ANNUAL REPORT 2014

PACIFIC EDGE LTD

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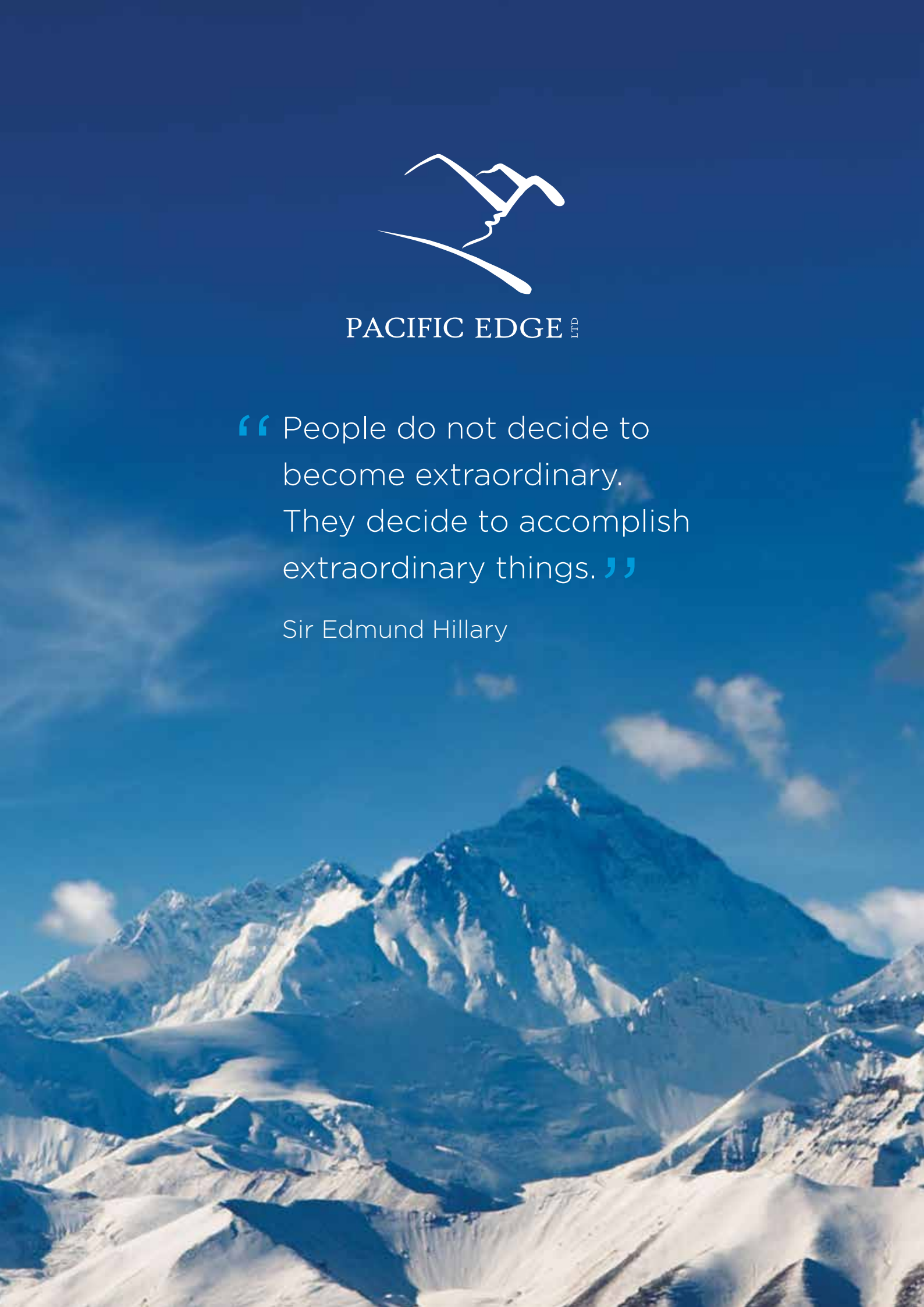
“People do not decide to become extraordinary. They decide to accomplish extraordinary things.”

Sir Edmund Hillary



Annual Report for the Year Ended 31 March 2014

The Board of Directors of Pacific Edge Limited is pleased to present the Annual Report for the Year Ended 31 March 2014. This Annual Report provides a review of our activities during the 2014 financial year and management and Board commentary on our focus for 2015 and beyond.

We are pleased to have this opportunity to share our progress and future plans with you.

The Annual Report can also be viewed on our website www.pacificedgedx.com

Contents

Key Dates

End of Financial Year	31 March
Preliminary Results Announcement	By 31 May
Issue of Annual Report	By 30 June
2014 Annual Meeting	21 August 2014 at Dunedin Art Gallery
End of Half Year	30 September
Interim Results Announcement	By 30 November
Interim Report	By 31 December

Our Business

Pacific Edge is a cancer diagnostics company. We develop and commercialise tests for the early detection and management of cancer.

Our products, built from our proprietary genetic databases, are used to identify diagnostic biomarkers for cancer. We specialise in discovering, building and commercialising novel cancer tests.

Our first product, Cxbladder, is a novel bladder cancer detection test which has recently been successfully launched in target markets. Our focus is firmly fixed on growing our revenue base, particularly in the world's largest biomedical market, the US. The Company's short to medium term focus will remain on bladder cancer and will see the Company launch a further product to help clinicians and patients alike, in the detection and management of bladder cancer.

THE BUILDING BLOCKS OF OUR BUSINESS

Our innovative capability is underwritten by our scientific and clinical expertise, both of which help us develop and launch innovative products to improve patient care. Our commercial capabilities have driven our Company's evolution from a research and development business to an organisation that is now making commercial inroads in key markets around the world. We now have a solid footprint in the US market, with a certified laboratory, a US sales and marketing team and a growing reputation and awareness of our Cxbladder product.

Globally, we have commercial operations in New Zealand, Australia and the United States.

CXBLADDER

Cxbladder offers patients a non-invasive, accurate test for the detection of bladder cancer.

Cxbladder measures the expression of five genes that create a unique molecular signature for bladder cancer, alerting physicians and clinicians to possible tumours. More accurate than many other urine-based cancer detection tests, Cxbladder can give patients and doctors added confidence in their diagnoses.

Cxbladder is being utilised by clinicians to provide a number of clinical and patient advantages. The test can be used on patients presenting with blood in urine to rule in or rule out the presence of bladder cancer; saving many patients the inconvenience, invasiveness and cost of a full urological workup.

The test requires a small sample of the patient's urine to be sent to one of Pacific Edge's own or franchised partner laboratories. The laboratory analyses the urine, measures the presence of five genes and determines, with a high degree of accuracy, whether the patient does or does not have bladder cancer.

The performance of the Cxbladder test was evaluated in a formal clinical study[1] that was published in the Journal of Urology in 2012. The study showed that Cxbladder outperformed all of the other clinical technologies that were evaluated alongside it. In this study, Cxbladder correctly identified 100% of late stage tumours and 97% of high-grade tumours. These findings were validated by a further two-centre study in 2013.

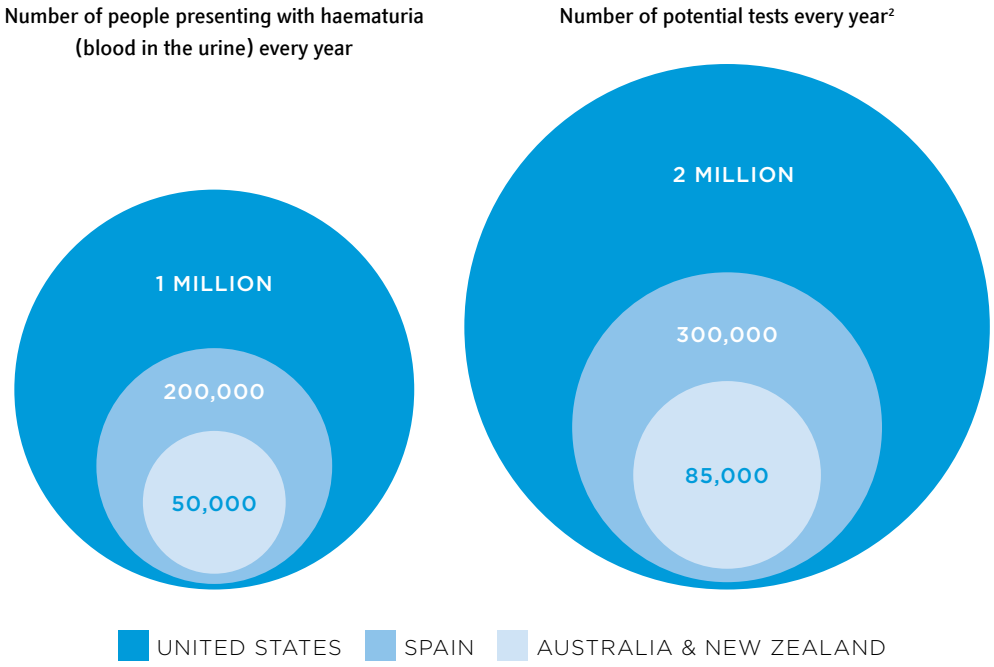
This test is commercially available from Pacific Edge and its commercial partners in several countries around the world, including Australia, New Zealand and the USA.

BLADDER CANCER

Bladder cancer has the ninth highest incidence in the world. It has a very high recurrence rate and often progresses quickly. Consequently, bladder cancer patients live in a world of ongoing monitoring and clinical intervention, much of which is invasive and expensive.

However, bladder cancers are highly treatable, especially if detected in the early stages. This makes timely and regular surveillance of this cancer a key element of the clinical process and of the individual's annual healthcare plan.

One of the early symptoms of bladder cancer is the presence of blood in the urine, called haematuria. People with haematuria usually present to the GP before being referred on to a urologist.



[1] O'Sullivan et al: A multigene urine test for the detection and stratification of bladder cancer in patients presenting with hematuria, *J Urol* 2012; 188: 741–747.

[2] Under current clinical guidelines, patients diagnosed with bladder cancer will require repeat testing over a period of years.

Our Business
(continued)

OUR COMMERCIAL OPERATIONS FOR CXBLADDER

United States

- Population: 327 million
- Patients with haematuria: approx. 1 million per year
- Approx. Urologists: 10,500
- Potential Cxbladder test market: 2 million tests per year
- Commercially available since July 2013

Spain

- Population: 42 million
- Patients with haematuria: approx. 200,000 per year
- Approx. Urologists: 1,350
- Potential Cxbladder test market: 300,000 tests per year
- Commercial process in development

NZ and Australia

- Population: 24 million
- Patients with haematuria: approx. 50,000 per year
- Approx. Urologists: 300
- Potential Cxbladder test market: 85,000 tests per year
- Commercially available since 2012

BUILDING THE GLOBAL CXBLADDER BUSINESS

Identify and protect Intellectual Property	IP defining the relationship between the genes and the disease, that is, the gene signature.
Protect the genetic signature contained in the patient's urine sample	Innovative urine sampling system (USS) that enables a patient to easily provide a urine sample and to protect that sample from the patient collection to the laboratory that meets stringent regulatory requirements in served markets.
Meet regulatory requirements in global markets	Refine the technology to produce a highly repeatable and reproducible clinical product.
Provide a consistent clinician experience every time	Develop the franchise model where each laboratory uses the same processes, equipment and consumables to give the clinician a high quality product and service.
Establish in-market capability	Understand the regulatory and reimbursement needs. Ensure logistics are in place for sample systems to travel to and from the clinician. Ensure the processing laboratory is in place and has regulatory approval. Plan and build the sales and marketing team.

Our Vision

To benefit global communities through delivery of innovative solutions for the early detection and better management of cancer.

OUR MISSION

To improve patient outcomes, provide superior returns to our shareholders and benefits to other stakeholders by developing and commercialising innovative solutions for the early detection and management of cancer.

OUR FOCUS

Development and commercialisation of state of the art cancer diagnostics and prognostics for the early detection and better management of cancer.

OUR PEOPLE

Our strength is our people. We believe passionate, focused, dedicated and incentivised people make a significant difference.

OUR MOTIVATION

To meet and exceed medical, clinical and stakeholder expectations.

OUR PRODUCTS

To deliver products and service with performance that make a clinically meaningful difference for cancer management and provide better outcomes for patients.

MILESTONES ON OUR JOURNEY TO SUCCESS

2001

Company formed to build and commercialise novel cancer diagnostics

2002

Company listed on NZX

2005

Completed the gene expression database in five cancers

2008

Published the initial bladder cancer detection research

2009

Produced a pre-commercial prototype of Cxbladder

2011

Completed the clinical evaluation of Cxbladder

Completed the commercial laboratory in Dunedin and opened by the NZ Minister of Health

2012

Published Cxbladder clinical paper in Journal of Urology

Completed the build and fit out of the US laboratory in Hershey, Pennsylvania

2013

Received CLIA regulatory approval for US laboratory

Received CLIA regulatory approval for Dunedin laboratory

First dedicated sales executive started in the US

First significant sales revenue generated in the US

FY14 Highlights and Key Events

Commercial launch of Cxbladder in the United States

Recruitment and training of sales and marketing team from July 2013 with the first commercial product processed in October 2013.

Continuation of successful User Programmes with selected urologists in New Zealand, Australia and the United States

The User Programmes provide targeted clinicians and urology specialists in Large Urology Groups (LUGs) and in Integrated Health Care organisations (IHCs) with the opportunity to evaluate Cxbladder in their own clinical setting and experience the significant benefits that Cxbladder offers to clinicians, patients and their insurers. New Zealand successfully completed two large User Programmes that provided clinical performance validation for Cxbladder. In the US, a number of new User Programmes were initiated with prospective large customers.

Signing of agreements with three National Provider Networks in the USA – FedMed, ACPN and Stratos. Since year-end, a fourth agreement has been signed with MultiPlan

These National Provider Networks (NPNs) provide a contracted price network that links payers to the healthcare providers. The NPNs facilitate the commercial reimbursement interactions between healthcare payers and health care providers.

