he helped to gain FDA approval and launch Nicotrol for smoking cessation.

He is a former director of industry associations, BIO, BayBio and BIOCOM, and was a member of the board of the Lupus Foundation of America.

Steve holds M.S.E.E. and B.S.E.E. degrees from the University of Texas with a focus on biomedical engineering.

PHILIP MCCAW

BOARD RESPONSIBILITIES
Non-executive director and member of the Remuneration & Nomination Committee

TERM OF OFFICE
First appointed 5 March 2008
Last re-elected 20 July 2021

Philip (Phil) McCaw is a resident of New Zealand and is the Founding Partner of Movac, one of New Zealand's leading Venture Capital funds. He led the original investment round into AROA in 2008, has worked closely with the Company and has served on the Board since then. He is also Chair of the New Zealand Government's Startup Advisors' Council, established to help identify and address the opportunities and challenges facing high growth start-up businesses.

Phil has over 20 years' experience investing into New Zealand technology companies and helping to guide their growth. He was an early investor in Trade Me, New Zealand's leading on-line trading community, which was sold to Fairfax in 2006. Phil was also an early investor into PowerByProxi, a wireless power technology spin-out from Auckland University, which was sold to Apple in 2018.

Outside of Movac, Phil remains an active angel investor and maintains a personal angel investment portfolio. He is a strong advocate for the development of the entrepreneurial and early-stage investment eco-system in New Zealand and was the past Chair of the Angel Association of New Zealand.

Prior to starting Movac, Phil spent 10 years with Deloitte Consulting working in New Zealand and the US.

As a substantial shareholder in AROA, Phil is considered by the Board to not be an independent director.

Phil has a Bachelor of Business Studies (Senior Scholar) from Massey University.

JOHN PINION

BOARD RESPONSIBILITIES
Independent non-executive director, Chair of the Risk Committee and member of the Audit Committee

TERM OF OFFICE
First appointed 1 February 2015
Last re-elected 20 July 2021

John is a resident of the US. He has over 30 years of global experience leading biologic, small molecule pharmaceutical, gene therapy and device operations across Asia, Europe and the Americas. His expertise and leadership spans engineering, quality, manufacturing and translational sciences. He joined Ultragenyx in July 2015 and currently holds the role of EVP, Translational Sciences and Chief Quality Operations Officer. He provides leadership for Ultragenyx's translational sciences functions which includes Pharmacology and Toxicology, Research and Bioanalytical Development, as well as GxP Quality and Compliance and CMC Analytical QC.

As a key member of Ultragenyx's executive leadership team reporting directly to the CEO, he also contributes to ongoing business development, clinical development, commercial and strategic planning activities.

John is also an advisory board member for Celestial Therapeutics, Inc., a biopharmaceutical company focused on the development and commercialisation of next-generation novel and ground-breaking mRNA vaccines and therapeutics for the treatment and prevention of a variety of infectious diseases, rare diseases and cancers.

John has previously held operational and senior leadership roles in Genentech (subsequently Roche post Genentech acquisition, as Senior Vice President and Global Head of Quality and Compliance for Pharma Technical Operations) and Baxter International's Renal, Bioscience, Parenterals and Device divisions.

He holds a B.S. in Mechanical Engineering from West Virginia University.

JOHN DIDDAMS

BOARD RESPONSIBILITIES
Independent non-executive director and Chair of the Audit Committee. Member of the Remuneration & Nomination Committee from 1 March 2023

TERM OF OFFICE
First appointed 21 November 2019

John is a resident of Australia and has over forty years' experience as a CFO, CEO and director of both private and publicly listed companies. John is currently the non-executive Chairman of xReality Group Limited (ASX:XRG), and is a non-executive director of Surf Lakes Holdings Limited and DIT AgTech Limited.

John has extensive knowledge and experience in the practical application of ASX Listing Rules, Australian corporations' law, international accounting standards and corporate governance principles. He heads a CPA firm providing corporate advisory services to SME and mid-cap companies and has managed the listing process, secondary capital raisings and ASX listings in a number of diverse industry sectors, including oil and gas, food and retail, telecommunications, adventure tourism, biotechnology, and the dental and medical sectors.

John holds a Bachelor of Commerce from University of NSW, is a Fellow of the Australian Society of CPAs and a Fellow of the Australian Institute of Company Directors.

OUR SENIOR LEADERSHIP TEAM

BRIAN WARD

Chief Executive Officer and Founder, Managing Director

See previous section.

JAMES AGNEW

Chief Financial Officer and Joint Company Secretary

James joined AROA's management team in 2013 and has over 20 years' experience in business and finance. He has extensive experience in corporate finance, investment management, M&A, strategic and operational planning, contractual management and negotiation, international taxation and compliance, including US GAAP.

Prior to this role, he was the VP of Finance & Operations for MXM Mobile (a division of the Meredith Corporation) based in New York, overseeing all international subsidiaries following the acquisition of The Hyperfactory Ltd (NZ high growth technology company) where he held the role of Group Financial Controller. In his earlier career, James worked in public practice providing accounting and business advisory services to a diverse range of successful New Zealand companies.

In 2011 James was a finalist in the Young Financial Manager of the year at the Annual CFO Awards. James holds a Bachelor of Laws and Bachelor of Commerce from Auckland University.

DR. BARNABY MAY

Chief Scientific Officer

Barnaby joined AROA's management team in 2008. He completed his doctoral thesis on the design and synthesis of novel HIV protease inhibitors at the University of Canterbury, New Zealand. He subsequently undertook postdoctoral studies in 2000 at the University of California San Francisco (UCSF). During this time, he established and led a drug discovery program targeting human prion diseases, and successfully identified a compound that underwent immediate clinical studies. Barnaby developed additional related research programs in the areas of protein misfolding diseases, parasitic diseases, computational and structural biology. In 2003, he accepted an invitation to a faculty role at UCSF where he built and led a drug discovery program. This program spanned target and lead identification, high-throughput screening, medicinal chemistry, and pre-clinical pharmacokinetics. In 2004, Barnaby joined InPro Biotechnology as Scientific Director to lead product development of prion-related medical devices and diagnostics. After 8 years abroad, he returned to New Zealand in 2008 and joined AROA.

BRAD ADAMS

VP – Commercial (USA)

Brad joined AROA in November 2019. He has over 22 years of experience in the strategic sales and marketing of medical devices within the United States medical system and in other jurisdictions. Prior to AROA, he served as Vice President, Sales at ACell Inc., a Columbia, Maryland based regenerative medicine company. Brad has also held roles within both the Smith+Nephew, and, Johnson & Johnson families of companies, much of the time spent in senior global commercial roles. Brad has a proven record of accelerating revenue growth across multiple platforms including medical device, pharmaceutical, biologic, wound/tissue repair and regenerative medicine.

Brad holds a Master of Health Administration (Medical College of Virginia), a Bachelor of Arts in Economics with distinction (Virginia Military Institute) and has undertaken professional courses at Harvard Business School and The Wharton School, University of Pennsylvania. He is a long-standing member of the American College of Healthcare Executives.

ROD STANLEY

VP – Manufacturing Operations

Rod joined AROA in 2013 and has over 15 years' experience in medical device design and manufacturing.

Prior to joining AROA, Rod worked in development of novel polymer coatings for microfluidic devices at Industrial Research Limited. Rod's professional expertise includes chemical processing of biomaterials, and implementation of steralisation processes. During his time at AROA, Rod's focus has been on process design and transfer into manufacturing, redevelopment and scale-up activities for the Auckland site, as well as overseeing routine production activities.

Rod holds Master of Science and Bachelor of Science degrees in Chemistry from the University of Otago.

ISAAC MASON

VP – Product Development

Isaac joined AROA in 2014, and has held several senior Engineering roles, including leading the development of AROA's Tissue Apposition Platform, Enivo.

Isaac is responsible for leading AROA's Product Development program including portfolio management, selection and prioritization of projects, new product and process development activities, project management, technical oversight, and resourcing.

Prior to starting at AROA, Isaac held roles at Olympus Surgical Technologies Europe and Fisher & Paykel Healthcare.

Isaac holds a Bachelor of Engineering with Honors in Mechanical Engineering.

YASMIN WINCHESTER

VP – Quality, Regulatory and Sustainability

Yasmin joined AROA in 2014 and has held several roles in the quality space. Her role covers a wide scope, overseeing quality assurance, as well as regulatory affairs, health and safety, and sustainability. Yasmin's role is responsible for developing and implementing AROA's social and sustainability approach to achieve long-term stability and sustainability of our operations, while continuing to deliver medical devices that are safe and effective for use.

Before joining the AROA team, Yasmin held roles in Quality Assurance at Glaxo Smith Kline and Johnson & Johnson Medical.

Yasmin holds a Bachelor of Science with a major in Biology.

FRAZER MURRAY

Director of Global Marketing and Strategy

Frazer joined AROA in September 2020 and is Director of Global Marketing and Strategy. Frazer's role is responsible for leading Marketing and Strategy on behalf of the organisation, which includes marketing, business & brand strategy, medical device coding & reimbursement and digital promotion.

Frazer worked for almost 6 years as Veterinary Surgeon before moving to human healthcare, and has recently held roles in leadership, sales, strategy and marketing at healthcare companies Novartis and Johnson and Johnson.

Frazer holds a Masters in Business from London Business School, Bachelor of Veterinary Science, and a Certificate in Human Medical Genetics.

NEETHA ALEX-KUMAR

General Counsel

Neetha joined AROA in February 2021, following its IPO. She oversees AROA's legal and risk practice and supports the Company's investor relations activities.

Neetha is an experienced corporate and commercial lawyer. Her professional background includes experience at leading law firms in New Zealand and overseas; including acting on M&A, cross-border intragroup reorganisations and corporate advisory matters at Bell Gully (NZ) and DAC Beachcroft (UK) and on commercial healthcare matters for the UK NHS at Bevan Brittan (UK). Prior to joining AROA, Neetha was at Fisher & Paykel Healthcare where she was Senior Legal Counsel and led the initial development of the group's global privacy practice.

Neetha has a Bachelor of Laws and a Bachelor of Commerce (double majoring in Economics and Finance) from the University of Auckland.

PATRICK HUNT

Director of Business Development

Patrick joined AROA in 2018 as the Director of Business Development. Patrick's role entails overseeing the development of new markets, including identifying opportunities, initiating, and managing relationships with international distribution partners, and directing sales.

Patrick has considerable experience in clinical research and has also held roles in product management, sales, and product planning.

A career highlight for Patrick was being part of the team that developed the first perforated biodegradable interference screw for ACL fixation which has since become the standard implant for ACL reconstruction surgeries.

Patrick is a qualified Veterinary Surgeon and also holds MBA and PhD qualifications.

RACHEL STUART

Director of People and Culture

Rachel joined AROA in February 2022 as the Director of People and Culture.

Rachel and her team focus on enabling people to do their best work, ensuring the culture at AROA creates amazing employee experience and customer outcomes.

Rachel has an extensive background in Human Resources across several industries, most recently leading People & Culture at veterinary software startup ezyVet through a period of considerable growth and their acquisition by IDEXX Laboratories.

Rachel holds a Bachelor of Science with a major in Psychology.

SUSTAINABILITY REPORT

We are pleased to present the Company's inaugural sustainability report, sharing our goals and vision for the coming year.

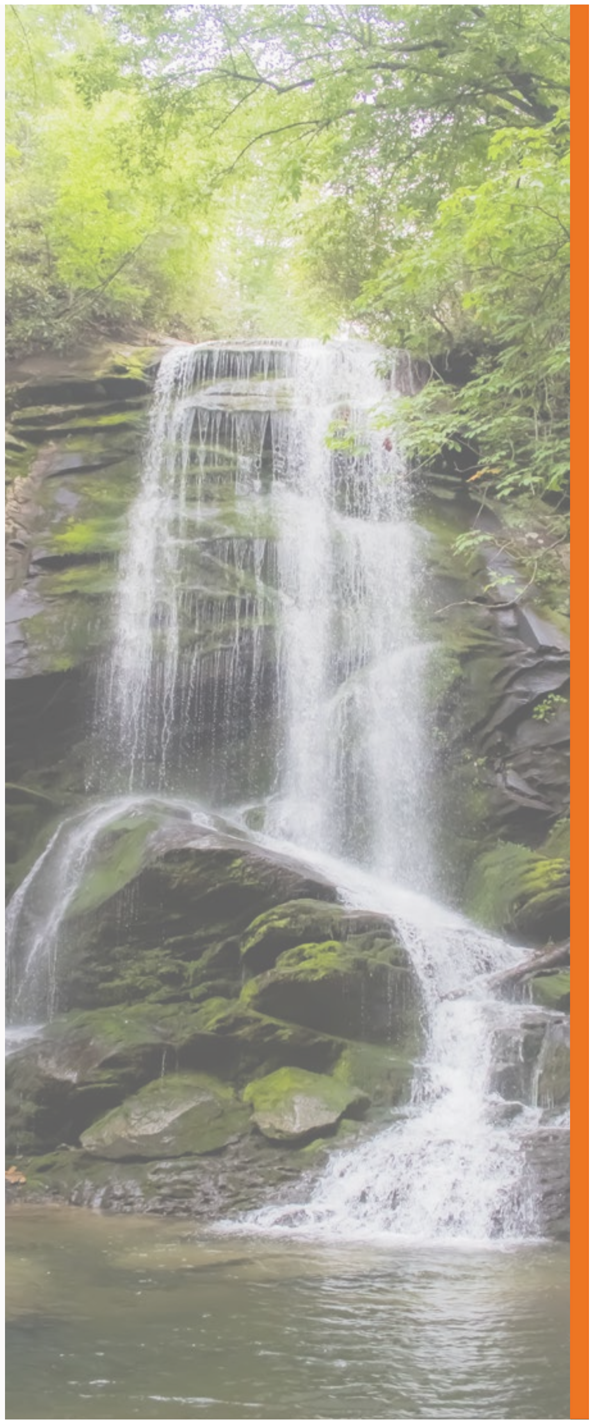
At AROA, we are committed to contributing to a more sustainable future for everybody. We recognise that it takes a collective approach with organisations, individuals and the community all taking meaningful and consistent actions. We are conscious that the decisions we make today, help shape the future.

We support the United Nations Sustainable Development Goals of:

We are working to implement a range of initiatives to support these goals and look forward to sharing our progress in next year's annual report.

Environmental Sustainability

To guide us on our journey, we have developed a dashboard to measure key sustainability metrics, including waste to landfill, water usage, wastewater, electricity usage, and freight carbon emissions. The dashboard will help us to measure our environmental impact, providing data to drive continuous improvements in our sustainability performance. During the next financial year, we will formally review the data and develop reduction targets for our emissions.



Diversity, Equity and Inclusion

We are committed to fostering a diverse and inclusive culture across all levels of the Company.

AROA is te reo Māori for understanding, and we strive to cultivate an environment of respect and understanding of each other.

As at 30 April 2023

270 EMPLOYEES

200 in NZ

70 in North America

OVER 20 DIFFERENT ETHNICITIES SELF-IDENTIFIED BY TEAM MEMBERS

WOMEN MAKE UP **43%** OF OUR EMPLOYEE POPULATION

27% OF WOMEN IN SENIOR LEADERSHIP ROLES

53% OF NZ EMPLOYEES SELF-REPORT AS BEING FROM A ‘DIVERSE POPULATION’.