Significant gains made in the adoption of Cxbladder by publicly and privately funded health organisations and agencies in New Zealand

Agreement signed with the Government's Health Innovation Hub (HIH) to make Cxbladder available to patients in Waitemata, Auckland, Counties Manukau and Canterbury DHBs. Cxbladder in commercial evaluation at Mid Central Health DHB and commercially adopted by Urotec. Urotec provides urological services to Bay of Plenty and Lakes DHBs.

Pacific Edge's Hershey and Dunedin laboratories receive CLIA certification

Pacific Edge has achieved essential US laboratory regulatory approval from CLIA (Clinical Laboratory Improvement Amendments) in two laboratories, Hershey, Pennsylvania in the US and Dunedin, New Zealand, one of the few CLIA regulated laboratories outside the United States.

Hershey Laboratory gains CAP accreditation

The Pacific Edge (PED) laboratory in the US has attained the pinnacle of laboratory certification with the recent approval granted by CAP (College of American Pathologists) — the leading organisation of board-certified pathologists that serves patients, pathologists and the public by fostering and advocating excellence in the practice of pathology and laboratory medicine worldwide.

Recipient of several Awards and Grants

New Zealand Innovation Council Supreme Award winner; NZBIO Top Biotech Company Award; Callaghan Innovation Growth Grant.

Completion and publication of international clinical study

A two centre user study in New Zealand provided a formal validation of the performance achieved by Cxbladder in the 2011 international multi-centre clinical study that was published in the prestigious international Journal of Urology in September 2012. These studies showed that Cxbladder has excellent accuracy in detecting urothelial carcinomas, of which bladder cancer is one, and performed significantly better than any of the other currently used bladder cancer detection technologies that were benchmarked in these studies. At an overall 82% sensitivity for a specificity of 85%, Cxbladder saw 100% of Tis, T1, T2 and T3 stage tumours and 97% of all high grade tumours.[3]

Validation studies reiterate Cxbladder technology performance

Two User Programmes at large District Health Board (DHB) clinics in New Zealand completed their evaluation and provided results that confirmed Cxbladder's performance in an operating clinical setting. These two sites provided blinded samples to Pacific Edge's laboratory which showed an overall sensitivity of 90% at a specificity of 75% compared to the clinical study[3] of 82% and 85% respectively. At this performance Cxbladder saw 100% of T1, T2 and Tis stage tumours. These recent results effectively replicate the accuracy obtained in the clinical study published in the Journal of Urology in September 2012[3]. The Company is looking to publish these results in 2014 in an appropriate clinical or scientific journal after inclusion of other User Programmes.

[3] O'Sullivan et al: A multigene urine test for the detection and stratification of bladder cancer in patients presenting with hematuria, *J Urol* 2012; 188: 741–747.

TRADING REVENUE

$523,000, up 187%

TOTAL REVENUE

$838,000, up 62.7%

TOTAL COMPREHENSIVE LOSS

$9.3 million, an increase of 35%

GLOBAL EMPLOYEES

33 employees, an increase of 50%

US SALES TEAM

Initial recruitment of four specialist sales people in four high volume sales regions

PIPELINE

Three new products in research and development

Chairman's Report

2014 was a milestone year for our Company as we celebrated the commercial launch of our first product, Cxbladder, and the start of revenue generation in the world's biggest biomedical market, the United States.

For the past thirteen years, we have been working towards this milestone. We have invested time, money and resources into developing our genetic databases, creating and testing prototypes, producing a commercially viable product and establishing a footprint in our targeted global markets.

All this hard work and effort culminated in a defining moment in October 2013 when we processed our first commercial test sample through our US laboratory. While numbers of commercial tests are still small, they are growing and we see this as the start of a new era for our Company.

At all times over the last 13 years, we have focused on delivering on our promises to our shareholders, and I am pleased that 2014 was no different. Further details on our operational achievements for FY14 can be found in the report from our CEO, David Darling, on pages 12 to 20.

A key building block of our business is our scientific and clinical know-how. Pacific Edge has both a Scientific Advisory Board and a Clinical Advisory Board. Members of both Boards are international experts in their field and provide advice to management and the Pacific Edge Board. My thanks go to these individuals for sharing their knowledge and expertise with us again in FY14 as we continue to innovate and develop new products.

The investment into the growth of the business, particularly the commercial rollout in the US, was the primary driver behind the FY14 reported loss of $9.38 million (FY13: $6.95 million), which was in line with budgeted expectations. The Company reported its first substantial trading revenue in

FY14 and whilst still only a small number, this is a strong lift despite the short period of selling in the American market.

The majority of the net loss is the significant investment the Company has made in the growth of the business; set up and rollout of our presence in the US; investment in clinical trials and User Programmes with new customers; further product development and management of intellectual property.

FUNDING FOR FUTURE GROWTH

In October 2013, we successfully completed a $20 million capital raising. My thanks go to those shareholders who participated and who continue to support us.

The capital raised is helping to drive an acceleration of the Pacific Edge salesforce rollout in the US in 2014 and beyond, and will aid continued research and development of new products for urologist customers.

Over the years, we have received a number of technology development grants to help us develop our products. These have been a very important funding line for us. In February 2014, we were delighted to receive a Callaghan Innovation Growth Grant that will provide up to $4.5 million, spread over three years, with an additional two years available on review. This funding will provide additional resources to accelerate the development of our non-invasive, cancer detection tests.

As at 31 March 2014, Pacific Edge held cash and equivalents of $20.4 million, up from $10.7 million the year earlier. The Company is debt free. The Board is comfortable that sufficient funds are in place to support the next two years of the Company's planned growth strategy.

GOVERNANCE

Pacific Edge is listed on the NZX Main Board. The Board is responsible for the corporate governance of the Company. The Company's governance policies are consistent with the NZX Corporate Governance Best Practice Code and meet the nine Principles for Corporate Governance issued by the Securities Commission. More detail on corporate governance can be read on pages 70 to 73.

Of our shareholders, 20 hold 52% of the shares in the Company, with the balance of the Company held by 5,348 shareholders.

Our capital raising in 2013 introduced a number of new shareholders to our share registry and we now have over 5,300 shareholders. During FY14, the Company saw considerable growth in the share price, culminating in the Company entering the NZX50. This was a great achievement. We also saw a significant shift as global markets revalued technology shares or shares with projected future earnings, such as Pacific Edge.

We are aware of the need to inform shareholders about our business, and during the year, we focused on providing as much information as possible on the regulatory, reimbursement and adoption drivers for novel, medical devices in both New Zealand and the US. This will be a significant and on-going focus for the Company. We expect to see a number of research papers produced by local and international analysts to fill some of this knowledge gap during the coming year.

We endeavour to keep our shareholders updated on our progress, key events and our business activities through announcements to the NZX and our annual and interim reports. All announcements and reports can also be found on our website. Shareholders are also welcome to attend the Annual Meeting of Shareholders. The 2014

Chairman's Report (continued)

Annual Meeting will be held on 21 August 2014 in Dunedin.

LOOKING FORWARD

Our focus for the past six years has been on developing, testing and launching our first commercial Cxbladder product to the market. We have established our brand and have growing awareness of our product amongst our target urologist customers, with whom we have been working so diligently over the last few years.

We have identified a number of other potential uses of the Cxbladder technology, at different stages of the detection and treatment cycle for bladder cancer. These provide us with new product opportunities. We believe that focusing on developing these new products for bladder cancer is the fastest and surest way for our Company to grow its product base and total revenue.

Therefore, while we will continue to maintain our portfolio of intellectual property in the areas of gastric, colorectal and endometrial cancers and melanoma, our focus will be on bladder cancer products for the short to medium term. Our wider portfolio will provide us with further options in the future.

Whilst the New Zealand and Australian markets are important to us from a product development and commercialisation process perspective, it is the scale and accessibility of the American market that is paramount to the success of the Company.

Evaluating haematuria (blood in the urine) in American patients for bladder cancer is a significant market of scale and could be worth up to $100 million in gross revenue for our Company in five years' time.

Our investment into our business will continue to grow over the 2015 financial year, focusing on customer capture, adoption of Cxbladder, building relationships and negotiating agreements with key organisations that facilitate reimbursement, and the set-up and roll-out of the franchised business model in the targeted markets of New Zealand, Australia, US and Spain. In addition, we will continue to further the development of the Company's bladder cancer product portfolio.

Our goal of attaining a business with a gross revenue of $100 million after five full years of trading remains our target and continues to be readily attainable.

Chris Swann
Chairman

CEO's Report

The 2014 financial year was an exciting one for our Company and marked a new stage of our journey.

It was the year we made the change from being simply a research and development organisation and became a significant commercial enterprise. The launch of Cxbladder into the US market and the initial revenue generated has been a fantastic achievement for all involved.

We are only at the beginning of this new commercial phase and still have a lot of work ahead of us. Much of this is a continuation of the groundwork we started in FY14, from sales and marketing efforts in the US, New Zealand and Australia to building commercial scale at our laboratories and continued research and development of new products.

We are pleased to have once again achieved the goals we set for ourselves last year. These were important initiatives that have built a strong starting platform for our commercial journey. Many of these initiatives are ongoing and will again be our focus in FY15.

This time last year, we had just received regulatory approval for our new purpose-built laboratory in Hershey, Pennsylvania, a very significant achievement in its own right and one which required a dedicated effort from both the New Zealand-based team and the new team in the United States. This opened the way for us to start planning for a commercial rollout in the US. Ensuring this was done effectively and efficiently was the primary focus for management in FY14.

We now have an excellent base in the US market, through our 100% owned US subsidiary PED_{USA}. Our US operations are based out of our purpose built laboratory in Pennsylvania, where all Cxbladder tests in the US are processed.

We are proceeding well with the recruitment and training of a specialist sales and marketing team

in the US and we are receiving strong product endorsement and seeing encouraging results from our User Programmes, where targeted clinicians are provided with the opportunity to trial and use our tests in their practices.

We have also made excellent progress in negotiating commercial relationships with National Provider Networks (NPN) in the US. These NPNs provide patients with access to healthcare services and technology by contracting with providers and payers on a national basis. The agreements we have signed give millions of Americans access to Cxbladder and its positive benefits as a quick, cost effective, non-invasive and highly accurate cancer detection test. We look forward to seeing the benefits of this work reflected in our sales in this coming year.

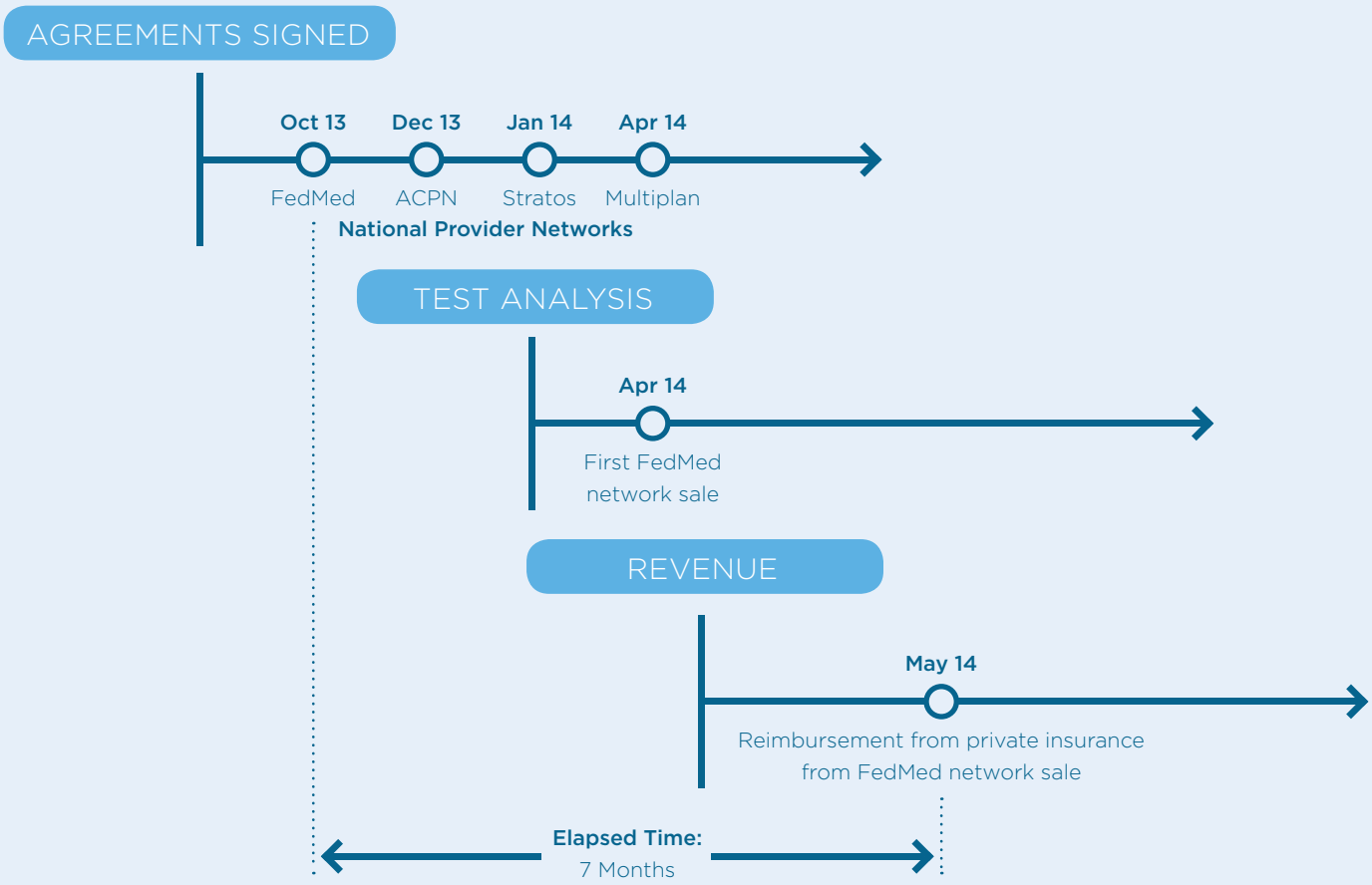
Over the 2014 financial year, we have seen a steady increase in the growth of the adoption of Cxbladder, not just in the US, but also in our markets in New Zealand and Australia. The focus in all of these markets is on providing a consistent and highly repeatable clinical experience for both the patient and the clinicians when using Cxbladder, delivered from one of Pacific Edge's specialist laboratories in New Zealand, Australia and now the United States.