The table below shows the ratio of women to men among our Board members, executives, senior leadership, and all employees as at 31 March 2023, across New Zealand and North America.

	FY23			
	Women	Men	Women%	Men%
Board	1	6	14%	86%
Senior Leadership Team	3	8	27%	73%
Supervisors and Managers	20	40	33%	67%
All employees	116	152	43%	57%

Our Diversity, Equity, and Inclusion Actions

DIVERSITY WORKS NZ

We are a proud member of Diversity Works, New Zealand’s national body for workplace diversity and inclusion.

95% of people managers participated in Unconscious Bias training as part of our ‘Manager’s Essentials’ training workshops. This training will be provided for all new people managers at AROA as part of our Learning and Development programme, and we look to extend unconscious bias training to the rest of the organisation in FY24.

In 2022, the AROA Women’s Network was established to promote diversity and inclusion. The AROA Women’s Network aims to foster a supportive and empowering community, encouraging women from across all areas of the organisation to build meaningful connections, share their successes and challenges, and support each other.

AROA is committed to reaching 40:40:20 gender representation (40% women, 40% men and 20% open) by 2033. Over the coming year we will further our progress towards gender representation at all levels by setting measurable objectives in line with our scale and number of employees.

To support parents who are returning to work after the birth of a child, we have made a private and comfortable Parents Room available.

Our People and Culture Actions

With the cost of living rising significantly in recent years, we are pleased to report that all our New Zealand based team are remunerated at or above the New Zealand living wage.

To support our objective of being a great place to work, this year we introduced a range of employee benefits designed to attract and retain high calibre team members, including:

Birthday Leave: Permanent team members can take a paid day off on their birthday to celebrate their special day.

Summer hours: Compressed hours available for eligible roles, to maximise the opportunity to enjoy the summer weather and promote work life balance.

Employee Referral Programme: We want AROA to be a place where people feel a strong sense of belonging and recommend joining the team to their friends and family, so we developed the AROA employee referral programme.

In 2022, over 20% of new employees joined AROA through our employee referral program.

Remote Working and Flexible Working: For eligible roles, there are a range of options for onsite, offsite and hybrid working with a focus on flexibility, providing our people with greater choice and autonomy in the ways they can work.

Community

At AROA, we believe it is important to support community initiatives that align with our mission and purpose.

Our Community Actions

Established in 1999, the Middlemore Foundation aims to improve the health and wellbeing of the people of South Auckland, through a range of targeted community initiatives.

South Auckland based Butterbean Motivation (**BBM**) led by "Brown Butterbean" Dave Letele, was established in 2014, to educate and support New Zealand communities that have been struggling with obesity, diabetes and heart disease.

The Middlemore Foundation Health Science Scholarships aim to remove barriers and increase diversity within the health workforce by supporting the journeys of 20 Pasifika students into their first years of university in a health science discipline.

In support of this, AROA was proud to donate $10,000, funding two Health Science Scholarships in 2023.

The 2022 KidzFirst Christmas party, organised and led by Middlemore Foundation and BBM provided the families of over 200 children living with long-term health conditions in South Auckland with a day of entertainment, gifts and fun. Over 6000 gifts and 600 food parcels were given out on the day.

AROA was proud to support this key community event with a $10,000 donation as well as our team members volunteering at the event on the day.

In March, we worked collaboratively with Middlemore Foundation, FOU- The Future is Open To Us, Pūhoro STEMM Academy and other Middlemore Health Science Scholarship funders to support the MALU Girls in STEMM Breakfast Panel Discussion event.

Over 100 young Māori and Pasifika girls heard from Māori and Pasifika women working in Sciences, Technology and Engineering roles. AROA's Esther Ulu, Associate Manager, Quality Control shared her career journey as a panel member.

DIRECTORS' REPORT

The directors present their report on the Group for the financial year ended 31 March 2023.

AROA's activities and operations

AROA is in the business of soft tissue regeneration. During the year, the Group's principal activity was the development, manufacture and distribution of products globally to improve healing in complex wounds and soft tissue reconstruction.

Commentary on the Group's operations and activities during the year is set out in the Chair's Review and CEO's Report.

Financial results for the year

Normalised Profit or Loss

	Reported 2023 NZ$000	Reported 2022 NZ$000	Reported YoY %	CC 2023 NZ$000	CC YoY %
Product revenue	60,512	39,154	55	60,383	38
Normalised other revenue [1]	1,090	526	107	1,083	84
Total revenue	**61,602**	**39,680**	55	**61,466**	38
Gross profit	**51,718**	**30,303**	71	**51,582**	47
Product gross margin %	**84%**	**76%**	800bps	**84%**	500 bps
Other income	1,734	1,116	55	1,734	55
Normalised selling and administrative expenses[1]	(45,131)	(27,693)	63	(45,446)	52
Research and development	(10,612)	(8,354)	27	(10,612)	27
Total normalised operating expenses	**(55,743)**	**(36,047)**	55	**(56,058)**	47
Normalised EBIT	**(2,292)**	**(4,629)**	(50)	**(2,741)**	33
Add back: Depreciation & amortisation	3,834	3,132	22	3,834	22
Normalised EBITDA	**1,542**	**(1,498)**	203	**1,093**	1
Normalised net finance income / (expenses)[1]	1,394	(954)	246	931	224
Normalised loss before income tax	**(898)**	**(5,583)**	(84)	**(1,810)**	(36)

1. These items have been normalised by the amounts outlined within the section headed 'Reconciliation of Normalised Profit or Loss to NZ GAAP Profit or Loss'.

Product Revenue

Product revenue for the year was NZ$60.5 million (NZ$60.4 million in constant currency) representing growth of 55% on the previous year (38% in constant currency). Myriad, OviTex and OviTex PRS products were the major contributors to the growth whereas Endoform grew modestly as expected. Myriad sales contributed 22% to total product sales, growing 268% (236% on a constant currency basis) to NZ$13.5 million. OviTex and OviTex PRS contributed 58% to total product sales, with Endoform making up the balance.

Normalised Other Revenue

Normalised other revenue grew to NZ$1.1 million, compared to NZ$0.5 million in the previous year. Normalised other revenue represents project fees income received for product development projects undertaken with

TELA Bio but excludes the 'one off' royalty payment of NZ$1.8m received from TELA Bio during the year.

Product Gross Margin %

FY23 full year product gross margin of 84% (84% on a constant currency basis), representing an 8% increase on FY22, primarily resulted from growth in sales of high margin Myriad products, manufacturing efficiency improvements and favourable foreign exchange movements. Product gross margin grew 5% on FY22 on a constant currency basis.

Other Income

Other income was NZ$1.7 million, compared to NZ$1.1 million in the previous year. This comprised of tax credits of NZ$1.6 million under the Research & Development Tax Incentive program (compared to NZ$1.0 million previously), rental and grant income.

Normalised Operating Expenses & EBITDA

Selling and administrative expenses were NZ$45.1 million, representing a 63% increase (52% in constant currency) from NZ$27.7 million in FY22. This increase primarily reflects annualisation of the prior year's investment and incremental investment during FY23 into the Company's US-based sales operations and aggregate commission payments to US sales staff for increased Myriad sales.

Research and development expenses were NZ$10.6 million, compared to NZ$8.4 million in FY22. This was largely attributable to the increased investment into the Company's second platform technology (Enivo™) increasing from approximately NZ$5 million in FY22 to NZ$7 million in FY23.

AROA capitalised NZ$1.3 million of development costs in FY23 in line with the NZ Equivalent to International Accounting Standard (NZ IAS 38). These development costs primarily represent investments made into existing product line extensions and manufacturing process improvements, where the Company has certainty of the investments generating future economic benefits.

AROA generated a normalised EBITDA profit of NZ$1.5 million in FY23, compared to a NZ$1.5 million loss in FY22. The normalised loss before income tax was NZ$0.9 million (NZ GAAP Loss before income tax of NZ$0.4 million) compared to loss of NZ$5.6 million in FY22 (NZ GAAP Loss before income tax of NZ$8.3 million).

Notably in the absence of the Enivo investment in FY23, AROA would have delivered a normalised EBITDA profit of NZ$8.5 million, reflecting a normalised EBITDA margin of 14%.

Cashflows

Net cash outflows from operating activities improved to NZ$3.8 million (compared to previous outflows of NZ$11.5 million) as a result of the Company's improved operating performance. AROA's reported positive EBITDA was offset by an increase in the Company's working capital position resulting from year-on-year sales growth. Operating cashflows were also impacted by the timing of OviTex and OviTex PRS sales during the last quarter of the financial year (with subsequent receipts in Q1 of FY24).

Purchases of property plant and equipment were NZ$6.0 million (compared to NZ$4.5 million in FY22) primarily reflecting the Company's investment into plant and equipment to further expand its manufacturing capacity. As noted in the previous section, AROA commenced capitalising development costs in FY23.

Cash on hand and term deposits were NZ$44.7 million as at 31 March 2023 compared to NZ$56.2 million as at 31 March 2022. The Company remains debt-free.

Reconciliation to NZ GAAP profit or loss

	Reported 2023 NZ$000	Reported 2022 NZ$000
Normalised loss before income tax	**(898)**	**(5,583)**
Other Revenue	1,759	-
Share based payments	(2,578)	(2,965)
Transaction costs	-	(50)
Unrealised FX Gains	1,333	336
Loss before income tax (NZ GAAP)	**(384)**	**(8,261)**

Other Revenue

Other revenue of NZ$1.8 million represents receipt of a royalty payment during the current year ($nil in previous year), from TELA Bio. This represents TELA Bio's final royalty payment to AROA pursuant to the parties' licensing agreement.

Share Based Payments

Share based payments is a non-cash expense that reflect the three-year grant of share options issued to the CEO and directors of the Company in H2 of FY23; the vesting of grants made to employees and directors on the Group's IPO in 2020; and to "one-off" grants to certain employees, including the US based sales team during FY23.

Transaction Costs

Transaction costs of NZ$0.1 million in FY22 reflect the costs associated with the capital raise in August 2021.

Unrealised FX gains

Unrealised FX gains are non-cash gains that reflect the gain on US$ denominated transactions that have not been completed as at the reporting date.

Dividends

No dividends were paid, declared or recommended during the financial year.

Corporate Governance Statement

AROA recognises the importance of good corporate governance and is committed to ensuring that the business maintains a high standard of corporate governance and ethical standards. The Board reviews the Company's policies and governance practices by reference to the Principles of Good Corporate Governance established by the ASX Corporate Governance Council. Please refer to AROA's Corporate Governance Statement (available at https://aroa.com/nz/investors/) for more information about how the Company's policies and practices align with these principles. The Corporate Governance Statement forms part of, and should be read in conjunction with, this Annual Report.

Indemnification and insurance of Directors and Officers

The Company has arranged, as provided for under its Constitution, insurance policies for Directors' and intended to ensure (to the extent permitted by applicable law) that the directors and officers will not incur Officers' liability which, with a deed of indemnity entered into with each director and company secretary, are monetary losses as a result of actions undertaken by them as a director or officer (as applicable) of any Group intended to ensure (to the extent permitted by applicable law) that the directors and officers will not incur company. Certain actions are specifically excluded, for example the incurring of penalties and fines which may monetary losses as a result of actions undertaken by them as a director or officer (as applicable) of any Group be imposed in respect of breaches of the law. company. Certain actions are specifically excluded, for example the incurring of penalties and fines which may be imposed in respect of breaches of the law.

Director re-elections

Jim McLean and Steve Engle offered themselves up for re-election, and were re-elected, at the Company's annual general meeting on 10 August 2022.

In accordance with the Board's rotation policy, John Diddams is offering himself up for re-election at the Company's upcoming annual general meeting on 3 August 2023. Under ASX Listing Rule 14.4, a director appointed by the board must not hold office (without election) past the next annual meeting following the director's appointment. Dr. Catherine Mohr was appointed by the Board as a director of the Company from 1 November 2022, and is accordingly also offering herself up for election at the meeting.

Board and Committee meetings

The table below shows attendances by each director at Board and Committee meetings during the financial year.

Name	Board of Directors		Audit Committee		Risk Committee		Remuneration & Nomination Committee	
	Eligible	Attended	Eligible*	Attended	Eligible*	Attended	Eligible*	Attended
Jim McLean**	7	7	3	3	3	3	5	5
Brian Ward	7	7	-	3	-	3	-	6
Steve Engle	7	7	-	-	3	3	6	6
Phil McCaw	7	6	-	-	-	-	6	6
John Pinion	7	7	3	2	3	3	-	-
John Diddams**	7	7	3	3	-	-	1	1
Dr. Catherine Mohr**	3	3	-	-	-	-	-	-

**To attend as a member of that Committee. Other than to the extent of a conflict of interest, the full Board receives a copy of each Committee's meeting papers and may attend all Committee meetings.*

*** Dr. Mohr joined the Board from 1 November 2022. Jim McLean stepped down as a member of the Risk Committee and the Remuneration & Nomination Committee from 1 March 2023, and was replaced by Dr. Mohr and John Diddams (respectively).*

NB: the table above does not include unscheduled calls held during the year.

Environmental and social risks

AROA's manufacturing activities involve the controlled storage, use and disposal of hazardous materials. The Company has in place policies and procedures designed to facilitate compliance with applicable environmental regulations and to mitigate the risks associated with the Company's handling of such materials.

Non-audit services

AROA's auditor is BDO Auckland. The Group's statutory audit fee for the financial year ended 31 March 2023 was NZ$135,000.

During the year ended 31 March 2023, BDO Auckland, or entities associated to it, provided the following non-audit services to the Group.

Description of services	Fees (NZ$)
Review of interim consolidated financial statements	**55,000**

The Board is satisfied that the services noted above do not impair BDO's independence as auditor on the basis that such services were not in conflict with BDO's audit procedures or adequate safeguards were put into place to mitigate any independence risks.

REMUNERATION REPORT (UNAUDITED)

This Remuneration Report, which forms part of the Directors' Report, outlines the Group's approach to remuneration for the financial year ended 31 March 2023.

Overview

The Remuneration & Nomination Committee assists the Board in establishing remuneration and nomination policies and practices that attract, retain, motivate and reward talent.

Remuneration

AROA's remuneration framework (as reviewed and approved by the Remuneration & Nomination Committee) is designed to offer compensation and benefits which are competitive within industry, encourage a high level of performance and align management's interests with the interests of shareholders.

AROA's current remuneration programme comprises of:

- a fixed wage or salary, and legislative superannuation. This is set at a level to attract and retain high calibre employees and is reviewed annually taking into account individual, Company and market conditions;

- a discretionary component providing the potential for an annual cash bonus based on pre-determined company and individual performance targets; and

- discretionary long-term variable remuneration in the form of share options. The Group operated two employee and executive incentive plans during the financial year ended 31 March 2023; the NZ Option Plan and the US Option Plan. Share options are issued for $nil consideration and are not quoted. Each share option entitles the holder to subscribe for one fully paid ordinary share in the Company at the specified exercise price. An overview of share options granted to the Company's directors during FY23 is provided in the section headed 'Director remuneration details: share based compensation'. For further details relating to all share options issued during the year, refer to note 19 to the consolidated financial statements.

In accordance with corporate governance best practice, the structure of non-executive director remuneration is separate and distinct from that for the CEO and senior leadership.

For completeness, AROA operated an employee incentive share plan from 2014 which was wound up prior to AROA's admission to the ASX in July 2020. Under this plan, to maintain incentive alignment, employees (but not directors) who held such shares were offered an interest-free loan from AROA to pay up their shares prior to the plan being wound-up. The loan facility was for a maximum amount of NZ$0.8 million and was initially due to expire on 31 March 2022. Following consideration of a range of factors including employee retention, the Board approved an extension to the loan repayment date but only for individuals who remained employed by AROA as at 31 March 2022. Employees who are entitled to the loan extension must repay their loan by the earlier of (a) 28 February 2024, (b) the last date of their employment with AROA or (c) upon sale of the relevant shares. As at 1 April 2023, the aggregate amount outstanding under the loan facility was NZ$236,000 (compared to NZ$408,000 as at 1 April 2022).

Nomination

The Remuneration & Nomination Committee's duties also include:

- reviewing the performance and remuneration of the CEO and senior executives, and providing the Board with recommendations on the same;
- overseeing succession planning reviews and selection processes (as required from time to time) for the CEO and senior executives;
- developing a process for evaluating the performance of individual directors, Board committees and the Board as a whole;
- regularly assessing the structure, size, composition, skills, experience, independence and diversity required by the Board to fulfil its responsibilities and duties to shareholders having regard to AROA's strategic direction, and reporting the outcome of that assessment to the Board; and
- establishing a process for identifying suitable candidates for appointment as new directors to the Board, having regard to the skills required versus that represented from time to time on the Board.

The Board has completed its annual performance review and considers that the current directors possess an appropriate mix of relevant skills, experience and expertise to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives. Dr. Catherine Mohr's background and expertise spans several key areas related to AROA's next stage of growth, and her appointment as a director in FY23 represents a valuable addition to the Board. Please refer to AROA's 2023 Corporate Governance Statement (available at https://aroa.com/nz/investors/) for more information relating to the Board's current structure (including skills and experience).

Employee remuneration

Outlined below is remuneration (inclusive of the value of other benefits) totalling NZ$100,000 or more received by employees or former employees of the Group during the financial year ended 31 March 2023. The table includes salary, wages and discretionary annual variable remuneration paid during the 2023 financial year. This does not include the CEO, who is also a director of the Company.

Offshore remuneration amounts (including commission paid to US sales representatives for delivering increased Myriad sales) have been converted into New Zealand dollars.

Remuneration range (NZ$)	Number of employees
100,000 to 110,000	15
110,001 to 120,000	9
120,001 to 130,000	8
130,001 to 140,000	6
140,001 to 150,000	4
150,001 to 160,000	5
160,001 to 170,000	7
170001 to 180,000	3
180,001 to 190,000	6
190,001 to 200,000	2
200,001 to 210,000	4
210,001 to 220,000	3
220,001 to 230,000	5
230,001 to 240,000	3
240,001 to 250,000	4
260,001 to 270,000	3
280,001 to 290,000	1
290,001 to 300,000	2
310,001 to 320,000	1
320,001 to 330,000	2
350,001 to 360,000	1
370,001 to 380,000	3
400,001 to 410,000	2
420,001 to 430,000	1
470,001 to 480,000	1
520,001 to 530,000	1
530,001 to 540,000	1
540,001 to 550,000	1
560,001 to 570,000	1
570,001 to 580,000	2
660,001 to 670,000	1
670,001 to 680,000	1
750,001 to 760,000	1
810,001 to 820,000	1

Overview of senior leadership remuneration

Please refer to the table below for an overview of the remuneration components provided to the Company's senior leadership.

Component	Description	Link to strategy & performance
Fixed Remuneration	• Base salary • Legislative superannuation	Annual reviews take into account individual factors such as performance and behaviours
Discretionary annual variable remuneration	• Paid in cash • Designed to remunerate senior leadership relative to AROA's performance targets and individual performance targets that are aligned with AROA's performance objectives • Company performance targets comprise both financial targets and non-financial objectives, including sales, development clinical and people metrics. • The targets are set at the beginning of each financial year and are approved by the Board • Performance against targets is determined by the Board at the end of each financial year after review by the Remuneration & Nomination Committee	Rewards delivery of key strategic and financial objectives in line with AROA's annual business plan.
Discretionary long-term variable remuneration	• At-risk component in the form of share options • Designed to align senior leadership's interests with shareholder interests over the longer term • Vesting is subject to continuing employment (unless the Board determines otherwise), so provides a longer-term employee benefit • Historic grants may be subject to satisfaction of specified performance conditions • The Company has refined its long-term variable remuneration design principles and has decided to move to an annual award structured as follows: ➢ 50/50 mix (at target value) of service and performance-based conditions; and ➢ performance conditions relate to shareholder returns (e.g. assessing AROA's TSR against the TSR of a comparator group and share price performance) This is reflected in the structure of options provided to Brian Ward in CY23 and will apply to options provided to senior leadership from FY24 (see details in the section headed 'Director remuneration details; share-based compensation')	Rewards delivery against longer term strategy and provides alignment between shareholder and senior leadership outcomes

As noted previously, members of senior leadership (other than the CEO, who is also a director) may utilise the loan provided by AROA in connection with the 2014 employee incentive share plan which was wound up in 2020.

Overview of CEO and Managing Director remuneration

Brian Ward's remuneration structure is consistent with the senior leadership structure outlined above. Please refer to the section headed 'Director remuneration details' for information on Brian's remuneration for the 2023 financial year. Brian does not receive additional remuneration in his capacity as a director of the Company or any other Group company.

Please also refer to the section headed 'Equity instrument disclosures; FY23 option vestings' for information relating to share options previously granted to Brian which vested in the 2023 financial year.

Overview of non-executive director remuneration

The Board has determined that non-executive directors shall be compensated by way of cash fees and share options, but that no performance-based compensation shall be offered in order to ensure that objectivity in decision making is not compromised.

As approved by shareholders at AROA's 2021 Annual General Meeting, the maximum aggregate annual cash-based remuneration payable to all of the Company's non-executive directors for their services as a director (the Cash Pool) is currently NZ$650,000. The Company has to date also granted its non-executive directors equity-based compensation in the form of share options.

The Remuneration & Nomination Committee assesses and reviews each non-executive director's compensation annually, having regard to their time commitment and responsibilities. The Committee commenced a comprehensive review in FY23, with detailed input from remuneration specialists at AON. AON assessed the quantum and structure of the Company's current non-executive director remuneration package against benchmarked peer groups including Australian and US healthcare companies of a comparable business focus and size, measured by both market capitalisation and total revenue. Please see below an overview of key themes from that review:

- ***Equity award practices*** - The Company considers it beneficial to encourage ownership by its non-executive directors as this more strongly aligns their interests with the interests of shareholders, and has to date elected to facilitate such share ownership through the grant of share options.

  This practice is typical of recently listed pre-commercial companies in New Zealand and Australia, and in line with market practice in the US where half of the Company's non-executive directors reside. The Board is focused on ensuring that its equity award practices continue to evolve as the Company grows in size and maturity, and reflects those prevalent amongst more established growth companies with a strong US focus. The Remuneration & Nomination Committee is, with input from external specialists, assessing alternative structures which continue to strongly align non-executive directors' interests with longer-term shareholder returns, whilst commensurate with market practice and the Company's international retention and recruitment needs.

  With the exception of Dr. Catherine Mohr who joined the Board in FY23, the Company's other non-executive directors were issued share options in FY23 (as approved at the 2022 AGM) reflecting a three-year grant to 31 March 2026 (detailed in the section headed 'Director remuneration details; share-based compensation'). The Company is seeking to ensure that in the interim period until the Board confirms the equity award structure for the Company's next phase, the remuneration package provided to a new non-executive director appointee remains aligned with their colleagues. AROA will therefore be seeking shareholder approval at the 2023 Annual General Meeting for a grant of share options to Dr. Mohr, in line with the grants made to the other non-executive directors in FY23 with shareholder approval. Details relating to the proposed grant will be provided in the accompanying Notice of Meeting.

- ***Cash fees*** – The Remuneration & Nomination Committee's detailed review (with input from AON) demonstrated that further consideration is required to ensure that the fees offered to non-executive directors is commensurate with the size, structure and composition of AROA's Board, as well as market practice in the directors' countries of residence. Four of the Company's non-executive directors live outside New Zealand; three are US-based and one is Australia-based. AROA is competing globally for a limited pool of candidates with the requisite international and sector experience necessary to navigate the demands, risk profile and complexities of the Life Sciences sector. This must be reflected in the Company's remuneration offering in order to retain and attract high calibre candidates. In particular, the Company's remuneration offering must balance New Zealand and Australian market practices with the higher quantum of fees required to compete for director talent in the US, the Company's key commercial focus area.

The review also identified areas of the current non-executive directors' fees which necessitate prompt attention, so a proposal to increase the Company's maximum cash fee pool will be included in the agenda for the Company's 2023 Annual General Meeting. Details will be provided in the accompanying Notice of Meeting.

Please refer to section headed 'Director remuneration details' for information on the non-executive directors' remuneration during the 2023 financial year. Each non-executive director is also entitled to be paid for all reasonable travel, accommodation and other expenses incurred by that director in connection with their attendance at meetings or otherwise in connection with AROA's business. AROA does not provide superannuation arrangements or retirement allowances to its non-executive directors.

Please also refer to the section headed 'Equity instrument disclosures: FY23 option vestings' for information relating to share options previously granted to the non-executive directors which vested in the 2023 financial year.

Director remuneration details

Aggregated

The Directors' remuneration (in NZ$) for the year ended 31 March 2023 is set out below.

	Short term benefits		Post-employment benefits	Long term incentives	
Name	Cash salaries and fees (NZ$)*	Discretionary annual variable remuneration (cash bonus) (NZ$)	Superannuation (NZ$)	Options** (NZ$)	Total (NZ$)
Jim McLean	$100,000	-	-	$68,563	$168,563
Steven Engle	$99,137	-	-	$48,231	$147,368
Philip McCaw	$72,300	-	-	$48,231	$120,531
John Pinion	$99,137	-	-	$48,231	$147,368
John Diddams	$79,353	-	-	$49,036	$128,389
Dr. Catherine Mohr****	$41,975	-	-	-	$41,975
Brian Ward	$552,368	$156,555***	$23,481	$469,679	$1,252,378
TOTAL	**$1,044,270**	**$156,555**	**$23,481**	**$731,971**	**$2,006,572**

** Fees for directors who are not resident in NZ are fixed in their local currency, and converted into NZ$ here for disclosure purposes.*

*** These amounts reflect the non-cash accounting cost of all share options held by the relevant director during the financial year. It includes the cost of share options vesting during the financial year and the cost of share options granted during the financial year as previously approved by shareholders at the Company's 2022 AGM. No cash payments are made in relation to these. The amounts are calculated based on NZ IFRS 2 – Share-based Payment.*

**** Brian achieved 71% against target for AROA's FY23 performance. He had received discretionary annual variable remuneration of NZ$206,850 for AROA's performance in the previous financial year (representing 99% achievement against target).*

***** Dr. Mohr joined the AROA Board from 1 November 2022.*

NB, the table above does not include payments of reasonable travel, accommodation and other expenses incurred by directors in connection with their attendance at meetings or otherwise in connection with AROA's business.

Share-based compensation

Share options issued to directors during the financial year ended 31 March 2023 are set out below. In accordance with the requirements of ASX Listing Rule 10.14, the options were issued with shareholder approval received at the 2022 AGM.

	Effective grant date	Number granted	Performance hurdle (Y/N)	Exercise price per option (A$)	Vesting date	Last exercise date
Jim McLean	1 March 2023	89,543	N	$1.083	1 March 2024	29 February 2028
		86,056			1 March 2025	
		83,330			1 March 2026	
Steve Engle	1 March 2023	59,695	N	$1. 083	1 March 2024	29 February 2028
		57,371			1 March 2025	
		55,554			1 March 2026	
Philip McCaw	1 March 2023	59,695	N	$1.083	1 March 2024	29 February 2028
		57,371			1 March 2025	
		55,554			1 March 2026	
John Pinion	1 March 2023	59,695	N	$1.083	1 March 2024	29 February 2028
		57,371			1 March 2025	
		55,554			1 March 2026	
John Diddams	1 December 2022	20,452	N	$1.07	31 March 2023	30 November 2027
		57,371			1 March 2025	
	1 March 2023	59,695	N	$1.083	1 March 2024	29 February 2028
		57,371			1 March 2025	
		55,554			1 March 2026	
Brian Ward	14 November 2022	324,847	N	$1.165	31 March 2024	13 November 2027
		608,805	Y	$nil		
		324,848	N	$1.165	31 March 2025	
		608,805	Y	$nil		
	1 March 2023	254,972	N	$1.165	31 March 2026	29 February 2028
		453,206	Y	$nil		

As noted above, to ensure alignment with shareholder value, a significant portion of Brian Ward's share options are subject to performance conditions based on shareholder returns. The full number of these options will only vest if the Company's performance satisfies an ambitious 'stretch' target. Company performance has to satisfy a minimum 'entry' criterion, otherwise none of the options will vest. If performance meets that 'entry' criterion, 25% of the options will vest increasing on a linear scale up to a maximum of 50% if the specified 'target' criteria is satisfied. The performance conditions are detailed below.

	Performance Conditions[9]	Total % of performance options eligible to vest
Entry	50+ percentile Company TSR against a comparator group comprising the top 50 (by market capitalisation) ASX-listed healthcare companies as at 31 March 2022 (TSR Ranking)	25%
Target	75+ percentile TSR Ranking	50%
Stretch	1) 75+ percentile TSR Ranking; and 2) Threshold 20-day VWAP as at the applicable vesting date. These are as follows: • For 31 March 2024, A$1.50 (112% growth on 31 March 2022 20-day VWAP) • For 31 March 2025, A$1.85 (162% growth on 31 March 2022 20-day VWAP) • For 31 March 2026, A$2.25 (219% growth on 31 March 2022 20-day VWAP)	100%

Equity instrument disclosures

Options holdings

The number of share options held by each director (or their nominee) during the financial year ended 31 March 2023 is set out below. The table does not include Dr. Mohr, who joined the Board from 1 November 2022 and does not hold any share options.

	Balance as at 1 April 2022	Granted as compensation	Exercised	Balance at the end of the year	Vested and exercisable	Unvested
Jim McLean	204,800	258,929	(102,400)	**361,329**	102,400	258,929
Steven Engle	879,000	172,620	-	**1,051,620**	879,000	172,620
Philip McCaw	163,850	172,620	(81,925)	**254,545**	81,925	172,620
John Pinion	879,000	172,620	-	**1,051,620**	879,000	172,620
John Diddams	165,000	193,072	(165,000)	**193,072**	20,452	172,620
Brian Ward	3,132,525	2,575,483	-	**5,708,008**	2,088,350	3,619,658
TOTAL	**5,424,175**	**3,545,344**	**(349,325)**	**8,620,194**	**4,051,127**	**4,569,067**

FY23 option vestings

The following share options granted to the directors or their nominees vested in the financial year ended 31 March 2023 (no disclosure for Dr. Mohr, who joined the Board from 1 November 2022 and does not hold any share options).