We have identified high volume segments in these markets and have signed a number of valuable contracts and agreements over the past year. These provide us with access to the very large number of patients with haematuria in the US, New Zealand and Australia.

The fastest way for our Company to grow revenue is to deliver another test to existing urology customers down the same channel to market. During the year, we have made good progress on bringing our next new product to the market. The collection of the clinical performance data has begun, and a New Zealand launch is expected late in the second half of 2014.

TIMELINE OF ACTIVITY FOR DEVELOPMENT OF US SALES

National Provider Networks provide millions of patients with access to Cxbladder. However, it can take a number of months from the signing of agreements for commercial tests to flow through and for reimbursement to be received.



CEO's Report (continued)

BUILDING OUR PRESENCE IN THE US MARKET

The US is the world's largest biomedical market and we operate in this market through our wholly owned subsidiary, Pacific Edge Diagnostics USA (PED_{USA}).

In March 2013, we received regulatory approval and CLIA (Clinical Laboratory Improvement Amendments) certification for our purpose built laboratory in Pennsylvania. This is the regulatory agency that administers the standards which apply to all clinical laboratory testing that provides or uses a Laboratory Developed Test (LDT) to provide a service to clinicians managing or treating humans in the United States.

This regulatory achievement allowed us to progress with the commercial rollout of Cxbladder in the US market and enabled us to start our process of recruiting the first of our dedicated sales executives. We launched in July 2013, recruiting and training sales and marketing personnel over the following six months.

In October 2013, we processed the first commercial test through the laboratory. This facility has been built based on our estimates of the future scale of the US market and has the planned capacity to process up to 260,000 tests per annum.

It takes significant time to build awareness and then develop competency in this extensive market and to begin the relationships with our customers at a commercial level. We are confident the momentum of the extensive commercialisation program to familiarise the urology clinicians in the US health system with the significant benefits of Cxbladder will accelerate sales in FY15.

As demand for our tests grows, we will look to expand our testing capacity in the US to meet demand.

We are still in the very embryonic stages of our US rollout and we look forward to expanding our presence and driving revenue.

National Provider Networks (NPNs) are a key component of the commercial healthcare market in the United States. We have signed a number of important commercial agreements with these organisations since October 2013.

The health system in the United States is substantially different to New Zealand, with payment primarily through insurance, either private or public.

National (and regional) provider networks are key components of the US health system. They comprise networks of clinicians, hospitals, laboratories and other specialists who contract with the provider to offer services to the patients of their clients, who are private insurers, large employers and third party administrators (TPAs).

Companies such as Pacific Edge negotiate agreements with these large organisations to provide their products and services at agreed prices to patients who are insured by clients of the NPN. The approved coverage of Cxbladder provided by the agreements encourages its use by clinicians as an accepted diagnostic test for determining the presence, or not, of bladder cancers.

Since October 2013, we have signed four agreements – FedMed, America's Choice Provider Network (ACPN), Stratos and MultiPlan. These agreements give millions of Americans access to Cxbladder.

We are also advancing relationships with large commercial payers and funding agencies including the Government funded Centre for Medicare and Medicaid Services (CMS) and Veterans Administration (VA).

Our User Programmes are proving highly effective with clinicians in encouraging evaluation and early use of our product. Our goal is to progress these participants into commercial customers once their User Programmes conclude.

A key part of our activity prior to and since the US launch has been to build awareness of Cxbladder and encourage urologists to evaluate and use it for their patients, through our User Programmes.

We have found that once urologists have the opportunity to trial Cxbladder with their patients, they can see its positive benefits as a quick, cost effective, non-invasive and highly accurate cancer detection test. Given the opportunity for this test to enhance clinical utility and possibly change clinical practice, it can take some time for clinicians to find the best fit for the test in their clinical practice.

There are approximately 10,500 urologists in the United States. We target our User Programmes towards high volume clinicians or clinical groups and tailor the Programme according to the size and potential value proposition that each user group identifies as being important to them in their practice. In some cases, these clinical groups can be very large, with up to 100 urologists seeing thousands of patients every year. It is not uncommon for our US customers to have clinical businesses with in excess of 40 practicing urologists. When put in perspective, this would be a single practice with more urologists that the entire number practicing in New Zealand.

We have also been running these User Programmes in New Zealand and Australia, where they are crucial for early feedback and generating the new practices and data that underlie the validation of the Company's new products.

Our focus for FY15 is to continue to translate these formal evaluation programmes into paying commercial relationships.

THE CLINICIAN'S ADOPTION PROCESS

Awareness of Clinical Efficacy

- Publication of peer reviewed science papers
- Peer to peer interaction
- Key Opinion Leader (KOL) to peer recommendation
- Business to business validation
- Presentation at Urology conventions

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Early Stage Trialling

- User Programme for custom fit in their clinical setting
- Evaluation on different patient populations

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Initial Commercial Adoption

- Urologist defined patient population

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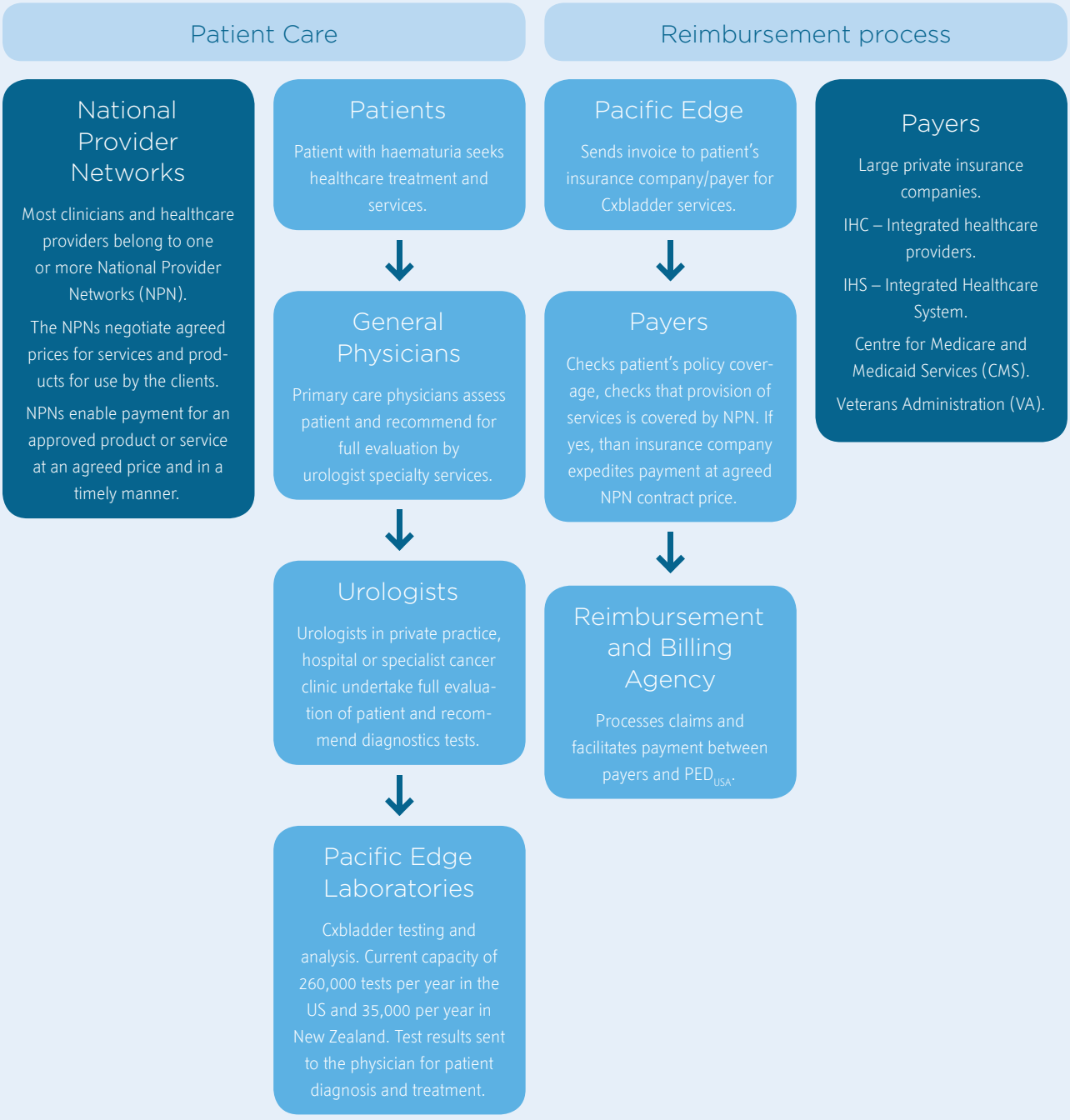
Expansion of Adoption

- Urologist uses Cxbladder broadly in multiple patient applications

US HEALTHCARE SYSTEM



CEO's Report (continued)

OUR CANCER DIAGNOSTIC BUSINESS

We operate through a franchise business model which includes our wholly owned subsidiaries and any other licensed partner.

Our laboratories are built from world class operating platforms and equipment that can be purchased off the shelf and set up to analyse patient urine using our proprietary RNA transcripts. These are brought together in line with our standard operating systems to enable a high degree of reproducibility and repeatability in our labs ensuring the delivery of a consistent user experience to clinicians and patients globally.

We currently have franchise partnerships in New Zealand, Australia, Spain and the USA.

In New Zealand, all tests are analysed in Pacific Edge's laboratory in Dunedin. However, Labtests in Auckland is the exclusive sales and marketing partner for the Auckland and Northland regions. These regions account for approximately 40% of all tests in New Zealand.

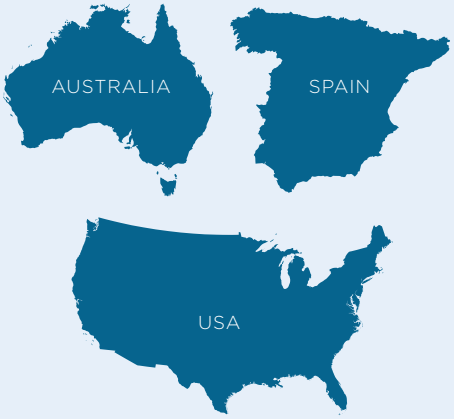
In Australia, we have partnered with an Australian laboratory provider, Healthscope, a business partner necessary to help us access public funding for our products. Our Cxbladder technology is fully integrated into their Melbourne-based business and is the commercial hub for all Australian tests. We are hoping to see an increasing number of tests being driven out of Australia in the next year.

In Spain, we have an agreement with Oryzon. The Cxbladder value proposition chosen by Oryzon to launch Cxbladder in Spain is focused on Cxbladder for secondary detection of bladder cancer. We are working with them to build this specific dataset and are hoping to see Oryzon underway within the next 12 months.

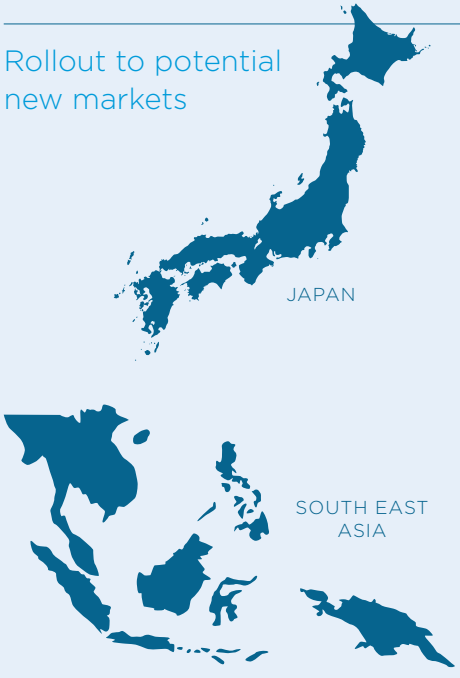
INTERNATIONAL ROLLOUT OF CXBLADDER

Develop the product and test the commercial model

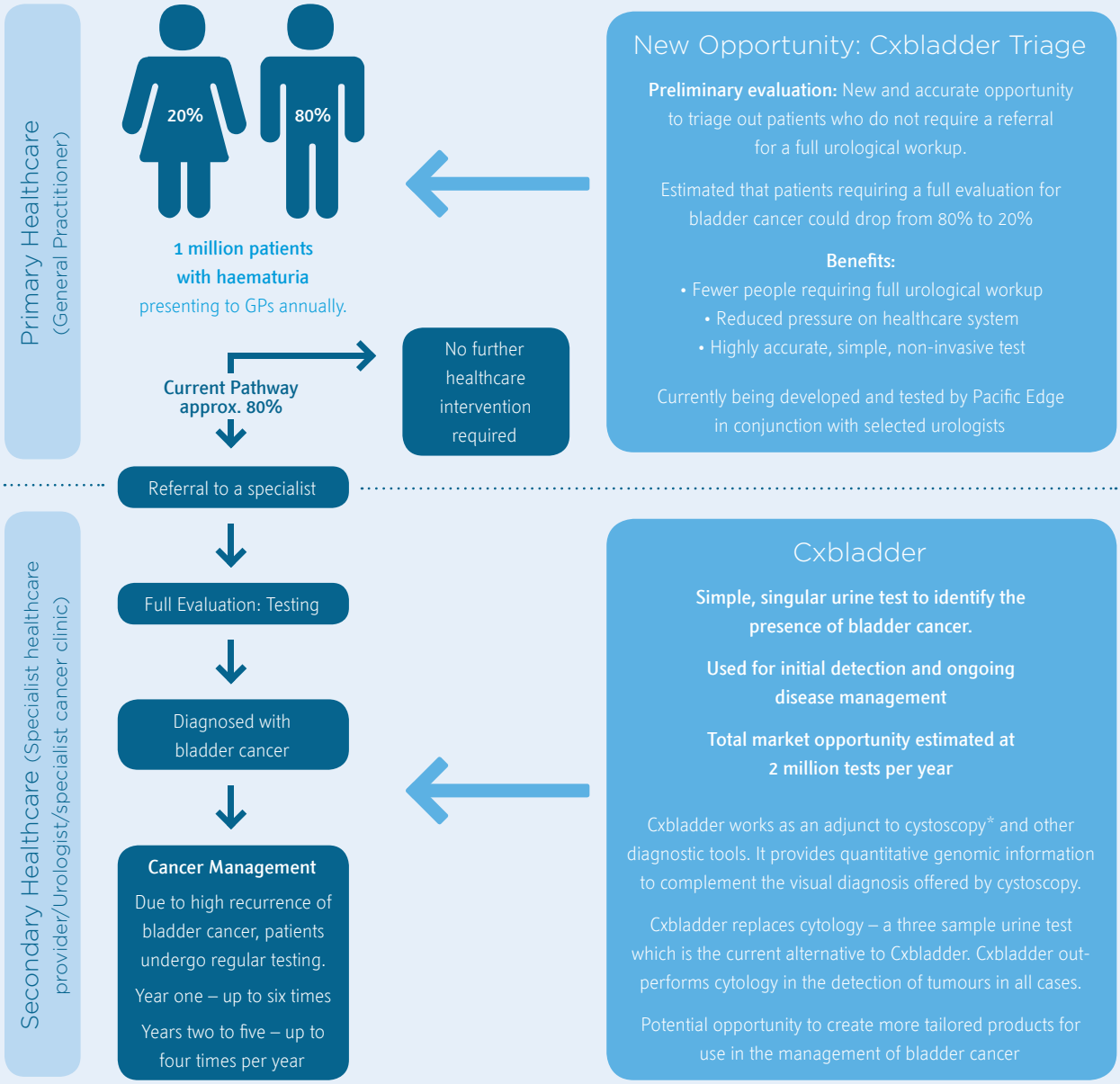
Test and implement the franchise business model