	Financial year in which granted	Number of options vested	Exercise price (A$)	Option expiry
Jim McLean	FY21	102,400	0.75	23 July 2025
Steven Engle	FY21	81,925	0.75	23 July 2025
Philip McCaw	FY21	81,925	0.75	23 July 2025
John Pinion	FY21	81,925	0.75	23 July 2025
John Diddams	FY20	165,000	0.11	30 November 2029
John Diddams	FY23	20,452	1.07	30 November 2027

The directors did not forfeit any options in FY23.

Considering the significant opportunities associated with the Enivo platform and in order to further accelerate commercialisation, the Board resolved during the year to refine AROA's Enivo development strategy. This impacted the vesting conditions attaching to 1,044,175 share options granted to Brian Ward (and 218,100 share options granted to James Agnew, CFO) in FY21. To ensure alignment and in accordance with its discretion under the option plan, the Board resolved to refine the vesting conditions as follows (with no change in the exercise price or expiry date of any of the options):

- Vesting date: upon satisfaction of the performance hurdles between 31 March 2022 and 30 June 2025; and
- Performance conditions: US regulatory clearance of the first iteration of the Enivo product and completion of the first "in human" study with the Enivo product.

Shareholdings

The number of ordinary shares in the Company held during the financial year ended 31 March 2023 by each director, including their personally related parties, is set out below.

	Balance as at 1 April 2022	Received during the year on exercise of options	Purchases or, as specified, other additions	Balance at the end of the year
Jim McLean[10]	2,674,708	102,400*	-	2,777,108
Steven Engle	226,553	-	-	226,553
Philip McCaw[11]	19,669,229	81,925*	-	19,751,154
John Pinion	472,500	-	-	472,500
John Diddams[12]	977,550	165,000*	50,000	1,192,550
Dr Catherine Mohr	-	-	-	-
Brian Ward[13]	33,125,800	-	-	33,125,800

** Shares issued to Jim McLean, Phil McCaw and John Diddams upon the exercise of 102,400 share options (exercise price of A$0.75 each), 81,925 share options (exercise price of A$0.75 each) and 165,000 share options (exercise price of A$0.1075 each) respectively. The shares were issued in accordance with the exception under ASX Listing Rule 10.16(c) as the share options were issued prior to AROA's listing on the ASX and the requisite information was disclosed in AROA's IPO Prospectus.*

End of Remuneration Report

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

J. N. McLean

Jim McLean

Independent Chair of the Board

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 March 2023

The Directors are pleased to present the consolidated financial statements of Aroa Biosurgery Limited and the Group ("Group") for the year ended 31 March 2023.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Group as at 31 March 2023 and the results of their operations and cash flows for the year ended 31 March 2023.

The Directors consider that the consolidated financial statements of the Group have been prepared using accounting policies appropriate to the Group's circumstances, consistently applied and supported by reasonable and prudent judgments and estimates and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that the proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and enables them to ensure that the financial statements comply with the Financial Reporting Act 2013.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken of safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Approved for and on behalf of the Board of Directors on 31 May 2023.

J. N. Mclean | B. R. Ward

Jim McLean - Chairman

Brian Ward – CEO

BDO Auckland

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AROA BIOSURGERY LIMITED

Opinion

We have audited the consolidated financial statements of Aroa Biosurgery Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 March 2023, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of movements in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, and its consolidated financial performance and its consolidated 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 (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 are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or any of its subsidiaries.

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.

Recognition of revenue - TELA Bio revenue share

Key Audit Matter	How The Matter Was Addressed in Our Audit
The Group's largest customer is TELA Bio who is the Group's sales and distribution partner for abdominal wall reconstruction, hernia repair and breast reconstruction in North America and Europe. The contract with TELA Bio entitles the Group to an agreed percentage of TELA Bio's net sales. This revenue is considered to be variable consideration ("revenue share"). The consideration is variable since the quantum of TELA Bio's inventory that is	• We have evaluated Management's revenue recognition policy based on our understanding of the contract with TELA Bio and the requirements of NZ IFRS15 - *Revenue from contracts with customers*. • We have obtained Management's calculations and accounting paper prepared for the revenue share accrual and evaluated the reasonableness of key inputs and assumptions. The key

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Recognition of revenue – TELA Bio revenue share

Key Audit Matter	How The Matter Was Addressed in Our Audit
eventually sold and the price that it is sold at are uncertain. Variable consideration to be recognised is estimated by using the expected value method. The estimation is based on information that is reasonably available to the Group which incorporates key factors including sales history, forecast revenue growth, expiry date of inventory held, and average selling prices achieved by TELA Bio. The amount of variable consideration is only recorded by the Group to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the year ended 31 March 2023, Management changed their accounting estimate for the TELA Bio revenue share to include a 20% revenue growth factor as disclosed in Note 2 Summary of significant accounting policies of the consolidated financial statements. We consider this to be a key audit matter because of the judgement involved in determining the variable consideration and the quantum of the accrued revenue of $11.07m. Refer to Note 2 Summary of significant accounting policies – *change in accounting estimates* and Note 3 Revenue and segment information of the consolidated financial statements.	inputs included sales history, 20% revenue growth factor, expiry dates of inventory held, and average selling prices achieved by TELA Bio. • We have obtained confirmation from TELA Bio, confirming their stock holding, sales history and the actual revenue share for their sales made in the year ended 31 March 2023. • We have compared the key inputs and assumptions with those used by Management last year and considered if these are indicative of Management bias. • We considered if the amount of variable consideration estimated is only recorded by the Group to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur. • We have reviewed the disclosures in Notes 2 and 3 to the consolidated financial statements, including the revenue recognition policy, to the requirements of the accounting standard.

Goodwill impairment

Key Audit Matter	How The Matter Was Addressed in Our Audit
The Group has recognised goodwill on a historical acquisition. The goodwill balance of $5.538m at 31 March 2023 is subject to an annual impairment test in accordance with NZ IAS 36 - *Impairment of Assets*. Management performed their impairment test, by considering the recoverable amount of the Cash Generating Unit ('CGU') (to which goodwill is allocated) using a value in use calculation. This calculation is complex and subject to key inputs and assumptions such as	• We obtained an understanding of key controls relating to the review and approval of the impairment review. • We obtained Management's impairment assessment including the value in use calculation prepared for the CGU. We evaluated and challenged the key inputs and assumptions. The key inputs included revenue growth rates, terminal growth rate, gross margins and discount rate.

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Goodwill impairment

Key Audit Matter	How The Matter Was Addressed in Our Audit
discount rates and future cash flows, which inherently include a degree of estimation uncertainty and are prone to potential bias and inconsistent application and therefore considered to be a key audit matter. Refer to Note 13 Intangible assets of the consolidated financial statements.	• We assessed the accuracy of previous forecasts to actual performance to form a view on the reliability of Management's forecasting ability and to understand key differences between historical actual versus forecast performance. • We engaged our internal valuation experts to assess the methodology used by Management in their value in use calculation is in accordance with NZ IAS 36 - *Impairment of Assessments*, the accuracy of the model and to assess the terminal growth rate and discount rate based on our expert's market and valuation knowledge. • We reviewed Management's sensitivity analysis performed on key inputs and assumptions to determine the extent to which any changes would affect the recoverable amount of the CGU. We also considered and tested alternate sensitivities. • We compared the carrying value of the CGU to the recoverable amount determined by the value in use calculation to identify any impairment losses. • We have reviewed the disclosures in Note 13 to the consolidated financial statements, including impairment and sensitivity analysis, to the requirements of the accounting standard.

Share based payment arrangements

Key Audit Matter	How The Matter Was Addressed in Our Audit
The Group issued options to certain employees, including Directors, under the share based payment arrangements during the year ended 31 March 2023. The share based payment arrangements included both market based and non-market based vesting conditions. In determining the value of the new arrangements, the Group used the services of a third-party valuation specialist. The Group also had existing share based payment arrangements that were exercised and forfeited during the year.	• We evaluated Management's assessment on the treatment of the share based payments arrangement in accordance with NZ IFRS 2 – *Share-based Payment*. • We agreed the terms of the share based payment arrangements issued during the year to contracts. • We assessed, in conjunction with our internal valuation experts, the appropriateness of the valuation methodology used by Management's

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Share based payment arrangements

Key Audit Matter	How The Matter Was Addressed in Our Audit
There is judgement involved in determining the value of share based payment arrangements and subsequent recording of the fair value as an expense over the estimated vesting period. As a result, and given the magnitude of the expense in the current year, the audit of the share based payment arrangements was considered a key audit matter. The share based payments expense recorded for the year ended 31 March 2023 is $2.58m resulting in a share based reserve of $7.179m as at 31 March 2023. Details of these share based payment arrangements are disclosed in Note 5 Employee benefit expenses and Note 19 Share based payments reserve of the consolidated financial statements.	specialist and the key input assumptions such as volatility rates, expected life and probability of achieving the market-based performance conditions. • We assessed the Group's judgements in relation to the probability of achieving non-market based vesting conditions. • We recalculated the share based payments expense recorded in the Statements of Profit or Loss and Other Comprehensive Income over the relevant vesting periods. • We have reviewed the disclosures in Note 5 and 19 in relation to the share based payment arrangements to the requirements of the accounting standard.

Other Information

The directors are responsible for the other information. The other information comprises the Aroa Biosurgery FY23 Results and FY24 Outlook, and Appendix 4E – ASX Listing Rule 4.2A (but does not include the consolidated financial statements and our auditor’s report thereon) which we obtained prior to the date of this auditors report, and the Annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report (but does not include the consolidated financial statements and our auditor’s report thereon), if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

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.

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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 (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 decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/.

This description forms part of our auditor's report.

Who we Report to

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

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

BDO Auckland

BDO Auckland
Auckland
New Zealand
31 May 2023


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QC EQUIPMENT

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 $000	2022 $000
Revenue	3	63,360	39,680
Cost of sales		(9,884)	(9,377)
Gross profit		**53,476**	**30,303**
Other income	3	1,734	1,116
Selling and administrative expenses		(47,709)	(30,708)
Research and development expenses		(10,612)	(8,354)
Operating loss before net financing costs	4,5	**(3,111)**	**(7,643)**
Finance income	6	3,111	535
Finance expenses	6	(384)	(1,153)
Net finance expenses		**2,727**	**(618)**
Loss before income tax		**(384)**	**(8,261)**
Income tax expense	7	(12)	(125)
Loss for the year attributable to shareholders		**(396)**	**(8,386)**
Other comprehensive income			
Items that will or maybe reclassified to profit or loss			
Exchange loss arising on translation of foreign operations		(1,328)	(385)
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income	9	21	(345)
Total other comprehensive income		**(1,307)**	**(730)**
Total comprehensive loss for the year attributable to shareholders		**(1,703)**	**(19,116)**

Earnings per share during the year:

Basic earnings per share (cents)	20	(0.12)	(2.45)
Diluted earnings per share (cents)	20	(0.12)	(2.45)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 $000	2022 $000
Current assets			
Cash and cash equivalents	8	9,540	6,165
Term deposits	8	35,134	50,000
Derivative assets		192	-
Trade and other receivables	10	14,329	12,399
Inventories	11	4,831	3,981
Prepayments		1,439	1,325
Contract assets	3(a)	11,071	4,770
Tax receivable		339	-
Financial assets at fair value through other comprehensive income	9	1,260	1,239
Total current assets		**78,135**	**79,879**
Non-current assets			
Property, plant, and equipment	12	14,234	10,023
Prepayments		126	149
Right of use assets	16	6,403	5,333
Intangible assets	13	17,623	17,269
Total non-current assets		**38,386**	**32,774**
Total assets		**116,521**	**112,653**
Current liabilities			
Trade and other payables	14	3,607	3,089
Employee benefits	15	3,745	2,982
Lease liabilities	17	559	589
Tax payables		-	51
Total current liabilities		**7,911**	**6,711**
Non-current liabilities			
Provisions		171	164
Lease liabilities	17	6,548	5,287
Total non-current liabilities		**6,719**	**5,451**
Total liabilities		**14,630**	**12,162**
Net assets		**101,891**	**100,491**
Equity			
Share capital	18	146,491	145,755
Share based payment reserve	19	7,179	4,812
Foreign currency translation reserve		(1,515)	(187)
Equity investment reserve	9	1,260	1,239
Accumulated losses		(51,524)	(51,128)
Total equity		**101,891**	**100,491**

On behalf of the Board

31 May 2023

Jim McLean - Chairman

Brian Ward - CEO

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

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 March 2023

	Notes	Share Capital $000	Accumu-lated Losses $000	Foreign Currency Translation Reserve $000	Equity Investment Reserve $000	Share Based Payment Reserve $000	Total Equity $000
Balance as at 1 April 2022		**145,755**	**(51,128)**	**(187)**	**1,239**	**4,812**	**100,491**
Comprehensive income							
Loss for the year		-	(396)	-	-	-	(396)
Other comprehensive income for the year		-	-	(1,328)	21	-	(1,307)
Total comprehensive income for the year		**-**	**(396)**	**(1,328)**	**21**	**-**	**(1,703)**
Transactions with shareholders							
Employee shares exercised	18/19	564	-	-	-	(211)	353
Employee shares forfeited	19	-	-	-	-	(98)	(98)
Share based payments	18/19	172	-	-	-	2,676	2,848
Total transactions with shareholders		**736**	**-**	**-**	**-**	**2,367**	**3,103**
Balance as at 31 March 2023		**146,491**	**(51,524)**	**(1,515)**	**1,260**	**7,179**	**101,891**
Balance as at 1 April 2021		**97,316**	**(42,742)**	**198**	**1,584**	**2,130**	**58,486**
Comprehensive income							
Loss for the year		-	(8,386)	-	-	-	(8,386)
Other comprehensive income for the year		-	-	(385)	(345)	-	(730)
Total comprehensive income for the year		**-**	**(8,386)**	**(385)**	**(345)**	**-**	**(9,116)**
Transactions with shareholders							
Issue of equity securities	18	47,740	-	-	-	-	47,740
Employee shares exercised	18/19	457	-	-	-	(283)	174
Employee shares forfeited	19	-	-	-	-	(162)	(162)
Share based payments	18/19	242	-	-	-	3,127	3,369
Total transactions with shareholders		**48,439**	**-**	**-**	**-**	**2,682**	**51,121**
Balance as at 31 March 2022		**145,755**	**(51,128)**	**(187)**	**1,239**	**4,812**	**100,491**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Note	2023 $000	2022 $000
Cash flows from operating activities			
Cash receipts from sales revenue		52,408	29,376
Cash receipts from license fees, project fees, and grant income		4,167	1,654
Cash paid to suppliers and employees		(60,952)	(41,329)
Interest received		1,170	136
Interest paid		-	(1,340)
Income tax paid		(565)	(19)
Net cash outflow from operating activities	25a	**(3,772)**	**(11,522)**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(6,029)	(4,455)
Purchase of intangible assets	13	(250)	(416)
Capitalised development costs	13	(1,332)	-
Proceeds from term deposits	8	14,866	-
Purchase of term deposits	8	-	(30,000)
Net cash inflow / (outflow) from investing activities		**7,255**	**(34,871)**
Cash flows from financing activities			
Proceeds from issue of shares		520	50,324
Transaction costs related to issues of equity securities		-	(2,214)
Repayment of deferred consideration		-	(9,514)
Lease liability – Principal payments		(645)	(575)
Lease liability – Interest payments		(379)	(388)
Net cash (outflow) / inflow from financing activities	25b	**(504)**	**37,633**
Net increase / (decrease) in cash and cash equivalents		**2,979**	**(8,760)**
Effect of exchange rate fluctuations on cash and cash equivalents		396	(456)
Cash and cash equivalents at beginning of year		6,165	15,381
Cash and cash equivalents at end of year	8	**9,540**	**6,165**

Note: The Group has term deposits of $35,134,000 as at the reporting date (31.03.2022: $50,000,000). In line with *NZ IAS 7 Statement of Cash Flows,* term deposit with an initial maturity of more than three months does not become part of cash and cash equivalent and are therefore excluded in the cash and cash equivalent position in the statement of cash flows (refer to note 8).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. Corporate information

Aroa Biosurgery Limited ("the Company") together with its subsidiaries (the "Group") is a leading soft tissue regeneration company which develops, manufactures and sells medical devices for wound and soft tissue repair using its proprietary extracellular matrix (ECM) technology.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 64 Richard Pearse Drive, Airport Oaks, Auckland.