Rollout to potential new markets



THE GENERIC CLINICAL PATHWAY FOR THE DETECTION OF BLADDER CANCER



*Cystoscopy: Invasive internal examination with a scope, often done under general anaesthetic. Normally carried out once patient has been determined to have bladder cancer.

Percentages are estimates made by PEB based on available clinical and industry data.

CEO's Report (continued)

THE OPPORTUNITY IS HUGE

In America alone, there is estimated to be approximately 1 million people presenting to their healthcare provider every year with haematuria (blood in their urine). Most of these people are referred by their GP to a specialist clinician for a full evaluation and it is estimated that over US$1 billion is spent investigating haematuria every year.

Due to its high recurrence rate and need for ongoing management, treatment of bladder cancer incurs the highest total medical costs of any cancer. In the US, this figure is approaching US$200,000 per patient, from detection until death.

Pacific Edge's Cxbladder product is specifically targeted to test people presenting with haematuria to determine if they have bladder cancer. It is seen as a more effective replacement for other tests which are currently in use and it is expected Cxbladder will be used alongside other diagnostic tools such as ultrasound and cystoscopy.

In addition, during our engagement with clinicians over the past three years, we have identified a number of other opportunities for new Cxbladder products which can be used at different stages of the detection and management of haematuria and bladder cancer.

We are currently developing our next product, which can be used by primary physicians to triage outpatients who do not require a full referral for a full urological work-up. This could dramatically reduce the number of patients requiring a full urological work-up, reducing the cost and pressure on the healthcare system and offering peace of mind and better care for patients.

FY15 OPERATING OBJECTIVES

Expand our sales presence in the United States and drive revenue

Continue to rollout our User Programmes to targeted clinical groups and urologists, particularly in the US

Continue to negotiate agreements with National and Regional Provider Networks in the US

Focus on developing new bladder cancer products where we have an identified opportunity

Ongoing focus on rollout and set up of franchise partnerships in other targeted markets

CEO's Report (continued)

OUR FOCUS FOR THE 2015 FINANCIAL YEAR

Our achievements in FY14 have brought us another step closer to attaining our vision of being a world leading cancer molecular diagnostics company.

Our primary focus in FY15 will be to strengthen our footprint in the US market.

We have the opportunity to provide millions of patients with access to our non-invasive, simple and effective Cxbladder technology and our focus will be on this particular cancer offering for the short to medium term.

This includes developing new products to meet specific needs within the detection and treatment pathway for bladder cancer.

Significant investment of human and financial capital into our Company will continue in FY15 as we establish and expand our footprint in the US market.

Ongoing investment is required to establish and grow the commercial side of our business. In FY15, we will continue to invest in four key areas:

1. People – expansion of our US sales and marketing team. Their focus will be on customer capture through our User Programmes, particularly of high volume user groups, and progressing negotiations with National Provider Networks and funding agencies.
2. Intellectual Property – registration of patents and trademarks in targeted commercial markets. Some components of our IP are trade secrets.
3. Franchise model – rollout and setup of the franchised business model in New Zealand, Australia, US and Spain and investigation of new markets.
4. Research and Development – further development of new products to meet the needs of clinicians and patients.

Pacific Edge is a unique New Zealand business. Our people are motivated by the opportunity to make a difference in healthcare globally. At its simplest, our products can save lives through earlier detection of cancer.

My thanks go to all our hard working and dedicated people who believe in our Company and are an essential building block in our success.

I have been proud to be CEO of Pacific Edge for the last 13 years as we have built up our Company. I am looking forward to the next stage of our journey as we build our commercial capabilities and grow our revenue.

David Darling
Chief Executive Officer

Board Of Directors

PACIFIC EDGE LTD

David Band, Independent Director (Appointed 2007)

David Band is an experienced international businessman. His career encompasses a period as Director of the Advanced Business Programme at the University of Otago and significant experience in corporate consulting and management.

Colin Dawson, Independent Director (Appointed 2002)

Colin has a broad background within the Life Sciences sector including 10 years in veterinary clinical practice. He has held a number of senior executive positions in the public and private healthcare sectors. He serves on a number of advisory boards and is a director of a number of NZ technology and biotechnology companies including Immune Solutions Ltd, BLIS Technologies and Menixis Ltd.

Anatole Masfen, Non-independent Director (Appointed 2008)

Anatole Masfen is the co-founder of Artemis Capital a private equity investment firm based in Auckland. Anatole brings to the Board significant experience as an investment manager, as well as experience in systems and process implementation.

Chris Swann, Independent Chairman (Appointed 2005)

Chris Swann was the principal of T D Scott & Co. Limited, a Dunedin-based accountancy and consulting firm for 10 years. Chris is an experienced business advisor in a number of industries including the manufacturing, publishing, health, and biotechnology sectors. Chris is manager of the New Zealand Seed Fund with four investments in biotechnology companies including Pacific Edge. He also holds other directorships and is a Member of the NZ Institute of Directors.

Bryan Williams, Independent Director (Appointed 2013)

Bryan Williams has significant business and US governance experience. Bryan is also an internationally recognised cancer researcher and research administrator with significant business experience. Bryan was chairman of MEI Pharma, a NASDAQ listed company for seven years, is presently chairman of the Board of Biograd Australia, and is a director of Cancer Trials Australia and the MIMR-PHI Institute of Medical Research.

PACIFIC EDGE DIAGNOSTICS USA (PED_{USA})

PED_{USA} is a 100% owned subsidiary of Pacific Edge. It is governed by a board of directors which include Pacific Edge directors, Chris Swann and David Band; Pacific Edge CEO, David Darling; PED_{USA} CEO, Jackie Walker; and Bruce Nogales.

Bruce Nogales, Independent Director, Pacific Edge Diagnostics USA (Appointed 2013)

Bruce has over 30 years' business experience predominantly in life sciences. He joined the board of PED_{USA} in March 2013. Bruce is currently the Chief Corporate Development Officer at Glaukos Corporation, a private medical device company in the US, focused on ophthalmology. Bruce has also held senior executive positions with Talecris Biotherapeutics, Aventis Behring and Genzyme.

Senior Executive Team

DAVE DARLING

Chief Executive Officer, Pacific Edge and Group

Dave has over 30 years' business experience in life sciences and biotechnology. He has led Pacific Edge from its early inception and has significant executive and leadership experience in the development and international commercialization of biomedical and biotechnology businesses and products. During his career, Dave has held a number of positions in governance, executive and senior management. Dave joined Pacific Edge from Fletcher Challenge.

JIMMY SUTTIE

Chief Operating Officer, Pacific Edge

Jimmy has vast experience, as an executive, with the management of science and technology in New Zealand's primary industry sector, particularly the development of science for commercialisation. Jimmy joined Pacific Edge to head up operations for the franchise and new product development.

PARRY GUILFORD

Chief Scientific Officer, Pacific Edge

Parry has led the science, research and development at Pacific Edge from its early days. As one of the founding scientists and a member of the Scientific Advisory Board of the Company, Parry is the architect of many of the Company's product prototypes. Parry's focus today and going forward is to bring his world class skills and experience on the step change in biotechnology for the Company's next generation of products.

BRENT POWNALL

Commercial Director, Pacific Edge Diagnostics New Zealand

Pacific Edge Diagnostics New Zealand is the Company's commercial arm in New Zealand and Australia. Brent brings significant commercial experience from the sale and marketing of biologics and biomedical products in New Zealand and Australia.

JACKIE WALKER

Chief Executive Officer, Pacific Edge Diagnostics USA

Jackie brings to the company over 25 years of extensive leadership experience in commercializing medical technologies in the US and a strong general management background. Prior to joining Pacific Edge Diagnostics USA, Jackie held senior executive positions at OSspray Ltd, Ondine Biomedica, Dentsply International, a NASDAQ-100 company, and Ohmeda Medical.

Financial Statements

For the Year Ended 31 March 2014

Statements of Comprehensive Income

		Notes	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
OPERATING REVENUE						
Cxbladder Sales			145,195	15,022	–	–
Cxbladder Research Rebate		**4**	87,001	–	–	–
Grant Received		**5**	291,187	158,377	291,186	158,377
Licence Fees			–	4,530	–	115,992
Interest Earned			315,275	333,190	315,257	333,184
Other Income		**8**	–	4,419	549,767	210,728
Total Operating Revenue			**838,658**	**515,538**	**1,156,210**	**818,281**
LESS EXPENSES						
Auditors' Remuneration	Audit Fees		30,600	20,700	30,600	20,700
			30,600	**20,700**	**30,600**	**20,700**
Directors' Fees			163,226	88,417	110,337	71,417
Depreciation		**6**	268,057	195,213	72,272	66,133
Amortisation		**7**	116,274	–	110,050	–
Currency Exchange Loss			571,264	91,571	569,747	92,355
Conference & Travel			735,855	502,967	422,103	215,627
Stock Exchange & Registry Fees			77,014	147,187	77,014	147,187
Leases	Rent of Premises	**8**	653,579	365,037	132,087	134,502
	Copier		11,842	11,553	11,842	11,553
			665,421	**376,590**	**143,929**	**146,055**

Note: These Statements are to be read in conjunction with the Notes to the Financial Statements.

		Notes	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Research	Employee Benefits		722,190	2,172,193	722,190	1,099,018
	Consultants		102,336	420,609	102,336	71,946
	Clinical Trials		1,512,086	995,670	1,360,958	28,823
	Consumables		82,110	141,913	81,982	85,491
	Contract Services		540,483	143,647	445,447	70,512
	Patents / Trademarks		406,591	414,052	406,591	412,782
	Cxbladder Development		–	733,193	–	100,201
			3,365,796	**5,021,277**	**3,119,504**	**1,868,773**
Write down of investment and advance to subsidiaries		**17**	–	–	4,624,375	4,805,160
Other Expenses			2,286,211	984,980	741,895	330,273
Employee Benefits			2,509,985	–	567,435	–
Interest Expense			9	3,351	9	3,351
Total Expenses			**10,789,712**	**7,432,253**	**10,589,270**	**7,767,031**
NET (LOSS) BEFORE TAX			**(9,951,054)**	**(6,916,715)**	**(9,433,060)**	**(6,948,750)**
Income Tax Expense		**9**	–	–	–	–
(LOSS) FOR THE YEAR AFTER TAX			**(9,951,054)**	**(6,916,715)**	**(9,433,060)**	**(6,948,750)**
Translation of Other Foreign Operations		**23**	571,540	(33,163)	–	–
TOTAL COMPREHENSIVE INCOME/(LOSS)			**(9,379,514)**	**(6,949,878)**	**(9,433,060)**	**(6,948,750)**
Earnings per share for loss attributable to the Equity Holders of the Company and Group during the year						
Basic Earnings per share		**3**	(0.032)	(0.025)	(0.032)	(0.025)
Diluted Earnings per share		**3**	(0.032)	(0.025)	(0.032)	(0.025)

Note: These Statements are to be read in conjunction with the Notes to the Financial Statements.

Statements of Changes in Equity

	Notes	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
EQUITY AT START OF YEAR		**11,145,203**	**17,649,718**	**11,356,795**	**17,860,182**
(LOSS) FOR YEAR		**(9,951,054)**	**(6,916,715)**	**(9,433,060)**	**(6,948,750)**
Translation of Other Foreign Operations		571,540	(33,163)	–	–
Total Comprehensive Loss		**(9,379,514)**	**(6,949,878)**	**(9,433,060)**	**(6,948,750)**
TRANSACTION WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Owners Contribution	**21**	21,243,951	445,363	21,243,951	445,363
Share Issue Expenses	**21**	(1,231,632)	–	(1,231,632)	–
Total		**20,012,319**	**445,363**	**20,012,319**	**445,363**
EQUITY AT END OF YEAR		**21,778,008**	**11,145,203**	**21,936,054**	**11,356,795**

Equity Comprises:

	Notes	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Share Capital					
Opening Balance		46,599,293	46,153,930	46,599,293	46,153,930
Shares Issued		20,012,319	445,363	20,012,319	445,363
Closing Balance	**21**	**66,611,612**	**46,599,293**	**66,611,612**	**46,599,293**
Accumulated Losses					
Opening Balance		(35,424,399)	(28,507,684)	(35,245,970)	(28,297,220)
Net (Loss) for the year		(9,951,054)	(6,916,715)	(9,433,060)	(6,948,750)
Closing Balance	**22**	**(45,375,453)**	**(35,424,399)**	**(44,679,030)**	**(35,245,970)**
Reserves					
Currency Translation Reserve	**23**	541,849	(29,691)	3,472	3,472
EQUITY AT END OF YEAR		**21,778,008**	**11,145,203**	**21,936,054**	**11,356,795**

Note: These Statements are to be read in conjunction with the Notes to the Financial Statements.