The consolidated financial statements of Aroa Biosurgery Limited and its subsidiaries (the "Group") for the year ended 31 March 2023 comprise the Company and its two subsidiaries, Aroa Biosurgery Incorporated and Mesynthes Nominee Limited. All subsidiary entities have a reporting date of 31 March.

Equity holding	Principal Activity	Place of Business	2023 %	2022 %
Aroa Biosurgery Incorporated	Sales & Distribution	US	100	100
Mesynthes Nominee Limited	Nominee Shareholder	NZ	100	100

Aroa Biosurgery Incorporated is a subsidiary of Aroa Biosurgery Limited and is incorporated and domiciled in the United States. The address of its registered office is 9155 Brown Deer Road #2, San Diego, California 92121. Mesynthes Nominee Limited is a subsidiary of Aroa Biosurgery Limited and is incorporated and domiciled in New Zealand. The address of its registered office is 64 Richard Pearse Drive, Airport Oaks, Auckland.

The consolidated financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993. These consolidated financial statements were authorised for issue by the Board of Directors on 31 May 2023.

2. Summary of significant accounting policies

Statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS, as appropriate for profit orientated entities. The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS").

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following item (refer to individual accounting policies for details):

- Financial assets at fair value through other comprehensive income
- Derivative assets at fair value through profit or loss

Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars ($) which is the Company's functional and Group's presentation currency. All financial information is presented in New Zealand dollars rounded to the nearest thousands, except where otherwise indicated.

Use of estimates and judgements

The preparation of the consolidated 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 amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Estimates and judgements were made in respect of:

- TELA Bio Incorporated ("TELA Bio") accrued revenue (refer to notes 3 and 10 and "Change in accounting estimates - Tela Bio Accrued Revenue", as discussed below)
- the likely term of leased premises, which impacts leasehold improvements assets and right of use assets capitalised (refer to notes 12 and 16)
- impairment of intangible assets (refer to note 13)
- the value of development expenditure capitalised (refer to note 13)
- the value of share-based payments (refer to note 19)

Management assessed its impact on financial statement areas as outlined below.

- Going concern: The Directors have concluded that the Company is a going concern. Refer below.
- Investments: The Group's financial assets include listed equities. Management is satisfied that there is no impairment to the value as of reporting date (refer to note 9).
- Intangible assets: The Group measured the recoverable amounts of assets by assessing the recoverable amount based on value in use calculations for goodwill. No impairment was noted (refer to note 13).

Change in accounting estimates - Tela Bio Accrued Revenue

As disclosed in note 3 (a), TELA Bio is the Group's largest customer and sales and distribution partner for abdominal wall reconstruction, hernia repair, and breast reconstruction in North America and Europe. The contract with TELA Bio entitles the Group to an agreed percentage of TELA Bio's net sales.

The consideration from TELA Bio is received from a transfer price for the products shipped to TELA Bio, with the balance of the consideration received on a quarterly true up to the agreed percentage based on TELA Bio's net sales. Using the expected value method, the Group estimates the true up on TELA Bio's inventory at the reporting date, having considered the expected sale of those products by TELA Bio. In prior year estimates, the Group has assumed TELA Bio sales levels for the six months preceding reporting date remain constant (0% growth). Having considered TELA Bio's historical sales growth rate in conjunction with TELA Bio's recent CY23 revenue guidance of 45% to 53% growth, the Group has applied a 20% growth factor to TELA Bio's last six months' sales, reflecting a more accurate estimation of the True Up.

The change in accounting estimates has resulted in a recognition of $835,808 in incremental accrued revenue in the current year. In accordance with NZ IAS 8 Accounting Policies, Changes in Accounting

Estimates and Errors, the change in accounting estimate is recognised prospectively by including it in profit or loss in the financial year ended 31 March 2023.

Change in accounting estimates – Inventory valuation

During the year, the Company changed the inventory valuation methodology from weighted average cost to standard cost. The change in accounting estimates has resulted in a reduction of inventory value and an increase in the cost of goods sold by $37,408. In accordance with NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting estimate is recognised prospectively by including it in profit or loss in the financial year ended 31 March 2023.

Going concern

The Group posted a net loss before tax of $384,000 for the year (2022: $8,261,000). The Group posted total operating cash outflow of $3,772,000 (2022: outflow of $11,522,000).

The Directors have continued to apply the going concern assumption as the basis of the preparation of the consolidated financial statements.

In reaching their conclusion that the going concern assumption is appropriate, the Directors have considered the ability to achieve financial performance and cash flow forecasts prepared by management, and the sufficiency of the cash on hand as at the reporting date.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at the reporting date and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions and balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

New standards, interpretations and amendments not yet effective

There are no new standards, amendments or interpretations that have been adopted or are not yet effective that have a material impact on the Group.

3. Revenue and segment information

The Group is in the business of developing, manufacturing and selling soft tissue repair products. Revenue from contracts with customers is recognised when performance obligations pursuant to that contract are satisfied by the Group.

The Group has identified the following main categories of revenue:

Sales of goods

The Group's revenue primarily consists of the sale of its products. Revenue is recorded when the customer takes possession of the product. All contracts with customers are standardised and satisfy the criteria of transaction approval, identification of each party's rights, payment terms, commercial substance, and probable collection based on the customer's ability and intention to pay. Revenue is recognised at a point in time when control over the product transfers to the customer, which is assessed to be at the time of receipt of goods by the customer.

The Group also sells its products via a distributor model whereby the sales are made direct to a distributor being the customer of the Group, with the distributor permitted to resell the Aroa products to an end user. The Group has assessed these arrangements to consider that control passes to the distributor at the point the distributor takes possession of the products. The Group considers itself to be acting as principal in the sale of goods to distributors and recognise revenue on a gross basis.

All contracts with distributors are standardised and satisfy the criteria of transaction approval, identification of each party's rights, payment terms, commercial substance, and probable collection based on the customer's ability and intention to pay. Revenue is recognised at a point in time when control over the product transfers to the distributor as the customer, which is assessed to be at the time of receipt of goods by the distributor.

a. Revenue share

The Group's largest customer is TELA Bio who is the Group's sales and distribution partner for abdominal wall reconstruction and hernia repair and breast reconstruction in North America and Europe. The contract with TELA Bio entitles the Group to an agreed percentage of TELA Bio's net sales. This revenue is considered to be variable consideration ("revenue share"). The consideration is variable since the quantum of TELA Bio's inventory that is eventually sold and the price that it is sold at are uncertain.

The consideration from TELA Bio is received from a transfer price for the products shipped to TELA Bio, with the balance of the consideration received on quarterly true up to the agreed percentage based on TELA Bio's net sales. The Group estimates the true up on TELA Bio's inventory at the reporting date by using the expected value method. The estimation is based on information that is reasonably available to the Group which incorporates key factors including sales history, forecast revenue growth, expiry date of inventory held and average selling prices achieved by TELA Bio. The amount of variable consideration estimated is only recorded by the Group to the extent that it is highly probable that a significant amount of the cumulative revenue recognised will be received in the future. Amount receivable from Tela Bio at 31 March 2023 in relation to revenue share $11,071,000 (31.03.22 - $4,770,000).

b. Project fees

Project fees received are recognised over time when the performance obligations are fulfilled pursuant to the project development agreement. Any project fees received, for which the requirements under the project agreement have not been completed, are carried as income in advance (liability) until all applicable performance obligations have been fulfilled.

c. Royalties

Royalty payments represents the payments received from TELA Bio upon achievement of cumulative net sales of the products in European territory. Royalty payments are recognised in the statement of profit or loss upon completion of the performance obligation.

	2023 $000	2022 $000
Sales of goods (USA)	58,783	38,077
Sales of goods (Rest of the world)	1,729	1,077
Royalties (USA)	1,758	-
Project fees (USA)	1,090	526
Total revenue	**63,360**	**39,680**
Revenue recognised point in time	62,270	39,154
Revenue recognised over time	1,090	526
Total revenue	**63,360**	**39,680**

Segment information

Revenues from external customers are from sales of goods and project fees as reflected above.

The Group sells its products and services to external customers who are largely located in the United States of America (the "USA") as reflected in the sales above.

For the purpose of the internal reporting provided to the chief operating decision makers, business activities, performances and any associated assets and liabilities are reviewed as a consolidated group.

Revenues of approximately $37,898,000 (2022: $25,336,000) are derived from a single external customer, being sales of products and services to TELA Bio, which is the Group's sales and distribution partner.

The Group held all of its non-current assets in New Zealand with an exception of the right-of-use assets of approximately $0.1m for the leasehold property in the USA.

Other income

Other income includes research and development related grants and rent income. The Group expects to receive a tax credit payment of $1,500,000 under the Research and Development Tax Incentive program. (2022: $1,064,00

4. Operating loss before net financing costs

Operating loss before net financing costs includes the following:	Note	2023 $000	2022 $000
Transaction costs relating to issue of securities		-	50
Auditor's fees:			
Statutory audit - BDO		135	113
Other assurance engagements:			
Half-year review - BDO		55	55
Depreciation:			
Property, Plant & Equipment - Research and development *	12	444	369
Property, Plant & Equipment - Other	12	1,354	765
Right of use assets – Research and development *	16	119	115
Right of use assets – Other	16	688	658
Non-executive directors' fees	21	493	411
Insurance		1,187	817
Rental lease costs – low value and short-term leases		142	110
Amortisation:			
Patents	13	74	63
Customer relationships and reacquired rights	13	1,161	1,161
Research and development *		9,936	7,847

* Total research & development expenditure is $10,499,000 (2022: $8,354,000). Research & development expenditure includes employee entitlements of $6,682,000 (2022: $4,461,000), refer to note 5.

5. Employee benefit expenses

	Note	2023 $000	2022 $000
Salaries & wages (including bonuses)		37,158	24,071
Employer contributions defined contribution Superannuation scheme inclusive of tax		1,929	2,032
Share based payments	19	2,578	2,965
Total employee benefit expenses		**41,665**	**29,068**

Employee entitlements includes an amount of $6,682,000 (2022: $4,461,000) disclosed as part of research and development expenditures in note 4 and includes an amount of $558,000 (2022: $173,000) relating to share-based payments for shares issued to the Directors as disclosed in note 19.

6. Net finance income/(expenses)

Finance income and finance expenses have been accrued to the reporting date using the effective interest method.

	2023 $000	2022 $000
Finance income		
Interest received on bank balances – financial assets at amortised cost	1,315	403
Other finance income		
Foreign currency gains	1,796	132
Total finance income	**3,111**	**535**
Finance expenses		
Interest expenses – deferred consideration – financial liabilities at amortised cost	-	(747)
Interest expenses – lease liabilities (Note 17)	(378)	(403)
Other finance expenses		
Finance costs – make good provision	(6)	(3)
Total finance expenses	**(384)**	**(1,153)**
Net finance income / (expenses)	**2,727**	**(618)**

7. Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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. Current tax includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences arising on the initial recognition of goodwill; and

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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, such reductions are reversed when the probability of future taxable profits improves.

Income tax recognised in profit or loss and other comprehensive income

Reconciliation of income tax expense	2023 $000	2022 $000
Accounting loss before income tax	(384)	(8,261)
Income Tax @ 28%	**(108)**	**(2,313)**
Impact of tax rates in overseas jurisdictions	(70)	(30)
	278	1,141
Tax credits received subject to tax	(84)	-
Income not subject to tax	(420)	(270)
Prior year tax over provisions	(211)	
Recognition deferred tax on temporary differences	2,396	3,164
Recognition deferred tax on temporary differences and tax losses	(1,769)	(1,567)
Income Tax Expense	**12**	**125**

Major components of tax expense/(income)

	2023 $000	2022 $000
Current tax expense		
Current period	12	125
R&D tax credit	-	-
Total current tax benefit	-	-
Deferred tax (income)	-	-
Total tax expense	**12**	**125**

As at 31 March 2023, the Company had tax losses of $4,604,581 (2022: $9,520,482). Utilisation of these tax losses is dependent upon the Group meeting the continuity of ownership provisions of the Income Tax Act 2007 and carrying forward and offsetting the net losses against net taxable income earned in subsequent years by the Group.

The Group has elected to defer expenditure relating to research and development allowed under section DB34 of the Income Tax Act 2007. As at 31 March 2023, the Group had $25,524,916 (2022: $16,993,721) of expenditure available to offset against subsequent years income subject to section EJ23 of the Income Tax Act 2007.

Deferred tax assets have been recognised to the extent they offset deferred tax liabilities. No deferred tax has been recognised on tax losses or deferred research and development expenditure in 2023 on the basis that large tax profits are not foreseeable in the year ending 31 March 2024. Total tax effected deferred tax asset not recognised at 31 March 2023 $5,650,000 (31.03.2023 $5,855,000).

Deferred tax assets/(liabilities) recognised:	2023 $000	2022 $000
Accrued revenue	(3,100)	-
Deferred R&D expenditure	5,425	2,612
Intangible assets	(2,993)	(2,993)
Other temporary differences	276	290
Provision	392	91
Total deferred tax asset/(liability) recognised	-	-

Deferred tax assets unrecognised (tax effected)	2023	2022
	$000	$000
Temporary differences	1,722	1,043
Deferred R&D expenditure	2,639	2,146
Unused tax losses	1,289	2,666
Total deferred tax asset unrecognised (tax effected)	**5,650**	**5,855**

8. Cash and cash equivalents & term deposits

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term deposits with maturities of three months or less and bank overdrafts.