Balance Sheets

	Notes	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
CURRENT ASSETS					
Cash, Cash Equivalents and Short Term Deposits	**10**	20,443,700	10,676,307	20,134,605	10,498,206
Receivables	**11**	574,241	132,206	543,720	198,373
Inventory	**12**	241,845	–	98,332	–
Other Assets	**13**	166,538	204,282	11,250	27,094
Total Current Assets		**21,426,324**	**11,012,795**	**20,787,907**	**10,723,673**
NON–CURRENT ASSETS					
Property, Plant & Equipment	**15**	1,111,969	1,081,381	370,962	178,478
Intangible Assets	**16**	192,890	–	171,311	–
Investment in and Advance to Subsidiaries	**17**	–	–	1,328,979	1,154,895
Work in Progress	**14**	–	128,611	–	128,611
Total Non–Current Assets		**1,304,859**	**1,209,992**	**1,871,252**	**1,461,984**
TOTAL ASSETS		**22,731,183**	**12,222,787**	**22,659,159**	**12,185,657**
CURRENT LIABILITIES					
Payables and Accruals	**18**	953,175	922,084	723,105	673,362
Redeemable Shares (Part Paid)	**19**	–	3,000	–	3,000
Series A Convertible Preference Shares	**20**	–	152,500	–	152,500
Total Current Liabilities		**953,175**	**1,077,584**	**723,105**	**828,862**
TOTAL LIABILITIES		**953,175**	**1,077,584**	**723,105**	**828,862**
NET ASSETS		**21,778,008**	**11,145,203**	**21,936,054**	**11,356,795**
Represented By:					
EQUITY					
Share Capital	**21**	66,611,612	46,599,293	66,611,612	46,599,293
Accumulated Losses	**22**	(45,375,453)	(35,424,399)	(44,679,030)	(35,245,970)
Reserves	**23**	541,849	(29,691)	3,472	3,472
TOTAL EQUITY		**21,778,008**	**11,145,203**	**21,936,054**	**11,356,795**

Note: These Statements are to be read in conjunction with the Notes to the Financial Statements.

Statements of Cash Flows

	Notes	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
CASH FLOWS TO OPERATING ACTIVITIES					
Cash was Provided from:					
Receipts from Customers & Grants		211,954	291,676	74,423	278,225
Interest Received		220,879	316,119	220,861	526,844
		432,833	**607,795**	**295,284**	**805,069**
Cash was Disbursed to:					
Payments to Suppliers & Employees		9,923,423	7,313,100	5,144,382	2,975,939
Interest Paid		9	3,351	9	3,351
Net GST Paid		33,013	1,780	48,476	13,607
		9,956,445	**7,318,231**	**5,192,867**	**2,992,897**
Net Cash Flows to Operating Activities	**25**	**(9,523,612)**	**(6,710,436)**	**(4,897,583)**	**(2,187,828)**
CASH FLOWS TO INVESTING ACTIVITIES					
Cash was Disbursed to					
Capital Expenditure on Plant and Equipment	**15**	316,870	1,008,851	264,756	152,465
Purchase of Short Term Deposits	**10**	11,304,780	4,195,220	11,304,780	4,195,220
Capital Expenditure on Intangible Assets	**17**	180,553	–	152,750	–
Advances to Subsidiaries	**17**	–	–	4,248,691	5,533,247
		11,802,203	**5,204,071**	**15,970,976**	**9,880,932**
Net Cash Flows to Investing Activities		**(11,802,203)**	**(5,204,071)**	**(15,970,976)**	**(9,880,932)**

Note: These Statements are to be read in conjunction with the Notes to the Financial Statements.

	Notes	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Cash was Received from:					
Ordinary Shares Issued	**21**	21,001,560	445,363	21,001,560	445,363
		21,001,560	**445,363**	**21,001,560**	**445,363**
Cash was Disbursed to:					
Share Issue Expenses	**21**	1,231,632	–	1,231,632	–
Share funds in advance from Shareholders		–	9,238	–	9,238
		1,231,632	**9,238**	**1,231,632**	**9,238**
Net Cash Flows From Financing Activities		**19,769,928**	**436,125**	**19,769,928**	**436,125**
Net (Decrease) / Increase in Cash Held		**(1,555,887)**	**(11,478,382)**	**(1,098,631)**	**(11,632,635)**
Add Opening Cash Brought Forward		6,481,087	17,959,469	6,302,986	17,935,620
Effect of Exchange Rate changes on Net Cash		18,500	–	(569,749)	–
Ending Cash Carried Forward		**4,943,700**	**6,481,087**	**4,634,606**	**6,302,986**
Comprised of:					
Bank of New Zealand Cheque Account		182,293	93,626	152,234	79,088
Bank of New Zealand Call Accounts		1,151,535	2,212,092	1,151,536	2,212,092
Bank of New Zealand USD		3,298,257	3,963,723	3,298,257	3,963,723
Bank of New Zealand AUD		4,668	20,946	4,668	20,946
Bank of New Zealand EUR		27,910	27,137	27,910	27,137
Commonwealth Bank AUD Cheque Account		7,131	16,216	–	–
Wells Fargo USD Account		271,906	147,347	–	–
Ending Cash Carried Forward		**4,943,700**	**6,481,087**	**4,634,606**	**6,302,986**
Bank of New Zealand Term Deposit		3,500,000	4,195,220	3,500,000	4,195,220
ANZ Term Deposit		12,000,000	–	12,000,00	–
Total Short Term Deposits		**15,500,000**	**4,195,220**	**15,500,000**	**4,195,220**
Total Cash, Cash Equivalents and Short Term Deposits		**20,443,700**	**10,676,307**	**20,134,606**	**10,498,206**

Note: These Statements are to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

The Financial Statements presented for the "Parent" are for the entity Pacific Edge Limited ("the Company"), a company registered under the Companies Act 1993. The Company is registered and domiciled in New Zealand for the purpose of developing and commercialising new diagnostic and prognostic tools for the early detection and management of cancers. Pacific Edge Diagnostics New Zealand Ltd and Pacific Edge Diagnostics USA Limited manage and operate the laboratories used for the detection of bladder cancer.

The consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of Pacific Edge Limited as at 31 March 2014 and the results of all subsidiaries for the year then ended. Pacific Edge Limited and its subsidiaries together are referred to in these Financial Statements as the Group.

These consolidated Financial Statements have been approved for issue by the Board of Directors on 30 June 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company is a reporting entity under the Financial Reporting Act 1993. The Company is an issuer for the purposes of the Financial Reporting Act 1993. These Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"); and the Financial Reporting Act 2013. They comply with International Financial Reporting Standards, the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for profit-oriented entities.

The Company and Group are designated as profit-oriented entities for financial reporting purposes.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

The consolidated Financial Statements are presented in New Zealand dollars, which is the Company's functional currency and Group's presentation currency. All figures are rounded to the nearest dollar.

The accounting principles recognised as appropriate for the measurement and reporting of earnings, cash flows and financial position on an historical cost basis have been used.

(a) Basis of Consolidation

The following entities and the basis of their inclusion for consolidation in these Financial Statements are as follows:

Name of Subsidiary	Place of Incorporation (or registration) & Operation	Principal Activity	Ownership Interests & Voting Rights 2014 (%)	2013 (%)
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Laboratory Operation	100	100
Pacific Edge Pty Limited	Australia	Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Limited	USA	Commercial Laboratory Operation	100	100
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100

Pacific Edge Limited is incorporated in New Zealand and is the parent entity of the Group.

Pacific Edge Diagnostics New Zealand Limited, Pacific Edge Diagnostics USA Limited, Pacific Edge Analytical Services Limited and Pacific Edge Pty Limited all have a balance date of 31 March.

The consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of Pacific Edge Limited as at 31 March 2014 and the results of all subsidiaries for the year then ended. Pacific Edge Limited and its subsidiaries together are referred to in these Financial Statements as the Group.

Pacific Edge Limited consolidates as subsidiaries in the Group Financial Statements all entities where Pacific Edge Limited has the 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 which form part of the Group are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment in the Parent Financial Statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost includes direct attributable costs of investment.

(b) Property, Plant and Equipment

Property, Plant and Equipment are those assets held by the Group for the purpose of carrying on its business activities on an ongoing basis. All Property, Plant and Equipment is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. The cost of purchased assets includes the original purchase consideration given to acquire the assets, and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. This includes the laboratory equipment for the establishment of the laboratories.

Notes to the Financial Statements (continued)

(c) Depreciation

Depreciation of plant and equipment is based on writing off the assets over their useful lives, using the diminishing value basis.

Main rates used are:

- Laboratory Equipment 5% to 26.4%
- Office & Computer Equipment 5% to 60%
- Leasehold Improvements 10%
- Plant & Equipment 5% to 40%
- Furniture & Fittings 7% to 25%

(d) Research and Development Costs

Research is the original and planned investigation undertaken with the prospect of gaining new scientific knowledge and understanding. This includes: direct and overhead expenses for diagnostic and prognostic biomarker discovery and research; pre-clinical trials; and costs associated with clinical trial activities. All research costs are expensed when incurred.

Development is the application of research findings to a plan or design for the production of new or substantially improved processes or products prior to the commencement of commercial production.

When a project reaches the stage where it is reasonably certain that future expenditure can be recovered through the process or products produced, expenditure that is directly attributed or reasonably allocated to that project is recognised as a development asset. The asset will be amortised from the date of commencement of commercial production of the product to which it relates on a straight-line basis over the period of expected benefit. Development assets are reviewed annually for any impairment in their carrying value.

(e) Intangible Assets

Intellectual Property

The costs of acquired Intellectual Property are recognised at cost and amortised on a straight-line basis over its anticipated useful life, which is currently assessed at two to five years. All Intellectual Property has a finite life. The carrying value of Intellectual Property is reviewed for impairment.

The following costs associated with Intellectual Property are expensed as incurred during the research phases of a project, and are only capitalised when incurred as part of the development phase of a process or product within development assets — Internal Intellectual Property costs including the costs of patents and patent application.

Software Development Costs

Costs associated with development of software are held at cost and amortised over their useful lives of between two and five years.

(f) Goods & Services Tax

The Statements of Comprehensive Income and Statements of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheets are stated net of GST, with the exception of receivables and payables.

(g) Share Capital

Ordinary shares are described as equity. Redeemable Shares (part paid) and Series A Convertible Preference Shares are classified as liabilities.

Issue expenses, including commission paid, relating to the issue of ordinary Share Capital have been written off against the issued share price received and recorded in the Statements of Changes in Equity.

(h) Financial Instruments

Financial instruments carried forward in the Balance Sheets include cash and bank balances, receivables, trade creditors, Redeemable Shares, convertible preference shares and advances to subsidiaries. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(i) Receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

(j) Foreign Currency Translation

Foreign Currency Transactions

The individual Financial Statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group Financial Statements, the results and financial position of each group entity are expressed in New Zealand dollars ('NZD'), which is the functional currency of the Company and the presentation currency for the Group Financial Statements.

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements (continued)

Exchange differences are recognised in the statement of Comprehensive Income in the period in which they arise except for:

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in other Comprehensive Income and accumulated as a separate component of equity in the Group's foreign currency translation reserve and reclassified from equity to profit or loss (as a reclassification adjustment) on disposal of the net investment.

Foreign Operations

For the purpose of presenting the Group Financial Statements, the assets and liabilities of the Group's foreign operations are expressed in New Zealand dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other Comprehensive Income and accumulated as a separate component of equity in the Group's foreign currency translation reserve. Such exchange differences are reclassified from equity to profit or loss (as a reclassification adjustment) in the period in which the foreign operation is disposed of.

(k) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(l) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Operating revenues represent the revenue from the sale of goods that is recognised when a group entity sells a product to the customer.

Consultancy fees are recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Grants are for reimbursement of laboratory costs.

Cxbladder research rebate is recognised at its fair value where there is a reasonable assurance that the rebate will be received and the Group will comply with all attached conditions. Due to the time taken between submission of the rebate claim and the receipt of funds, this revenue is recognised on a cash basis in accordance with NZ IAS 18. The Cxbladder research rebate is for the research programme administered by Pacific Edge PTY Limited.

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(m) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(n) Operating Leases

Operating leases on equipment are charged to other expenses in the statements of Comprehensive Income on a straight-line basis over the term of the lease.

(o) Employee Entitlements

Employee benefits are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date.

(p) Critical Accounting Estimates and Assumptions

In preparing these Financial Statements the Group made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations or future events that are believed to be reasonable under the circumstances. The main estimates and assumptions used are depreciation of property, plant and equipment (note 14) and impairment of subsidiaries (note 16). It is not expected that these estimates and assumptions will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next Financial Year.

(q) Statements of Cash Flows

Cash means cash balances on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Operating activities include the cash received and cash paid for the principal revenue-producing activities of the Company and Group and other activities that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the Company and Group.

Notes to the Financial Statements (continued)

(r) Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other Comprehensive Income or directly in equity. In this case, the tax is also recognised in other Comprehensive Income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Balance Sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements in accordance with NZ IAS 12. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(s) Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average.

(t) Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The value in use for cash-generating assets is the present value of expected future cash flows.

The total impairment loss is recognised in the Statements of Comprehensive Income.