	2023	2022
	$000	$000
Bank balances	9,540	6,165
Total cash and cash equivalents	**9,540**	**6,165**

During the year, the Group entered into short-term deposit arrangements with ASB Bank and Westpac. The term deposits not yet matured as of the reporting date had an average rate of 4.96% (2022: 1.54%) per annum with a maturity of less than 6 months from the reporting date.

	2023	2022
	$000	$000
Term deposits	35,134	50,000
Total term deposits	**35,134**	**50,000**

9. Financial assets at fair value through other comprehensive income

The Group classifies the following financial assets at fair value through other comprehensive income ("FVTOCI"):

- Equity investments for which the Group has elected to recognise fair value gains or losses through other comprehensive income.

Financial assets measured at FVTOCI include the following:

	2023	2022
	$000	$000
US listed equity securities	1,260	1,239
Total financial assets at FVTOCI	**1,260**	**1,239**

The USA listed equity securities comprise of the Group's investment in TELA Bio. The Group held 74,316 (2022: 74,316 shares) shares at a value of US$10.64 per share as at the reporting date (2022: US$11.63).

The fair value of the listed equity securities is based on published market price (level 1 in the fair value hierarchy) and is revalued at reporting date.

10. Trade and other receivables

Trade and other receivables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less provision for impairment.

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

	2023 $000	2022 $000
Trade receivables	12,225	10,385
Less provision for impairment of trade receivables	(580)	(28)
Net trade receivables	**11,645**	**10,357**
Other receivables	1,184	917
Other receivables – Research and Development Tax Incentive accrual	1,500	1,125
Total current trade and other receivables	**14,329**	**12,399**

Trade receivables amounting to $11,645,000 (2022: $10,357,000) are shown net of impairment losses. Provisions have been made appropriately. Trade receivables are interest free. Trade receivables of a short-term duration are not discounted. Other receivables include an accrual of tax credit income relating to the Research and Development Tax Incentive program.

(i) Impaired receivables

As at 31 March 2023, current trade receivables with a nominal value of $580,000 (2022: $28,000) were impaired and provided for.

(ii) Past due but not impaired receivables

As at 31 March 2023, trade receivables of $3,733,000 (2022: $3,175,000) were past due but not impaired. Subsequent to the reporting date, the Group received over $2,800,000 of these past due trade receivables.

The ageing analysis of trade receivables is as follows:

	2023 $000	2022 $000
Current	7,912	7,212
1 - 30 days overdue	2,545	2,733
30 - 60 days overdue	309	163
60 - 90 days overdue	1,422	140
90+ days overdue	37	137
Total trade receivables	**12,225**	**10,385**

11. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the standard cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs to sell. An inventory provision is created to reflect instances where the product is expected to expire before being sold.

	2023 $000	2022 $000
Raw materials	1,911	1,111
Work in progress	2,191	1,228
Finished goods	938	2,047
Provision for obsolescence	(209)	(405)
Total inventories	**4,831**	**3,981**

As at 31 March 2023, inventories of $209,000 (2022: $405,000) value were impaired and provided for.

12. Property, plant & equipment

i. Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iii. Depreciation

For plant and equipment, depreciation is based on the cost of an asset less its residual value. Where significant components of individual assets that have a useful life that is different from the remainder of those assets, those components are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Assets under construction are not subject to depreciation.

The useful life estimate for the current year of significant items of property, plant and equipment are as follows:

Leasehold improvements	10 years
Plant & equipment	10 years
Fixtures & fittings	3 - 10 years
Computer equipment & software	3 - 4 years

Depreciation methods, rates and residual values are reviewed at reporting date and adjusted if appropriate

	Lease-hold Improve-ments	Capital Work In Progress	Plant and Equip-ment	Fixture & Fitting	Computer Equip-ment & Software	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance 1 April 2022	1,631	4,165	8,566	624	1,287	16,273
Additions	46	4,889	397	152	533	6,017
Transfers in/ (out)	2,941	(3,328)	373	13	1	-
Disposals	-	-	(14)	-	-	(14)
Balance 31 March 2023	**4,618**	**5,726**	**9,322**	**789**	**1,821**	**22,276**
Accumulated Depreciation						
Balance 1 April 2022	(1,076)	-	(4,204)	(256)	(714)	(6,250)
Depreciation	(505)	-	(900)	(64)	(329)	(1,798)
Disposals	-	-	6	-	-	6
Balance 31 March 2023	**(1,581)**	**-**	**(5,098)**	**(320)**	**(1,043)**	**(8,042)**
Net Book Value						
Balance 1 April 2022	555	4,165	4,362	368	573	10,023
Balance 31 March 2023	**3,037**	**5,726**	**4,224**	**469**	**778**	**14,234**

	Lease-hold Improve-ments	Capital Work In Progress	Plant and Equip-ment	Fixture & Fitting	Computer Equip-ment & Software	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance 1 April 2021	1,586	457	8,559	585	968	12,155
Additions	-	3,936	134	44	341	4,455
Transfers in/ (out)	45	(228)	42	-	141	-
Disposals	-	-	(169)	(5)	(163)	(337)
Balance 31 March 2022	**1,631**	**4,165**	**8,566**	**624**	**1,287**	**16,273**
Accumulated Depreciation						
Balance 1 April 2021	(999)	-	(3,559)	(207)	(683)	(5,448)
Depreciation	(77)	-	(809)	(54)	(194)	(1,134)
Disposals		-	164	5	163	332
Balance 31 March 2022	**(1,076)**	**-**	**(4,204)**	**(256)**	**(714)**	**(6,250)**
Net Book Value						
Balance 1 April 2021	587	457	5,000	378	285	6,707
Balance 31 March 2022	**555**	**4,165**	**4,362**	**368**	**573**	**10,023**

13. Intangible assets

Patents that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Trademarks have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

Patent and trademark costs are amortised on a straight-line basis over the useful life.

Goodwill, customer relationships and reacquired rights are attributable to the purchase of the wound care business entered into between the Group and Hollister Incorporated. Goodwill is not amortised.

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss. An impairment loss recognised for goodwill is not reversed.

Customer relationships and reacquired rights are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current period are as follows:

Patents and trademarks	10 - 25 years
Customer relationships	9 years
Reacquired rights	18 years

Amortisation methods, rates and residual values are reviewed at reporting date and adjusted if appropriate.

Research costs are expensed as incurred. Costs associated with maintaining product development are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique product developments controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets where the following criteria are met:

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

Other development expenditures that do not meet these criteria are expensed when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period. Development costs that have a finite useful life that have been capitalised are amortised from the commencement of the time at which they are available for use on a straight-line basis over the period of its expected benefit, not exceeding five years.

Capitalised development costs are carried at cost less accumulated amortisation and impairment losses.

Capitalised development costs are amortised over the periods the Group expects to benefit from utilising the products. The amortisation expense is included within the administration expenses in profit or loss.

	Patents & Trademarks	Customer relationships	Reacquired rights	Goodwill	Capitalised Development Costs	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance 1 April 2022	1,354	5,563	9,772	5,538	-	22,227
Additions	257	-	-	-	1,332	1,589
Balance 31 March 2023	**1,611**	**5,563**	**9,772**	**5,538**	**1,332**	**23,816**
Accumulated Depreciation						
Balance 1 April 2022	(314)	(2,472)	(2,172)	-	-	(4,958)
Amortisation	(74)	(619)	(542)	-	-	(1,235)
Balance 31 March 2023	**(388)**	**(3,091)**	**(2,714)**	**-**	**-**	**(6,193)**
Net Book Value						
Balance 1 April 2022	1,040	3,091	7,600	5,538	-	17,269
Balance 31 March 2023	**1,223**	**2,472**	**7,058**	**5,538**	**1,332**	**17,623**

	Patents & Trademarks	Customer relationships	Reacquired rights	Goodwill	Total
	$000	$000	$000	$000	$000
Cost					
Balance 1 April 2021	938	5,563	9,772	5,538	21,811
Additions	416	-	-	-	416
Balance 31 March 2022	**1,354**	**5,563**	**9,772**	**5,538**	**22,227**
Accumulated Amortisation					
Balance 1 April 2021	(251)	(1,854)	(1,629)	-	(3,734)
Amortisation	(63)	(618)	(543)	-	(1,224)
Balance 31 March 2022	**(314)**	**(2,472)**	**(2,172)**	-	**(4,958)**
Net Book Value					
Balance 1 April 2021	**687**	**3,709**	**8,143**	**5,538**	**18,077**
Balance 31 March 2022	**1,040**	**3,091**	**7,600**	**5,538**	**17,269**

On 31 March 2023, the Group tested whether goodwill has suffered any impairment. For the purpose of impairment testing, goodwill is allocated to the Group's Wound Care business, at which goodwill is monitored for internal management purposes.

The recoverable amount is determined based on value in use calculations using the method of estimating future cash flows and determining a discount rate in order to calculate the present value of the cash flows.

A discounted cash flow ("DCF") model has been based on five-year forecast cash flow projections. The budget for the year ending 31 March 2024 was the basis for the first year's projections and projections for subsequent years have been based on the Group's long-term outlook. Other key assumptions are as follows:

	2023	2022
Discount rate post tax	10.1%	10.2%
Terminal growth rate	3.5%	3.0%

No impairment was identified for the Wound Care business as a result of this review, nor under any reasonable possible change, in any of the key assumptions described above.

14. Trade and other payables

Trade and other payables are initially recognised at fair value plus directly attributable transaction costs and subsequently at amortised cost. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid.

	2023 $000	2022 $000
Trade payables	1,909	1,333
Accrued expenses	1,693	1,707
Other payables	5	49
Total trade and other payables	**3,607**	**3,089**

Trade payables generally have terms of 30 days and are interest free. Trade payables of a short-term duration are not discounted.

15. Employee benefits

i. Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that is expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as other payables and accruals in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

ii. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

	2023 $000	2022 $000
Leave and wages accrual	1,864	1,452
Bonus accrual	1,881	1,530
Employee benefits	**3,745**	**2,982**

16. Right of use assets

	Properties $000	Total $000
As at 1 April 2022	**5,333**	**5,333**
Additions	1,844	1,844
Depreciation	(807)	(807)
Modification adjustment	33	33
As at 31 March 2023	**6,403**	**6,403**

	Properties $000	Total $000
Balance 1 April 2021	5,951	5,951
Depreciation	(773)	(773)
Modification adjustment	155	155
Balance 31 March 2022	**5,333**	**5,333**

Lease liabilities are disclosed in note 17.

17. Lease liabilities

	Properties $000	Total $000
As at 1 April 2022	**5,876**	**5,876**
Additions	1,844	1,844
Modification Adjustment	33	33
Interest expenses	378	378
Lease payments	(1,024)	(1,024)
As at 31 March 2023	**7,107**	**7,107**
Current	559	559
Non-current	6,548	6,548
Total	**7,107**	**7,107**

	Properties $000	Total $000
As at 1 April 2021	6,282	6,282
Modification Adjustment	155	155
Interest expenses	403	403
Lease payments	(964)	(964)
As at 31 March 2022	**5,876**	**5,876**
Current	589	589
Non-current	5,287	5,287
Total	**5,876**	**5,876**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they are dependent on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability may also include:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The Group leases three properties in the jurisdictions in which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. The Group also leases certain items of plant and equipment.

As standard industry practice, the Group's property leases are subject to market rent reviews. A 1% increase in these payments would result an additional $10,000 outflow compared to the current period's cash outflow.

Lease maturity analysis

Refer to note 22.

18. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. These ordinary shares have no par value.

	2023 $000	2022 $000
Share capital at beginning of the year	**145,755**	**97,316**
Shares issued from capital raise	-	47,740
Shares issued under Share & Option Plan (note 19)	736	699
Share capital at end of the year	**146,491**	**145,755**

# of shares	Ordinary shares 31.03.2023	Ordinary shares 31.03.2022
At beginning of year	**342,461,133**	**300,726,414**
Issue of share capital	648,335	41,734,719
At end of year	**343,109,468**	**342,461,133**

19. Share based payments reserve

Share option plan

The Group operates a share option plan for selected employees to provide an opportunity to participate in a Share Option Plan. This is an offer of options to acquire ordinary shares. Under the terms of the plan, a parcel of options was issued to employees with an exercise price equal to the market valuation of shares at the time of offer. The grant of share options is split into three tranches vesting over a three year period.

The share based payments reserve comprises the fair value of the employee share purchase plan before its classifications to share capital upon settlement.

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the

adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Key valuation assumptions for the share option plan are:

Grant Date	1 August 2022	14 November 2022
Share price at grant date (AUD)	0.775	0.93
Valuation date	1 March 2023	14 November 2022
Share price at valuation date (AUD)	1.10	0.93
Average exercise price (NZD)	0.64	0.94
Expected volatility	72%	75%
Expected life	5 years	5 years
Risk free factor	3.55%	3.24%
Dividend yield	0%	0%

	2023 $000	2022 $000
Balance as at 1 April	**4,812**	**2,130**
Share based payment expense	2,578	2,965
Employee shares exercised	(211)	(283)
Balance as at 31 March	**7,179**	**4,812**

a) Aroa Biosurgery share option plan (the "Option Plan") – prior to IPO

Under the Option Plan prior to IPO, the Company granted directors, key management and certain employees, options to subscribe for ordinary shares since 2017.

The opening balance of share options and the share options exercised during the prior year are prior to the 75:1 share split, which took effect upon the initial public offering in July 2020.

Summary of options granted under the Option Plan – prior to IPO

	2023 Average exercise price per option NZ$	2023 # of options	2022 Average exercise price per option NZ$	2022 # of options
Opening balance	0.10	3,085,200	0.10	3,919,575
Exercised during the period	0.10	(243,750)	0.10	(834,375)
Closing balance	**0.10**	**2,841,450**	**0.10**	**3,085,200**
Vested and exercisable as at 31 March	0.10	2,841,450	0.10	1,896,450

Share options outstanding at the end of the year have the following expiry dates:

Grant date	Expiry date	Share options 31 March 2023	Share options 31 March 2022
1 October 2018	01 October 2028	1,339,900	1,339,900
1 July 2019	01 October 2028	228,750	307,500
1 December 2019	30 November 2029	1,272,800	1,437,800
Total		**2,841,450**	**3,085,200**

b) Aroa Biosurgery share option plan (the "Option Plan") – on and after IPO

On the Group's IPO in July 2020, the share options were issued to certain employees and directors under a new share option plan. Under this plan, the Group continue to issue options to certain employees and directors.

Grants under the Option Plan comprised 17,828,074 (FY22: 12,901,575) share options with various vesting conditions including non-market service conditions, market conditions and non-market performance conditions.

Summary of options granted under the Option Plan – on and after IPO

	2023 Average exercise price per option NZ$	2023 # of options	2022 Average exercise price per option NZ$	2022 # of options
Opening balance	1.07	12,901,575	0.93	7,950,200
Granted in April 2021	-	-	1.23	350,000
Granted in June 2021	-	-	1.14	2,535,000
Granted in August 2021	-	-	1.24	3,525,000
Granted in August 2022	0.64	3,545,344	-	-
Granted in November 2022	0.94	2,093,580	-	-
Exercised during the year	1.23	(435,758)	0.50	(402,425)
Forfeited during the period	1.21	(276,667)	1.07	(1,056,200)
Closing balance	**1.09**	**17,828,074**	**1.07**	**12,901,575**
Vested and exercisable at 31 March	1.22	8,964,193	0.99	7,620,050

Share options – on and after IPO outstanding at the end of the year have the following expiry dates:

Grant date	Expiry date	Share options 31 March 2023	Share options 31 March 2023
24 July 2020	23 July 2025	4,935,950	5,338,375
29 September 2020	28 September 2025	1,683,200	1,683,200
22 April 2021	31 March 2026	200,000	300,000
28 June 2021	28 June 2026	2,295,000	2,405,000
9 August 2021	8 August 2026	3,075,000	3,175,000
1 August 2022	29 February 2028	3,545,344	-
14 November 2022	13 November 2027	2,093,580	-
Total		**17,828,074**	**12,901,575**

20. Earnings per share

Earnings per share has been calculated based on shares and share options issued at the respective measurement dates.

	2023	2022
Numerator		
Loss for the year after tax (“N”) in $000	(396)	(8,386)
Denominator		
Weighted average number of ordinary shares used in basic EPS (“D1”)	342,917	342,162
Effects of:		
Employee share options *	18,673	17,142
Weighted average number of shares used in diluted EPS (“D2”)	342,917	342,162
	Cents	**Cents**
Basic earnings per share (N/D1 x 100)	(0.12)	(2.45)
Diluted earnings per share (N/D2 x 100)	(0.12)	(2.45)

* As employee share options are anti-dilutive, these were not included in the calculation of diluted earnings per share above.

21. Related parties

(i) Subsidiaries

Interests in subsidiaries are set out in Note 1.

(ii) Key management compensation

Key management includes Directors (Executive and Non-Executive) and the executive management team.

The total compensation for the executive management team is $3,030,000 (FY22: $2,848,000), including share based payments of $609,000 (FY2022: $594,000).

The total compensation for Non-Executive Directors is $754,000 (FY22: $584,000), including share based payments of $262,000 (FY22: $173,000).

(iii) Year end balances

There were no related party receivables and related party payables at year end (2022: $nil).

(iv) Transactions with related parties

There were no other related party transactions during the year.

22. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters whilst optimising the return on risk.

Foreign exchange risk

The Group is exposed to currency risk on sales, purchases and liabilities that are denominated in a currency other than the respective functional currency of the Company, being NZ dollars (NZD). The currency risk arises primarily with respect to sales and expenses.

The Group has certain net monetary assets/(liabilities) that are exposed to foreign currency risk. The table below summarises the Group’s net exposure at reporting date to foreign currency risk, against its respective functional currency, expressed in NZ dollars.

Exposure to foreign currency risk

2023	USD $000	AUD $000	EUR $000
Cash and cash equivalents	3,199	-	-
Trade and other receivables	7,683	-	19
Financial assets at FVTOCI	791	-	-
Trade and other payables	(796)	(24)	-
Net exposure	**10,877**	**(24)**	**19**

2022	USD $000	AUD $000	EUR $000
Cash and cash equivalents	2,473	-	-
Trade and other receivables	7,367	-	-
Financial assets at FVTOCI	864	-	-
Trade and other payables	(832)	(148)	-
Net exposure	**9,872**	**(148)**	**-**

The following significant exchange rates applied during the year:

	Average rate	Average rate	Closing rate	Closing rate
	2023	2022	2023	2022
NZD/USD	0.6246	0.6966	0.6275	0.6975

Sensitivity analysis – underlying exposures

A 5% weakening/strengthening of the NZ dollar against the US dollar at 31 March 2023 would have increased/decreased equity and the net result for the period by the amounts shown below. Based on historical movements a 5% increase or decrease in the NZ dollar is considered to be a reasonable estimate. This analysis assumes that all other variables remain constant.

US dollar

The Group's net result and equity for the period would have been $2,812,000 higher on a 5% weakening of the NZ dollar (2022: $744,000 higher), and $2,544,000 lower on a 5% strengthening of the NZ dollar as at 31 March 2022 (2022: $677,000 lower).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as from the Group's receivables due from customers. Only major banks are accepted for cash and deposit balances.

Payment and delivery terms are agreed to within each of the respective customers agreements. Aging of payments due from customers are monitored on a regular basis.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in Note 23. The Group does not foresee losses on trade receivables over the next 12 months. The Group does not hold any collateral as security.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments in respect of financial liabilities.

At 31 March 2023	Note	Less than 3 months $000	3-12 months $000	Between 1 and 2 years $000	Over 2 years $000	Total contractual cash flows $000	Total Carrying amounts $000
Financial liabilities							
Trade and other payables	14	3,607	-	-	-	3,607	3,607
Lease liabilities	17	202	1,024	1,261	6,380	8,867	7,107
Total		**3,809**	**1,024**	**1,261**	**6,380**	**12,474**	**10,714**

At 31 March 2022	Note	Less than 3 months $000	3-12 months $000	Between 1 and 2 years $000	Over 2 years $000	Total contractual cash flows $000	Total Carrying amounts $000
Financial liabilities							
Trade and other payables	14	3,089	-	-	-	3,089	3,089
Lease liabilities	17	164	781	884	5,709	7,538	5,876
Total		**3,253**	**781**	**884**	**5,709**	**10,627**	**8,965**

Capital adequacy

The Board's aim is to maintain a strong capital base to sustain future development of the business and to maintain investor and creditor confidence. The shareholder funds raised to date provide the Group a sufficient capital base to continue to grow the business.

23. Financial instruments by category

(i) Non-derivative financial liabilities

The Group recognises all other financial liabilities (including liabilities designated at fair value through profit or loss) recognised initially on the trade date, which is the date that the Group become a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liability category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(ii) Non-derivative financial assets

The Group initially recognises financial assets at amortised cost on the date that they are originated.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through other comprehensive income and financial assets at amortised cost.

		Assets at amortised cost	Assets at Fair value through other comprehensive income	Total
At 31 March 2023	Note	$000	$000	$000
Assets as per Consolidated Statement of Financial Position				
Cash and cash equivalents	8	9,540	-	9,540
Term Deposit	8	35,134	-	35,134
Trade and other receivables	10	14,092	-	14,092
Financial assets at FVTOCI	9	-	1,260	1,260
Total financial assets		**58,766**	**1,260**	**60,026**

		Liabilities at amortised cost	Total
At 31 March 2023	Note	$000	$000
Liabilities as per Consolidated Statement of Financial Position			
Trade and other payables	14	360	360
Lease liabilities	17	7,107	7,107
Total financial liabilities		**7,467**	**7,467**

		Assets at amortised cost	Assets at Fair value through other comprehensive income	Total
At 31 March 2022	Note	$000	$000	$000
Assets as per consolidated Statement of Financial Position				
Cash and cash equivalents	8	6,165		6,165
Term Deposit	8	50,000		50,000
Trade and other receivables	10	12,399	-	12,399
Financial assets at FVTOCI	9	-	1,239	1,239
Total financial assets		**68,564**	**1,239**	**69,803**

		Liabilities at amortised cost	Total $000
At 31 March 2022	Note	$000	$000
Liabilities as per consolidated Statement of Financial Position			
Trade and other payables	14	1,382	1,382
Lease liabilities	17	5,876	5,876
Total financial liabilities		**7,258**	**7,258**

(iii) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

	Note	2023 $000	2022 $000
Financial assets			
US listed equity securities	9	1,260	1,239
Derivative financial assets		192	-

The fair value of the listed equity securities is based on published market price (level 1 in the fair value hierarchy) and is revalued at reporting date. The fair value of derivative assets is based on level 3 inputs.

(iv) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

24. Events after the reporting date

There have been no significant events subsequent to reporting date which required disclosure in or adjustment to the consolidated financial statements.

25. Other Disclosures

a. Reconciliation of loss after income tax to cash flow from operating activities

	2023 $000	2022 $000
Loss after tax	(396)	(8,386)
Add (deduct) non-cash items:		
Depreciation of property, plant and equipment	1,798	1,134
Depreciation of right of use assets	807	773
Gain on disposal of assets	13	4
Amortisation of intangibles	1,229	1,224
Share based payments	2,578	2,966
Foreign exchange loss - deferred consideration	-	(11)
Interest - deferred consideration	-	747
Interest – lease liabilities	378	403
Foreign currency translation	(266)	212
Non-Capitalised IPO costs	-	50
Movement in working capital:		
Movement in provisions	6	3
Movement in tax receivable	(387)	90
Movement in trade and other receivables	(2,235)	(8,349)
Movement in prepayments and contract assets	(6,393)	(2,039)
Movement in inventory	(2,748)	(323)
Movement in trade and other payables	1,844	1,320
Movement in interest payables	-	(1,340)
Net cash flows from operating activities	**(3,772)**	**(11,522)**

b. Reconciliation of loss after income tax to cash flow from operating activities

	Lease liabilities Note 17 $000	Paid up share capital Note 18 $000	Total $000
At 1 April 2022	(5,876)	(145,755)	(151,631)
Cash flow	**1,024**	**(520)**	**504**
Non-cash flow:	-	-	-
Share based payments	-	(216)	(216)
Lease	(1,877)	-	(1,877)
Interest on lease payments	(378)	-	(378)
At 31 March 2023	**(7,107)**	**(146,491)**	**(153,598)**

	Deferred Consideration $000	Lease liabilities Note 19 $000	Paid up share capital Note 18 $000	Transaction Cost $000	Total $000
At 1 April 2021	(9,952)	(6,282)	(97,316)	-	(113,550)
Cash flow	**9,514**	**963**	**(50,324)**	**2,214**	**(37,633)**
Non-cash flow:	-	-	-		-
FX on deferred consideration	(155)	-	-	-	(155)
Interest - deferred consideration	593	-	-	-	593
Share based payments	-	-	(283)	-	(283)
Lease	-	(154)	-	-	(154)
Interest on lease payments	-	(403)	-	-	(403)
Allocation of Transaction cost	-	-	2,168	(2,214)	(46)
At 31 March 2022		**(5,876)**	**(145,755)**		**(151,631)**

c. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are recognised profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined and are recognised in Other Comprehensive Income (except on impairment in which case foreign currency differences that have been recognised in Other Comprehensive Income are reclassified to profit or loss).

d. Goods and services tax (GST)

Revenues and expenses have been recognised in the financial statements exclusive of GST except that irrecoverable GST input tax has been recognised in association with the expense to which it relates. All items in the Statement of Financial Position are stated exclusive of GST except for receivables and payables which are stated inclusive of GST.

e. Capital commitments

As at 31 March 2023, the Group had equipment capital commitments of $3,051,000 (2022: $337,000).

f. Contingent liabilities

As at 31 March 2023, the Group had no significant contingent liabilities (2022: $nil).

ADDITIONAL INFORMATION

Aroa Biosurgery Limited

(NZ Company no. 1980577 / ARBN 638 867 473)

Aroa Biosurgery Limited is a New Zealand incorporated company and is registered with ASIC as a foreign company. The Company is accordingly principally governed by New Zealand law, rather than Australian law. This means that the Company's general corporate activities (apart from any offering of securities in Australia and certain reporting and disclosure obligations) are not regulated under the Corporations Act by ASIC. They are instead regulated in New Zealand by New Zealand law including the Companies Act 1993, Financial Markets Conduct Act 2013, Financial Markets Conduct Regulations 2014 and by the New Zealand Financial Markets Authority and the Registrar of Companies.

Stock exchange information and on-market buy-backs

The Company's shares were officially quoted on the ASX on 24 July 2020 (ASX Code: ARX). During the year ended 31 March 2023, the Company did not seek, or rely upon, any waivers from the ASX Listing Rules. There is no current on-market buy-back of the Company's shares and the Company did not undertake an on-market buy-back of its shares during the year ended 31 March 2023.

Ordinary shares

On 31 March 2023 and as at the date of this Annual Report, the Company only has one class of shares on issue, being ordinary shares in the Company, each conferring to the registered holder the rights set out in the Company's constitution, including the right to vote on any resolution at a meeting of shareholders. Holders of ordinary shares may vote at a meeting, in person or by proxy, representative or attorney.

The total number of ordinary shares in the Company on issue as at 31 March 2023 was 343,109,468 shares and the total number of ordinary shares in the Company on issue as at 31 May 2023 was 343,109,468 shares.

The distribution of shareholdings as at 31 May 2023 is as shown in the table below:

Size of shareholding	Number of holders	%	Number of ordinary shares	%
1 to 1,000	922	25.55	583,029	0.17
1,001 to 5,000	1,243	34.44	3,576,550	1.04
5,001 to 10,000	564	15.63	4,530,775	1.32
10,001 to 100,000	759	21.03	23,880,312	6.96
100,001 and over	121	3.35	310,538,802	90.51
TOTAL	3,609	100	343,109,468	100

Based on the closing market price of AROA's ordinary shares on 31 May 2023, the number of shareholdings held in less than marketable parcels is 382, representing 136,412 shares. The Company has not carried out any issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act.

Share options

As at 31 March 2023, there were 20,712,624 share options on issue (representing the same number of unissued ordinary shares) held by 86 holders under the NZ Option Plan and US Option Plan. Share options do not carry voting rights.

The distribution of share options as at 31 May 2023 is as shown in the table below:

Size of holding	Number of holders	%	Number of options	%
1 to 1,000	-	-	-	-
1,001 to 5,000	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 100,000	42	48.84	2,283,788	11.00
100,001 and over	44	51.16	18,478,836	89.00
TOTAL	86	100	20,762,624	100

Please refer to the Remuneration Report and note 19 to the consolidated financial statements for further details of share options outstanding.

Shares issued on exercise of options

The table below outlines ordinary shares issued during FY23 upon exercise of share options granted under the NZ Option Plan. No share options issued under the US Option Plan were exercised during the year.

Under the NZ Option Plan rules, at the Board's discretion, options may be exercised by cashless settlement. This involves issuing a reduced number of shares to the participant equivalent to: (a) an amount equal to the difference between the current value of the Company's shares (being the VWAP for the five trading days immediately preceding the option exercise date) and the exercise price of the shares, multiplied by the number of options being exercised, and divided by (b) the current value of the Company's shares.