(u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

(v) Standards or Interpretations Not Yet Effective

A number of new standards and amendments to standards and interpretations are not yet effective and have not been applied in preparing these consolidated Financial Statements. None of these are expected to have a significant effect on the consolidated Financial Statements of the Group, except the following set out below:

NZ IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial Assets and Financial Liabilities

NZ IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of Financial Instruments and is effective for the Financial Statements issued for the fiscal years beginning on or after 1 January 2017. NZ IFRS 9 requires Financial Assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its Financial Instruments and the contractual cash flow characteristics of the instrument. For Financial Liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for Financial Liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other Comprehensive Income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess NZ IFRS 9's full impact. The Group will also consider the impact of the remaining phases of NZ IFRS 9 when completed by the Board.

(w) New and amended standards adopted by the Company and Group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 April 2013 and are relevant to the group:

- NZ IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
- NZ IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- NZ IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across NZ IFRSs. The requirements, which are largely aligned between NZ IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within NZ IFRS.

Notes to the Financial Statements (continued)

3. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Ordinary Shares on issue during the year.

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Loss attributable to equity holders of the Company	(9,379,514)	(6,916,715)	(9,433,060)	(6,948,750)
Weighted average number of Ordinary Shares on issue	291,269,094	275,351,207	291,269,094	275,351,207
Earnings per share	(0.032)	(0.025)	(0.032)	(0.025)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares.

During the year the Company had two categories of dilutive potential Ordinary Shares: Redeemable shares and Series A Convertible Preference shares. Both categories were fully converted into Ordinary Shares during the year.

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Loss attributable to equity holders of the Company	(9,379,514)	(6,916,715)	(9,433,060)	(6,948,750)
Weighted average number of Ordinary Shares in issue	291,269,094	275,351,207	291,269,094	275,351,207
Adjustments for:				
Redemption of Redeemable Shares	–	201,000	–	201,000
Conversion of Series A Convertible Preference Shares	–	1,067,500	–	1,067,500
Weighted average number of Ordinary Shares for diluted earnings per share	291,269,094	276,619,707	291,269,094	276,619,707
Diluted Earnings per share	(0.032)	(0.025)	(0.032)	(0.025)

4. CXBLADDER RESEARCH REBATE

During the financial year the Group received revenue from the Australian Tax Office for a Research and Development tax incentive rebate claim for the year ended 31 March 2012. Due to the time taken between submission of the rebate claim and the receipt of funds, this revenue is recognised on a cash basis in accordance with NZ IAS 18. A further claim has been submitted for the 2013 financial year.

5. GRANTS RECEIVED

During the 2014 financial year the Company submitted a claim for partial reimbursement of costs with New Zealand Trade & Enterprise in line with their funding agreement (2013: Grant received from New Zealand Trade & Enterprise). A further claim has been submitted to Callaghan Innovation (formerly the Ministry of Business, Innovation and Employment) which relates to a postgraduate intern and summer student. The Company was also awarded a Callaghan Innovation Growth Grant commencing 1 January 2014. A claim for January to March 2014 has been submitted to Callaghan Innovation in line with this agreement.

All conditions of the grants have been complied with.

6. DEPRECIATION

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Laboratory Equipment	151,400	94,720	44,581	42,810
Computer/Office Equipment	74,141	69,897	27,691	23,323
Leasehold Property Improvements	8,854	6,330	–	–
Furniture & Fittings	20,736	10,041	–	–
Plant & Equipment	12,926	14,225	–	–
Total Depreciation	**268,057**	**195,213**	**72,272**	**66,133**

7. AMORTISATION

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Software Development Costs	89,844	–	83,620	–
Patents	16,901	–	16,901	–
Cxbladder Development Costs	9,529	–	9,529	–
Total Amortisation	**116,274**	**–**	**110,050**	**–**

Notes to the Financial Statements (continued)

8. RELATED PARTIES

The Company paid consultancy fees for accounting services to CJS Business Advisors Limited. CJ Swann is a Director and Shareholder of this Company. The fees charged were on normal terms and conditions and totalled $28,658 (2013: $40,467). At balance date no fees were outstanding relative to these transactions (2013: $Nil).

A significant shareholder, the University of Otago, provided rental space and car parking to the Group to the value of $228,321 (2013: $186,118) and the Company to the value of $197,367 (2013: $160,775). As at 31 March 2014 the Group commitment is $150,600 (2013: $147,360) and the Company commitment is $125,760 (2013: $125,760). Mr C E Dawson, a director of the Company was also the Chief Executive Officer of Otago Innovation Limited, a wholly owned subsidiary of the University of Otago, during the 2014 Financial Year.

Refer note 32 for an Incentive Plan that will also impact key management remuneration in future periods.

Director's fees and payments during the 2014 Financial Year were $163,226 (2013: $88,417).

Key management personnel compensation short term employee benefits for the 2014 Financial Year were $878,300 (2013: $700,000).

All members of the Group are considered to be related parties of Pacific Edge Limited (ultimate Parent). This includes the subsidiaries identified in Note 2(a).

During the 2014 Financial Year the Company advanced $914,296 (2013: $913,808) to Pacific Edge Diagnostics New Zealand Limited to fund laboratory work. $3,282,763 (2013: $3,946,867) was advanced by the Company to Pacific Edge Diagnostics USA Limited for plant and equipment and the setup of the Laboratory in Hershey. $51,633 (2013: $691,013) was advanced by the Company to Pacific Edge Pty Limited to fund continued research. No funds were advanced to Pacific Edge Analytical Services Limited. These balances are recorded as an advance to the separate entities and are impaired per note 17 as they are not expected to be called for repayment within a year, until the subsidiaries have sufficient funds. Interest totalling $549,767 (2013: $210,728) has been charged at market rate on the funds advanced to subsidiaries from Pacific Edge Limited. No other terms are held on the loans.

9. INCOME TAX

The Company and Group have incurred an operating loss for the 2014 Financial Year and no income tax is payable. The Company had a certificate of exemption for Resident Withholding Tax and as such no Resident Withholding Tax was deducted from interest earned.

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Net (Loss) before tax	(9,951,054)	(6,916,715)	(9,433,061)	(6,948,750)
Add: Non-deductible items	13,998	700,468	4,637,663	4,811,429
Add: Timing Differences	28,204	5,849	28,204	5,849
Net Profit (Loss) before tax	**(9,908,852)**	**(6,210,399)**	**(4,767,194)**	**(2,131,742)**
Tax at 28%	(2,774,479)	(1,945,966)	(1,334,814)	(1,945,649)
Less: not recognised as a deferred tax asset	2,774,479	1,945,966	1,334,814	1,945,649
Income Tax Expense	–	–	–	–

INCOME TAX (CONTINUED)

Tax Losses:

Tax losses are available to be carried forward and offset against future taxable income. Tax losses can be utilised if various conditions required by income tax legislation are complied with. The parent has $5,404,883 (2013: $3,466,008) losses to carry forward. The Group has losses to carry forward of approximately $15,642,688 which is dependent on meeting requirements of New Zealand and foreign tax legislation.

Deferred Research and Development Expenditure:

The Company has deferred research and development expenditure totalling approximately $20,291,449 (2013: $17,463,130) to carry forward and claim for purposes in New Zealand in the future. This equates to a potential benefit of $5,681,606.

10. CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Bank of New Zealand Cheque Account	182,293	93,626	152,235	79,088
Bank of New Zealand Call Accounts	1,151,535	2,212,092	1,151,535	2,212,092
Bank of New Zealand USD	3,298,257	3,963,723	3,298,257	3,963,723
Bank of New Zealand AUD	4,668	20,946	4,668	20,946
Bank of New Zealand EUR	27,910	27,137	27,910	27,137
Commonwealth Bank AUD Cheque Account	7,131	16,216	–	–
Wells Fargo USD Account	271,906	147,347	–	–
Total Cash & Cash Equivalents	**4,943,700**	**6,481,087**	**4,634,605**	**6,302,986**
Bank of New Zealand Term Deposit	3,500,000	4,195,220	3,500,000	4,195,220
ANZ Term Deposit	12,000,000	–	12,000,000	–
Total Short Term Deposits	**15,500,000**	**4,195,220**	**15,500,000**	**4,195,220**
Total Cash, Cash Equivalents and Short Term Deposits	**20,443,700**	**10,676,307**	**20,134,605**	**10,498,206**

Interest on the bank balances range from 0% to 4.79% (2013: 0% to 4.20%) per annum. Funds held on short term deposit with ANZ and BNZ can be accessed at any time at the request of the authorised bank signatories of Pacific Edge Limited.

Notes to the Financial Statements (continued)

11. RECEIVABLES

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Trade Receivables	352,892	38,266	335,000	118,236
Accrued Interest	133,150	38,754	133,150	38,754
Australian GST Refund Due	4,908	893	–	–
New Zealand GST Refund Due	83,291	54,293	75,570	41,383
Total Receivables	**574,241**	**132,206**	**543,720**	**198,373**

All trade receivables are within payment terms. No items are held that are past due.

12. INVENTORY

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Laboratory Supplies	241,845	–	98,332	–
Total Inventory	**241,845**	**–**	**98,332**	**–**

13. OTHER ASSETS

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Prepayments	75,867	110,417	11,250	27,094
Other – Lease Security Deposit	77,975	80,724	–	–
Credit Card Collateral	12,696	13,141	–	–
Total Other Assets	**166,538**	**204,282**	**11,250**	**27,094**

14. WORK IN PROGRESS

During the 2014 year work on implementing the NAV financial administration system was completed. The $128,611 of Work in Progress from the prior year (2013) has now been capitalised to software development costs.

15. PROPERTY, PLANT & EQUIPMENT

Group

	Laboratory Equipment ($)	Office & Computer Equipment ($)	Leasehold Improvements ($)	Plant & Equipment ($)	Furniture & Fittings ($)	Total ($)
COST						
Balance at 1 April 2012	1,335,023	554,644	21,825	88,697	18,350	2,018,539
Additions	520,898	135,948	104,657	1,507	116,128	879,138
Disposals	–	(95,257)	–	–	–	(95,257)
Balance at 31 March 2013	**1,855,921**	**595,335**	**126,482**	**90,204**	**134,478**	**2,802,420**
Balance at 1 April 2013	1,855,921	595,335	126,482	90,204	134,478	2,802,420
Additions	163,434	151,085	–	10,246	7,095	331,860
Disposals	–	(14,990)	–	–	–	(14,990)
Foreign Currency Translation Difference	(17,735)	(3,752)	(3,563)	(32)	(3,954)	(29,036)
Balance at 31 March 2014	**2,001,620**	**727,678**	**122,919**	**100,418**	**137,619**	**3,090,254**
ACCUMULATED DEPRECIATION						
Balance at 1 April 2012	1,164,053	430,386	2,500	21,305	3,941	1,622,185
Depreciation Expense	94,720	69,897	6,330	14,225	10,041	195,213
Disposal	–	(94,360)	–	–	–	(94,360)
Foreign Currency Translation Difference	(1,420)	(256)	(120)	(201)	(2)	(1,999)
Balance at 31 March 2013	**1,257,353**	**405,667**	**8,710**	**35,329**	**13,980**	**1,721,039**
Balance at 1 April 2013	1,257,353	405,667	8,710	35,329	13,980	1,721,039
Depreciation Expense	151,400	74,141	8,854	12,926	20,736	268,057
Foreign Currency Translation Difference	(7,353)	(1,754)	(521)	(13)	(1,170)	(10,811)
Balance at 31 March 2014	**1,401,400**	**478,054**	**17,043**	**48,242**	**33,546**	**1,978,285**
NET BOOK VALUE						
At 1 April 2012	170,970	124,258	19,325	67,392	14,409	396,354
At 31 March 2013	598,568	188,668	117,772	54,875	120,498	1,080,381
At 31 March 2014	600,220	249,624	105,876	52,176	104,073	1,111,969

Notes to the Financial Statements (continued)

PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Parent

	Laboratory Equipment ($)	Office & Computer Equipment ($)	Leasehold Improvements ($)	Plant & Equipment ($)	Furniture & Fittings ($)	Total ($)
COST						
Balance at 1 April 2012	1,335,023	396,786	–	–	–	1,731,809
Additions	–	24,781	–	–	–	24,781
Disposals	–	(95,257)	–	–	–	(95,257)
Balance at 31 March 2013	**1,335,023**	**326,310**	**–**	**–**	**–**	**1,661,333**
Balance at 1 April 2013	1,335,023	326,310	–	–	–	1,661,333
Additions	159,037	105,719				264,756
Disposals	–	–	–	–	–	–
Balance at 31 March 2014	**1,494,060**	**432,029**	**–**	**–**	**–**	**1,926,089**
ACCUMULATED DEPRECIATION						
Balance at 1 April 2012	1,164,053	347,029	–	–	–	1,511,082
Depreciation Expense	42,557	23,576	–	–	–	66,133
Disposals	–	(94,360)	–	–	–	(94,360)
Balance at 31 March 2013	**1,206,610**	**276,245**	**–**	**–**	**–**	**1,482,855**
Balance at 1 April 2013	1,206,610	276,245	–	–	–	1,482,855
Depreciation Expense	44,581	27,691	–	–	–	72,272
Disposals	–	–	–	–	–	–
Balance at 31 March 2014	**1,251,191**	**303,936**	**–**	**–**	**–**	**1,555,127**
NET BOOK VALUE						
At 1 April 2012	170,970	49,757	–	–	–	220,727
At 31 March 2013	128,413	50,065	–	–	–	178,478
At 31 March 2014	242,869	128,093	–	–	–	370,962

16. INTANGIBLE ASSETS

Group

	Software Development Costs ($)	Patents ($)	Cxbladder Development Costs ($)	Total ($)
COST				
Balance at 1 April 2012	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Balance at 31 March 2013	**–**	**–**	**–**	**–**
Balance at 1 April 2013	–	–	–	–
Additions	242,188	33,802	32,846	308,836
Disposals	–	–	–	–
Foreign Currency Translation Difference	–	–	–	–
Balance at 31 March 2014	**242,188**	**33,802**	**32,846**	**308,836**
ACCUMULATED AMORTISATION				
Balance at 1 April 2012	–	–	–	–
Amortisation Expense	–	–	–	–
Disposal	–	–	–	–
Foreign Currency Translation Difference	–	–	–	–
Balance at 31 March 2013	**–**	**–**	**–**	**–**
Balance at 1 April 2013	–	–	–	–
Amortisation Expense	89,844	16,901	9,529	116,274
Foreign Currency Translation Difference	(328)	––	–	(328)
Balance at 31 March 2014	**89,516**	**16,901**	**9,529**	**115,946**
NET BOOK VALUE				
At 1 April 2012	–	–	–	–
At 31 March 2013	–	–	–	–
At 31 March 2014	152,671	16,901	23,317	192,890

Notes to the Financial Statements (continued)

INTANGIBLE ASSETS (CONTINUED)

Parent

	Internally Generated Software Development Costs ($)	Patents ($)	Cxbladder Development Costs ($)	Total ($)
COST				
Balance at 1 April 2012	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Balance at 31 March 2013	**–**	**–**	**–**	**–**
Balance at 1 April 2013	–	–	–	–
Additions	214,713	33,802	32,846	281,361
Disposals	–	–	–	–
Balance at 31 March 2014	**214,713**	**33,802**	**32,846**	**281,361**
ACCUMULATED AMORTISATION				
Balance at 1 April 2012	–	–	–	–
Amortisation Expense	–	–	–	–
Disposal	–	–	–	–
Balance at 31 March 2013	**–**	**–**	**–**	**–**
Balance at 1 April 2013	–	–	–	–
Amortisation Expense	83,620	16,901	9,529	110,050
Balance at 31 March 2014	**83,620**	**16,901**	**9,529**	**110,050**
NET BOOK VALUE				
At 1 April 2012	–	–	–	–
At 31 March 2013	–	–	–	–
At 31 March 2014	131,093	16,901	23,317	171,311

17. INVESTMENT IN AND ADVANCE TO SUBSIDIARIES

	Parent 2014 ($)	Parent 2013 ($)
Advances to subsidiaries	5,952,354	5,959,055
Shares in subsidiary	1,000	1,000
	5,593,354	5,960,055
Less Impairment Loss for the Year	(4,624,375)	(4,805,160)
	1,328,979	**1,154,895**

The cumulative advances to subsidiaries total $21,217,885 (2013: $15,265,531) and are impaired. Pacific Edge Analytical Services Limited is dormant so no funds have been advanced to it. The impairment loss in 2014 is a result of the effect of the investment and advances not being recoverable in full based on the total deficit in equity of the subsidiaries at 31 March 2014. Accordingly, the impairment loss reduces the value in the Parent's books to its fair value based on the recoverable amount at balance date.

18. PAYABLES AND ACCRUALS

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Trade Creditors	619,773	535,263	435,092	296,541
Accrued Expenses	88,688	84,549	43,301	74,549
Employee Entitlements (refer below)	244,712	215,381	244,712	215,381
Monies Received in Advance from Shareholders	–	86,891	–	86,891
Total Payables and Accruals	**953,175**	**922,084**	**723,105**	**673,362**

Payables and accruals are non-interest bearing and are normally settled on 30 day terms, therefore their carrying value approximates their fair value.

Employee Entitlements	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
PAYE Tax	44,834	39,906	44,834	39,906
Holiday Pay	138,253	111,319	138,253	111,319
Accrued Wages	61,625	64,156	61,625	64,156
Total Employee Entitlements	**244,712**	**215,381**	**244,712**	**215,381**

Notes to the Financial Statements (continued)

19. REDEEMABLE SHARES

Part Paid	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Redeemable Shares (Part Paid)	–	3,000	–	3,000
Total Redeemable Shares	**–**	**3,000**	**–**	**3,000**

These shares related to an Employee Share Ownership Plan (ESOP). This has now terminated and the two subscribers of the remaining 300,000 Redeemable Shares ($3,000 at 1 cent per share) have converted their Redeemable Shares to Ordinary Shares or been repaid in cash.

The Redeemable shares were originally issued in the ESOP on 26 August 2004. Following a subsequent reduction in the share price for Ordinary Shares, the Directors decided to cancel the scheme and offer all redeemable shareholders repayment in cash or the equivalent value in Ordinary Shares. The Scheme was cancelled on 31 July 2006. Consequently, the remaining value of the options to convert to Ordinary Shares in the ESOP, that had not been previously expensed, was expensed immediately.

20. SERIES A CONVERTIBLE PREFERENCE SHARES

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Opening Balance	152,500	190,625	152,500	190,625
Non-cash Conversion to Ordinary Shares	(152,500)	(38,125)	(152,500)	(38,125)
Closing Balance	**–**	**152,500**	**–**	**152,500**

All Series A Convertible Preference Shares have now been converted resulting in the issue of 1,067,000 Ordinary Shares. There are Nil (2013: $152,500) Series A Convertible Preference Shares on issue.

The original agreement was for each Series A Convertible Preference shareholder having the right to convert, upon election, to five Ordinary Shares and then entitled to five votes. This was subsequently varied to seven Ordinary Shares and seven votes respectively.

21. SHARE CAPITAL

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Ordinary Shares	66,611,612	46,599,293	66,611,612	46,599,293
Total Share Capital	**66,611,612**	**46,599,293**	**66,611,612**	**46,599,293**

There are 318,615,921 (2013: 278,755,147) Ordinary Shares on issue.

All fully paid shares in the Company have equal voting rights and equal rights to dividends. All Ordinary Shares are fully paid and have no par value.

Share Capital Group & Parent	2014 Shares	2014 ($)	2013 ($)
Opening Balance	278,755,147	46,599,293	46,153,930
New issues: Conversion of Redeemable Part Paid Shares	207,299	51,000	–
New issues: Direct Offers	38,919,311	21,040,451	–
New issues: Conversion of Series A Preference Shares	1,067,500	152,500	38,125
New Issues: Conversion of Options	–	–	407,238
	318,949,257	67,843,244	46,599,293
Less Issue Expenses	–	(1,231,632)	–
Subscriber Withdrawal	(333,336)	–	–
Closing Balance	**318,615,921**	**66,611,612**	**46,599,293**

On 5 July, 2013, 200,000 Redeemable Preference Shares were converted to 200,000 Ordinary Shares at 25 cents per share and 100,000 Redeemable Preference Shares were converted to 7,299 Ordinary Shares at 13.7 cents per ordinary share. On 4 December, 2013, 37,358,637 Ordinary Shares were issued under a renounceable rights offer of 2 new shares for every 15 existing shares held, at a price of $0.55. 1,560,674 Ordinary Shares were issued during the year under separate agreements for services provided. 152,500 Series A Convertible preference shares were converted to 1,067,500 Ordinary Shares during the year at 14.3 cents per Ordinary Share.

Notes to the Financial Statements (continued)

22. ACCUMULATED LOSSES

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Opening Balance	(35,424,399)	(28,507,684)	(35,245,970)	(28,297,220)
Net (Loss) After Tax	(9,951,054)	(6,916,715)	(9,433,060)	(6,948,750)
Closing Balance	**(45,375,453)**	**(35,424,399)**	**(44,679,030)**	**(35,245,970)**

23. FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into New Zealand dollars are brought to account by entries made directly to the foreign currency translation reserve.

24. SEGMENT INFORMATION

The Chief Executive Officer has determined the operating segments based on reports reviewed by him that are used to monitor performance and allocate resources.

The Chief Executive Officer considers the business to be three operating segments at balance date. These segments are the research and development of diagnostic and prognostic products for human cancer in New Zealand and Australia and the operators of the laboratories used for the detection of bladder cancer; currently operating in the United States of America and New Zealand.

Total research segment revenue is comprised of Grants Received and Cxbladder Research Rebate. It does not include interest.

The segment information provided to the Chief Executive Officer for the reportable segment described above, is shown below.

2014	NZ Laboratory ($)	US Laboratory ($)	Research ($)	Total ($)
Total Segment Revenue	50,372	94,823	378,188	523,383
Revenue from within the segment	**–**	**–**	**–**	**–**
Revenue from External Customers	**50,372**	**94,823**	**378,188**	**523,383**
Adjusted EBITDA	(758,207)	(3,915,378)	(5,208,404)	(9,881,989)
Interest Revenue	18	–	315,257	315,275
Interest Expense	–	–	(9)	(9)
Depreciation & Amortisation	(36,641)	(165,368)	(182,322)	(384,331)
Total Loss Before Tax	**(794,830)**	**(4,080,746)**	**(5,075,478)**	**(9,951,054)**
Total Assets	**237,532**	**1,243,079**	**21,250,572**	**22,731,183**
Total Liabilities	**63,575**	**138,559**	**751,041**	**953,175**

SEGMENT INFORMATION (CONTINUED)

2013	NZ Laboratory ($)	US Laboratory ($)	Research ($)	Total ($)
Total Segment Revenue	82,465	–	485,096	567,561
Revenue from within the segment	**63,019**	**–**	**322,189**	**385,209**
Revenue from External Customers	**19,440**	**–**	**162,907**	**182,347**
Adjusted EBITDA	(912,535)	(2,938,413)	(3,200,393)	(7,051,342)
Interest Revenue	5	–	333,185	333,190
Interest Expense	–	–	(3,351)	(3,351)
Depreciation & Amortisation	(56,084)	(72,996)	(66,133)	(195,213)
Income Tax Expense	–	–	–	–
Total Loss Before Tax	**(968,614)**	**(3,011,409)**	**(2,936,692)**	**(6,916,715)**
Total Assets	**160,212**	**1,104,192**	**10,958,383**	**12,222,787**
Total Liabilities	**40,086**	**208,636**	**828,862**	**1,077,584**

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Chief Executive Officer is measured in a manner consistent with that in the statement of Comprehensive Income.

The amounts provided to the Chief Executive Officer with respect to total assets and total liabilities are measured in a manner consistent with that of the Financial Statements. These assets are allocated based on the operation of the segment and the physical location of the asset. "Reportable segments" assets are reconciled to total assets as follows:

	2014 ($)	2013 ($)
Segment assets for reportable segments	22,731,183	12,222,787
Unallocated	–	–
Total Assets per the Balance Sheet	**22,731,183**	**12,222,787**

The amounts provided to the Chief Executive Officer with respect to total liabilities are measured in a manner consistent with that of the Financial Statements. These liabilities are allocated based on the operations of the segment. "Reportable segments" liabilities are reconciled to total liabilities as follows:

Notes to the Financial Statements (continued)

SEGMENT INFORMATION (CONTINUED)

	2014 ($)	2013 ($)
Segment liabilities for reportable segment	953,175	1,077,584
Unallocated	–	–
Total Liabilities per the Balance Sheet	**953,175**	**1,077,584**

The research operating segment derives revenue primarily from grant income and the reportable operating segment laboratories derive its revenue primarily of sales of Cxbladder detection tests. The Chief Executive Officer assesses the performance of the operating segment based on net profit/(loss) for the period.

25. RECONCILIATION OF CASH USED IN OPERATING ACTIVITIES WITH LOSS AFTER TAX

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Loss after tax	(9,951,055)	(6,916,715)	(9,433,060)	(6,948,750)
Add Non Cash Items:				
Depreciation	268,057	195,213	72,272	66,133
Amortisation	116,274	–	110,050	–
Translation of Foreign Operations	571,540	(33,163)	–	–
Interest charged on advance to subsidiary	–	–	(549,767)	(210,728)
Effect of exchange rates on Net Cash	(276)	–	569,747	92,355
Write down of investment in and advance to Subsidiary	–	–	4,624,375	4,805,160
Total Non Cash Items	**955,595**	**162,050**	**4,826,677**	**4,752,920**
Add Movements in Other Working Capital items:				
Increase in GST Receivable	(33,013)	–	(48,477)	–
(Increase) in Receivables and Other Assets	(371,274)	(73,766)	(281,027)	150,575
(Increase) in Inventory	(241,845)	–	(98,332)	–
Increase / (Decrease) in Payables and Accruals	117,978	117,995	136,636	(142,573)
Total Movement in Other Working Capital	**(528,154)**	**44,229**	**(291,199)**	**8,002**
Net Cash Flows to Operating Activities	**(9,523,613)**	**(6,710,436)**	**(4,897,583)**	**(2,187,828)**

Interest charged on advances to subsidiaries has been written down as part of the impairment on investment and advances to subsidiaries, this is classified non-cash.

26. FINANCIAL INSTRUMENTS

Managing Financial Risk

The Company and Group's activities expose it to the financial risks of changes in interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest Rate Risk

The Company and Group's bank deposits are at floating interest rates, which mitigates the risk of interest rates being less than market rates.

Credit Risk

The Company and Group incur credit risk from bank balances, receivables in the normal course of its business and other assets. Regular monitoring of receivables and other assets is undertaken to ensure that the credit exposure remains within the Company and Group's normal terms of trade. The Group's cash and short term deposits are placed with high credit quality financial institutions. Accordingly, the Company and Group have no significant concentration of credit risk other than bank deposits with 35.7% of total assets at the Bank of New Zealand and 52.8% at ANZ Bank. The carrying values of financial assets represent maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company and Group may encounter difficulty in raising funds at short notice to meet its commitments as they fall due. Management maintains sufficient cash and the availability of funding through an adequate amount of committed credit facilities if required.

Fair Values

In the opinion of the directors, the carrying amount of financial assets and financial liabilities approximate their fair values at balance date.

Unrecognised Financial Instruments

There are no unrecognised financial instruments, hedges or forward exchange contracts at 31 March 2014 (2013 Nil).

Market Risk

The Company and Group purchase goods from overseas suppliers. It also operates Pacific Edge Diagnostics USA Limited in the USA. This exposes the Company and Group to foreign currency risk. The Company manages foreign currency risk by only purchasing overseas goods when necessary and when foreign exchanges are favourable.

Management is of the opinion that the Company and Group's exposure to market risk at balance date is defined as:

Notes to the Financial Statements (continued)

Risk Factor	Description	Sensitivity
Currency risk	Assets and Liabilities are denominated in NZD, USD, AUD, and EUR currencies	As below
Interest rate risk	Exposure to changes in Bank interest rates	As below
Other price risk	No securities are bought, sold or traded	Nil

Balances in AUD and EUR currencies are not significant. A 1% increase or decrease in USD will reduce/increase the loss reported by approximately $31,000 (2013: $46,000) respectively and increase/reduce equity by the same amount.