Date options exercised	Number of options exercised	Average exercise price	Number of shares issued
12/04/2022	184,325	A$0.75	184,325
12/04/2022	78,750*	NZ$0.0979	78,750
14/12/2022	165,000*	NZ$0.1075	165,000
03/02/2023	218,100	A$0.075	218,100
03/02/2023	33,333	A$1.15	2,160

**Share options issued prior to IPO.*

Twenty largest shareholders

The names and holdings of the 20 largest registered shareholders in the Company as at 31 May 2023 was as follows:

Shareholder name	Shareholding	Holding as a % of total ordinary shares on issue as at the date above
CITICORP NOMINEES PTY LIMITED	47,694,722	13.90
MR BRIAN WARD & MRS TRACEY WARD <ARAWAI NO 2 A/C>	33,125,800	9.65
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	31,448,545	9.17
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,111,683	7.03
NATIONAL NOMINEES LIMITED	20,287,882	5.91
PHIL MCCAW <MCSYTH CAPITAL INVEST A/C> & <MCSYTH CHARITABLE FUND A/C>	19,751,154	5.75
RICHARD ABBOTT <JESTER 002 INVESTMENT A/C>	13,043,020	3.80
ASPIRE NZ SEED FUND LTD	12,689,627	3.70
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	10,422,463	3.04
BNP PARIBAS NOMS (NZ) LTD <DRP>	8,261,303	2.41
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	6,846,246	2.00
BNP PARIBAS NOMS PTY LTD <DRP>	6,682,320	1.95
K ONE W ONE (NO 3) LTD	5,882,550	1.71
SHARON BRYANT <OT INVESTMENT A/C>	4,372,267	1.27
CHRISTOPHER DAVID ASTLEY MILNE	3,213,022	0.94
K ONE W ONE LTD	3,041,226	0.89
GFT 2 CO PTY LIMITED <GFT 2 A/C>	2,820,912	0.82
JAMES MCLEAN	2,777,108	0.81
MESYNTHES NOMINEES LTD	2,568,600	0.75
BARNABY MAY	2,449,500	0.71
Total Top 20 Holders	**261,489,950**	**76.21**
Total Securities	**343,109,468**	

Takeovers and substantial holdings

While the ASX Listing Rules apply to the Company, certain provisions of the Corporations Act do not. The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of its shares (including takeovers and substantial holdings). The New Zealand position under the Takeovers Code (as set out in the Takeovers Regulations 2000) and the Financial Markets Conduct Act 2013 is broadly comparable to the Australian position in relation to the regulation of takeovers. The New Zealand takeovers regime, not the Australian takeovers regime, will apply to the Company as a foreign company. A 20%

threshold applies (under which a person (together with their associates) is prevented from increasing the percentage of voting rights held or controlled by them in excess of that 20% threshold or from increasing an existing holding of more than 20% of the voting rights), subject to certain exceptions (including, but not limited to, full and partial takeover offers, 5% creep over 12 months in the 50% to 90% range, and acquisitions with shareholder approval). Compulsory acquisitions are permitted by persons who hold or control 90% or more voting rights in a code company.

Under New Zealand law, there is no requirement for a shareholder of the Company to issue a substantial holding notice of holdings above 5%, and because the Company is a New Zealand company the Corporations Act provisions regarding substantial shareholder notices do not apply to the Company. However, a shareholder may voluntarily disclose such information if it chooses to do so and a number of New Zealand companies listed on ASX experience shareholders lodging notices similar to a substantial shareholder notice that is required under the Corporations Act notwithstanding there is no requirement to do so. Separately, the Company has undertaken to ASX that it will inform the market immediately on becoming aware of a person becoming a Substantial Holder, a movement of at least 1% of shares in which the Substantial Holder has a relevant interest and a person ceasing to be a Substantial Holder.

Limitations on the acquisition of AROA shares

In general under applicable law, securities in the Company are freely transferrable and the only significant restrictions or limitations in relation to the acquisition of AROA shares are those imposed by the New Zealand takeovers regime (discussed above) and if applicable, the Overseas Investment Act 2005 (NZ) and the Commerce Act 1986 (NZ).

AROA's constitution also permits the directors to (in their absolute discretion) refuse or delay the registration of any transfer of AROA shares if permitted to do so by the Companies Act or the ASX Listing Rules. This includes (without limitation) if the relevant shares are subject to a holding lock pursuant to the ASX Settlement Operating Rules or escrow.

Substantial shareholders

Set out below is, to the best of the Company's knowledge, details relating to all Substantial Holders in the Company as at 31 May 2023.

Shareholder name	Shareholding*	Holding as a % of total ordinary shares on issue as at 31 May 2023
Citicorp Nominees Pty Limited	47,694,722	13.90
Mr Brian Ward** & Mrs Tracey Ward <Arawai No 2 A/C>	33,125,800	9.65
J P Morgan Nominees Australia Pty Limited	31,448,545	9.17
HSBC Custody Nominees (Australia) Limited	24,111,683	7.03
National Nominees Limited	20,287,882	5.91
Phil McCaw <McSyth Charitable Fund A/C> & <McSyth Capital Invest A/C> ***	19,751,154	5.75

**of the Substantial Holder and their "associates" (within the meaning given to that term in section 12 of the* Corporations Act).

*** Brian Ward also holds 3,132,525 unlisted options expiring 23 July 2025 at an exercise price of NZ$0.75 per option; 1,217,610 unlisted options expiring 13 November 2027 at a nil exercise price; 649,695 unlisted options expiring 13 November 2027 at an exercise price of AU$1.165; 453,206 unlisted options expiring 29 February 2028 at a nil exercise price; and 254,972 unlisted options expiring 29 February 2028 at an exercise price of AU$1.165.*

**** The shareholding referenced above reflects holdings by the McSyth Capital Investment Trust as well as the McSyth Charitable Foundation Trust, the latter being a registered charity of which Phil is one of 2 trustees. He also holds 172,620 unlisted options expiring 29 February 2028 at an exercise price of AU$1.083 and has an interest in 81,925 unlisted options expiring 23 July 2025 at an exercise price of AU$0.75 per option held by the McSyth Capital Investment Trust.*

Securities subject to voluntary escrow as at 31 May 2023

As at 31 May 2023, there were no AROA securities subject to voluntary escrow.

General disclosure of interests by Directors

AROA maintains an interests register in accordance with the Companies Act. The following are general disclosures of interests (pursuant to section 140(2) of the Companies Act) noted in the Company's interests register as at 1 April 2022 which remained current as at 31 March 2023.

Name	Interest
James McLean	Director, Mesynthes Nominees Limited
	Chairman, Prevar Limited
	Chairman, R J Hill Laboratories Limited
Brian Ward	Director, Green Edge Limited
Steven Engle	Non-Executive Chairman, Prescient Therapeutics Limited (ASX: PTX)
	Director, Author-IT Labs Limited, Author-IT Holdings Limited, Authorit Software Corporation Limited and Author-IT Software Corporation
	Sole Proprietor, Averigon
	CEO & Director, Gradalis Inc
Philip McCaw	Chair, Startup Advisors' Council – New Zealand Government
	Director, Mesynthes Nominee Limited
	Director, Toha Foundry Limited
	Director, Author-IT Limited and Authorit Software Corporation Limited
	Director, Kaynemaile Ltd
	Director, Shift72 Limited
	Director, Nutcracker Limited
	Director, Movac Limited
	Director, Movac Fund 4 Custodial Limited
	Director, Movac Fund 5 Custodial Limited
	Director, Movac Fund 5 General Partner Limited
	Director, Movac Fund 4 General Partner Limited
	Director, CAVOM Nominee No 1 Limited
	Director, Calcium Investments Limited
	Director, Calcium Investment Trustee Limited
	Director, PJM Management Limited
John Pinion	Advisory Board Member, Celestial Therapeutics, Inc
John Diddams	Non-executive Chairman, xReality Group Limited (ASX: XRG)
	Director, Surf Lakes Holdings Limited
	Director, DIT AgTech Limited

The following updates to the general disclosures of interests were made during the financial year ended 31 March 2023:

Name	Interest	Nature of update to the Company's interests register
John Diddams	Director, Volpara Health Technologies Limited (ASX:VHT)	Removed
Dr. Catherine Mohr	Director, Carta Healthcare	Added
	Director, Avisi Therapeutics	
	Director, FINCA International	
	Director, Spark Acquisition	

Details of share dealings by the directors during the 12-month period ended 31 March 2023 are set out in the Remuneration Report.

Use of company information

AROA did not receive notice from any director requesting to use company information received in his capacity as a director of any Group company, which would not otherwise have been available to him.

Donations

Donations made during the year ended 31 March 2023 totalled NZ$20,000.

Subsidiary company information

All subsidiary companies in the Group are wholly owned by AROA.

The persons listed below held office as a director of the Company's subsidiaries during the year ended, and as at, 31 March 2022. They do not receive any remuneration or other benefits for their role as a director of a Company subsidiary.

Company	Directors
Aroa Biosurgery Incorporated (Delaware File number 6560549)	Brian Ward, John Pinion
Mesynthes Nominee Limited (NZBN 9429 041 350 003)	Jim McLean, Phil McCaw

Other than as disclosed in the Company's interests register, no entries were made in the interests register of any Company subsidiary during the year ended 31 March 2023.

GLOSSARY AND OTHER INFORMATION

Glossary

Term	Description
AROA or the **Company**	Aroa Biosurgery Limited NZCN 1980577, ARBN 638 867 473
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CC or **Constant Currency**	Constant currency removes the impact of exchange rate movements. This approach is used to assess the AROA group's underlying comparative financial performance without any distortion from changes in foreign exchange rates, specifically the USD. The exchange rate of US$0.62/NZ$1.00 has been used in the constant currency analysis for FY22/FY23. Unless otherwise specified, all references in this Annual Report to 'constant currency' or 'CC' are as set out here.
CEO	Chief Executive Officer
Companies Act	Companies Act 1993 (NZ)
Corporations Act	Corporations Act 2001 (Cth, Australia)
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECM	Extracellular matrix
FDA	The Food and Drug Administration of the US
FY	Financial Year
GPO	Group purchasing organisation
Group	The group of companies comprising AROA, Aroa Biosurgery Incorporated (Delaware File number 6560549) and Mesynthes Nominee Limited (NZBN 9429 041 350 003)
IPO	The Company's initial public offering in July 2020 of 60,000,000 shares in the Company at a price of A$0.75 per share
NZ GAAP	New Zealand Generally Accepted Accounting Practice
NZ IFRS	New Zealand Equivalents to International Financial Reporting Standards
NZ Option Plan	The Aroa Biosurgery Share Option Plan (NZ)
Shares	Ordinary shares in the Company
Share Plan	The Aroa Employee Incentive Share Plan 2014, which was wound up in 2020
Substantial Holder	Has the meaning given to it in the Corporations Act
TAM	Estimated total addressable market
TELA Bio	TELA Bio, Inc. TELA Bio is AROA's our sales and distribution partner licensed for abdominal wall reconstruction/hernia and breast reconstruction indications in North America and Europe.
US	The United States of America
USD	United States Dollar
US Option Plan	The AROA Biosurgery 2021 US Share Option Plan
VWAP	The volume weighted average market price for Shares reported on the ASX

IP Notice

References

[1] Normalised EBITDA is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess the Group's comparative financial performance without any distortion from one-off transactions. The impact of royalties, non-cash share-based payments expense and unrealized foreign currency gains or losses has also been removed from the Profit or Loss. This approach is used by Management and the Board to assess the Group's comparative financial performance. All references in this Report to normalised EBITDA is as set out in this footnote.

[2] Smith MJ, et al. Journal of Biomaterials Applications. 2022 Jan;36(6): 996-1010 2) Prosdocimi M, Bevilacqua C. Panminerva Med. 2012 Jun;54(2):129-35.

[3] Estimate of potential market size only. Idata, Soft Tissue Repair Market 2022; DRG Millennium Research data; Hernia Repair Devices, 2020; AROA management estimates; DRG Millennium Research, Breast Implants & Reconstructive devices, 2018.

[4] Aggregate sales by AROA and TELA Bio to customers. AROA receives ~ 27% of TELA Bio's net product sales of OviTex/OviTex PRS.

[5] Management estimates.

[6] Represents accounts to which sales were made at the end of the applicable period.

[7] Mason, I. T., et al. (2022). Evaluation of Tissue Apposition and Seroma Prevention in an Ovine Model of Surgical Dead Space Using a Novel Air-Purged Vacuum Closure System. Eplasty, 22. https://www.hmpgloballearningnetwork.com/site/eplasty/original-research/evaluation-tissue-apposition-and-seroma-prevention-ovine-model

[8] All guidance is presented on a constant currency basis using a NZ$/US$ exchange rate of 0.65, compared to the average exchange rate of 0.62 in FY23. Constant currency removes the impact of exchange rate movements. Guidance is also subject to there being no material decline in US medical procedure numbers or sustained disruption to AROA's manufacturing or transportation activities and TELA Bio delivering on its CY23 revenue guidance of US$60-65 million.

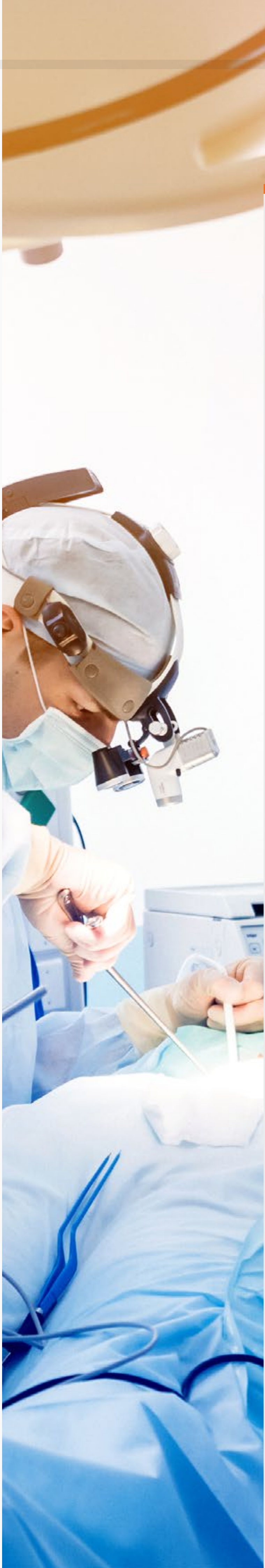
[9] The Board reserves the right to adjust these performance conditions or vesting outcomes to ensure that Mr. Ward is neither penalised nor provided with a windfall benefit arising from matters outside his control.

[10] As a director of Mesynthes Nominee Limited, as at 31 March 2023 Jim McLean also had an interest in 2,568,600 shares held by Mesynthes Nominee Limited on bare trust for certain AROA employees until payment is received for such shares.

[11] Phil McCaw holds his interest through McSyth Capital Investment Trust, of which he is one of 3 trustees and a beneficiary. Mr McCaw also has an interest in shares held by the McSyth Charitable Foundation Trust, a registered charity of which he is one of 2 trustees. As a director of Mesynthes Nominee Limited, as at 31 March 2023 Mr McCaw also had an interest in 2,568,600 shares held by Mesynthes Nominee Limited on bare trust for certain AROA employees until payment is received for such shares.

[12] This includes interests in shares held by John Diddams' related parties; Whitfield Investments Pty Ltd and Galdarn Pty Ltd.

[13] Brian Ward holds his interest through Arawai No. 2 Trust, of which he is one of 3 trustees and a beneficiary.



CORPORATE DIRECTORY

Directors

Jim McLean,
Chair and independent non-executive director

Brian Ward,
Founder, Chief Executive Officer and Managing Director

Dr. Catherine Mohr,
Independent non-executive director

Steven Engle,
Independent non-executive director

Philip McCaw,
Non-executive director

John Pinion,
Independent non-executive director

John Diddams,
Independent non-executive director

Joint Company Secretaries

James Agnew,
Chief Financial Officer and Joint Company Secretary

Tracy Weimar,
Joint Company Secretary

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