A 1% increase or decrease in Bank deposit interest rates will reduce/increase the loss reported by approximately $155,600 (based on normal levels of bank deposits) and increase/reduce equity by the same amount (2013: $2,500).

Liquidity/maturity profile of liabilities at 31 March 2014

Group Liabilities	0–3 Months ($)	3–6 Months ($)	6–12 Months ($)	1–2 Years ($)	2+ Years ($)	Total ($)
Payables & Accruals	953,175	–	–	–	–	953,175
Redeemable Shares (Part Paid)	–	–	–	–	–	–
Series A Convertible Preference Shares	–	–	–	–	–	–
	953,175	–	–	–	–	**953,175**

Parent Liabilities	0–3 Months ($)	3–6 Months ($)	6–12 Months ($)	1–2 Years ($)	2+ Years ($)	Total ($)
Payables & Accruals	723,105	–	–	–	–	723,105
Redeemable Shares (Part Paid)	–	–	–	–	–	–
Series A Convertible Preference Shares	–	–	–	–	–	–
	723,105	–	–	–	–	**723,105**

This profile recognises the earliest time band of share conversions or redemptions (as there is no fixed conversion or redemption date).

Liquidity/maturity profile of liabilities at 31 March 2013

Group and Parent Liabilities	0–3 Months ($)	3–6 Months ($)	6–12 Months ($)	1–2 Years ($)	2+ Years ($)	Total ($)
Payables & Accruals	922,084	–	–	–	–	922,084
Redeemable Shares (Part Paid)	3,000	–	–	–	–	3,000
Series A Convertible Preference Shares	152,500	–	–	–	–	152,500
	1,077,584	–	–	–	–	**1,077,584**

Parent Liabilities	0–3 Months ($)	3–6 Months ($)	6–12 Months ($)	1–2 Years ($)	2+ Years ($)	Total ($)
Payables & Accruals	673,362	–	–	–	–	673,362
Redeemable Shares (Part Paid)	3,000	–	–	–	–	3,000
Series A Convertible Preference Shares	152,500	–	–	–	–	152,500
	828,862	–	–	–	–	**828,862**

Notes to the Financial Statements (continued)

27. CONTINGENT LIABILITIES

There were no known contingent liabilities at 31 March 2014 (2013 Nil). The Company and Group have not granted any securities in respect of liabilities payable by any other party whatsoever.

28. BANK SECURITIES

The Company has provided a debenture to the Bank of New Zealand to secure borrowings. There were no bank borrowings at balance date.

29. CAPITAL COMMITMENTS

There are no capital commitments for the Company or Group at 31 March 2014 (2013 Nil).

30. LEASE COMMITMENTS

The Company and Group have the following lease commitment for buildings.

	Group 2014 ($)	Group 2013 ($)	Parent 2014 ($)	Parent 2013 ($)
Non cancellable operating lease commitments within one year	469,764	346,131	125,760	125,760
Later than one year, not later than two years	353,041	330,414	20,960	125,760
Later than two years, not later than five years	565,679	925,119	–	125,760
Total Lease Commitments	**1,388,484**	**1,601,664**	**146,720**	**377,280**

The lease of premises (in the Centre for Innovation) with the University of Otago was renewed on 26 May 2013 for a further two years at $125,760 per annum, the rental in the 2014 year remains unchanged from 2013. Pacific Edge Diagnostics New Zealand Limited's lease of premises is $24,840 a year. Pacific Edge Diagnostics USA Limited has a 5 year lease which expires on 30 November 2017. The total financial commitment remaining for this lease is $1,212,784 (2013: $1,577,104). An additional Allowance Reimbursement is payable to the landlord on a monthly basis. The total financial commitment for this Allowance Reimbursement is $485,894 (2013: $673,982).

31. SUBSEQUENT EVENTS

There were no events subsequent to balance date.

32. MANAGEMENT OF CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to support the development of its business. The Company meets these objectives through managing their liquidity position with available funds by reducing costs, issue new shares or sell assets.

33. PACIFIC EDGE INCENTIVE PLAN (PEIP)

In March 2011 the Company developed an "Incentive Plan" as a means of providing Directors and Officers and certain employees with the opportunity to participate in the potential increasing profitability of the Group. The Plan is an Equity Equivalent (EE) Scheme that provides EE Units on the following terms:

- EE Units are vested to the participant over a period of 4 years but cannot be redeemed during the first two years from the date of their issue.
- Each EE Unit has the equivalent value of an ordinary share in the Company.
- Redemption is in cash for the difference between the value of the EE Units at the time of allocation and their value at the time of redemption.
- The Company must be trading in a cash flow positive condition and the Company's share price on the NZX must be at a minimum price of $1.00 per ordinary share.
- A maximum of 25% of a participant's vested EE Units can be redeemed in any one year.
- The Company commenced issuing the EE Units in late March 2011. At balance date 6,449,000 EE units had been vested. The fair value of these EE Units has been determined as Nil at 31 March 2014 (2013: Nil) because the conditions above are assessed as unlikely to be met and, accordingly, no expense or liability have been recorded in these Financial Statements.

Holding of EE units by current Directors and Officers as at 31 March 2014

Name	2014 ($)
Chris Swann	412,500
Colin Dawson	330,000
David Darling	1,800,000

Additional Stock Exchange Information

The total number of issued voting securities is 318,615,921 Ordinary Shares.

The Company's Ordinary Shares are listed on the NZX Main Board.

The Company currently does not have a credit rating.

1. SUBSTANTIAL SECURITY HOLDERS

The Company's register of Substantial Security Holders, prepared in accordance with section 26 of the Securities Markets Act 1988, recorded the following information as at 31 March 2014. These shareholders have a relevant interest of 5% or more in all classes of securities.

Name	Number of Ordinary Voting Securities	Number of Series A Convertible Preference Share Voting Securities	Part paid Redeemable Shares
K One W One Limited	20,286,297 (6.37%)	–	–
Harbour Asset Management	20,183,646 (6.34%)	–	–
ACC (Blair Tallot)	13,997,229 (5.00%)	–	–

2. SPREAD OF SECURITY HOLDERS AT 30 APRIL 2014

	No. of Ordinary Security Holders	Percentage of Issued Ordinary Equity	No. of Series A Security Holders	Percentage of Issued Series A Equity	No. of Part Paid Redeemable Share Holders	Percentage of Issued Part Paid Redeemable Shares
1–1,000	537	0%	–	–	–	–
1,001–5,000	1,869	2%	–	–	–	–
5,001–10,000	952	2%	–	–	–	–
10,001–100,000	1,702	16%	–	–	–	–
100,001–500,000	247	16%	–	–	–	–
500,001–1,000,000	27	6%	–	–	–	–
1,000,001–2,500,000	16	8%	–	–	–	–
2,500,001–13,000,000	15	21%	–	–	–	–
13,000,001 and Over	3	29%	–	–	–	–
Total Security Holders	**5,368**	**100%**	**–**	**–%**	**–**	**–%**

3. TWENTY LARGEST EQUITY SECURITY SHAREHOLDERS AS AT 30 APRIL 2014

Ordinary Shares	
New Zealand Central Securities Depository Limited	55,320,404
K One W One Limited	20,286,297
Superlife Trustee Nominees Limited	14,623,498
FNZ Custodians Limited	9,644,131
Masfen Securities Limited	7,965,326
Hypertech Medical Limited	7,929,169
Christopher & Banks Private Equity Limited	6,249,000
Sinclair Long Term Holdings Limited	5,000,000
Custodial Services Limited	4,054,481
Carol Anne Edwards & Graeme Brent Ramsey	3,623,172
Forsyth Barr Custodians Limited	3,431,989
David Darling, Yvonne Mccallum and Independent Trustees (Tauranga) Limited	2,978,900
Ewan John Bennie	2,920,077
Forsyth Barr Custodians Limited	2,851,711
University of Otago	2,755,000
Leveraged Equities Finance Limited	2,714,043
Superlife Trustee Nominees Limited	2,647,913
Steven Cyril Hancock & Bronwyn Hilda Hancock	2,550,000
Lewis Holdings Limited	2,161,920
David John McCaulay & Sally Anne McCaulay	2,020,644

Additional Stock Exchange Information (continued)

4. DIRECTORS' SHAREHOLDINGS

Listed below, equity securities in which each director, and associated person of each Director, holds a relevant interest at balance date:

	2014 ($)	2013 ($)
NUMBER OF ORDINARY SHARES		
C. E. Dawson	1,175,857	1,034,580
C. J. Swann	797,065	1,055,566
B. R. G. Williams	4,316	N/A
A. G. H. Masfen (Masfen Security Limited)	7,965,326	15,057,641

5. WAIVERS GRANTED BY NZX

NZX Market Regulation granted the Company a waiver of Listing Rule 7.10.5 on 22 October 2013 in relation to the oversubscription facility under its rights issue pursuant to a Simplified Disclosure Prospectus. This oversubscription facility enabled eligible shareholders to make applications in excess of their pro-rata entitlement which would otherwise have been prohibited.

6. EXERCISE OF NZX POWERS (LISTING RULE 5.4.2)

NZX did not exercise its powers under the Main Board Listing Rule 5.4.2.

7. DIVERSITY

As at 31 March 2014 all five Directors of the Company were male. The Chief Executive Officer was also male. The Company does not have a gender diversity policy as at 31 March 2014.

8. INDEPENDENCE

- The following directors are considered by the Board to be Independent (as defined under the Main Board/Debt Market Listing Rules): C. J. Swann, C. E. Dawson, B. R. G. Williams and D. C. Band.
- The following directors are considered by the Board to not be independent: A. G. H. Masfen.

Independent Auditors' Report

to the shareholders of Pacific Edge Limited

Report on the Financial Statements

We have audited the financial statements of Pacific Edge Limited on pages 23 to 57, which comprise the balance sheets as at 31 March 2014, the statements of comprehensive income, statements of changes in equity, statements of cash flows for the year then ended and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the subsidiaries it controlled at 31 March 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We have no relationship with, or interests in, Pacific Edge Limited or its subsidiaries other than in our capacities as auditors and providing tax services. These services have not impaired our independence as auditors of the Company and Group.

PricewaterhouseCoopers, Level 1, Westpac Building, 106 George Street, PO Box 5848, Dunedin 9058, New Zealand T: +64 (3) 470 3600, F: +64 (3) 470 3601, www.pwc.com/nz

pwc

Independent Auditors' Report

Pacific Edge Limited

Opinion

In our opinion, the financial statements on pages 23 to 57:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' 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.

PricewaterhouseCoopers

Chartered Accountants
30 June 2014

Dunedin

Risk Analysis

As a high growth Company, there are a number of risks associated with our business. We believe it is important for our shareholders to have an understanding of these risks and the processes the Board and management have put in place to mitigate these risks.

Market Disruption	We operate in a number of different international markets and as we introduce additional products in new areas, we will limit our exposure to any potential market disruption
Acceptance of our products by the medical community and funders/ third party payers	Clinical studies have validated our test results Our User Programmes are a key ingredient in driving adoption by clinicians We have CLIA certified laboratories in USA and New Zealand
Acceptance of our products funders and third party payers	We are building strong relationships and have negotiated a number of agreements with third party payers and funders
Dependence on franchise partners to market and sell our products	Greater control in the key US market through our wholly owned subsidiary, PEDUSA Close working relationships with franchise partners
Competitor Activity	We have yet to see any intense competition in the bladder cancer diagnostic field We hold the lead in clinical validation We are focused on building a strong and loyal customer base
IP related Opportunities and Risks	We have made great progress in expanding our IP portfolio and getting several key patents granted In some cases, we have taken forward looking licenses to hedge the event of other's IP impacting on us
Regulatory Risks	We have sought advice from experts in the regulatory landscape We are aware of the risks and continuously monitor the regulatory environment for changes that may affect our business
Reimbursement Risks	We have dedicated specialists working in the area of Accounts and Payer Relationships We have negotiated agreements in place with major payment facilitators
Financial Risks	The Board believes we have sufficient funding in place to continue with our strategic growth plan for the next two years After this time, we expect that trading revenue will be a major contributor to future growth funding We have a track record of achieving our objectives on time and within budget Should new opportunities arise, the Company may seek to raise additional capital to expedite the opportunity
Revenue Generation	We would reasonably expect revenue to grow as we rollout our commercial presence in the USA and gain momentum in New Zealand, Australia and Spain
Foreign Exchange Risks on Expected Royalties	The Board and management monitor these risks regularly and evaluate whether exposure can be reduced by hedging transactions
Other environmental, Health and Safety, Operational and Statutory Risks	These are monitored continuously Functions and processes have been implemented at each facility to reduce risks We consult with external experts in our decision making, policies and processes
Share Registry Risks	We are aware of the risks associated with our shares such as low levels of liquidity, a number of large investors, high volatility in share price and external influences from investor confidence

Pacific Edge Scientific Advisory Board

Pacific Edge has a world class Scientific Advisory Board (see table below). The skills, experience and capability cover a range of disciplines from clinical medicine and pathology through to commercial biotechnology research and development.

Members of the Scientific Advisory Board advise on science, scientific progress and clinical opportunities. Visits to New Zealand by the international members also provide a strong linkage to international issues and opportunities while enabling us to keep abreast of the rapidly changing technology.

Name	Position	Organisation	Country
P. Guilford	Chief Scientific Officer Associate Professor	Pacific Edge University of Otago	New Zealand
N. Kasabov	Head of Knowledge Engineering Discovery Research Institute (KEDRI)	Knowledge Engineering School of Computer & Information Sciences, Auckland University of Technology	New Zealand
M. Sullivan	Consultant Paediatric Oncologist	Royal Children's Hospital	Melbourne
M. Brennan	Physician Vice President for International Programs	Memorial Sloan Kettering Cancer Centre	USA
B. Williams	Director	Monash Institute of Medical Research, Monash University	Australia
O. Ogawa	Professor Chairman	Department of Urology, Kyoto School of Medicine	Japan
P. Spence	Managing Director	Paul Spence Consultants	London

Clinical Advisory Board

Pacific Edge has a Clinical Advisory Board to provide expert advice on global clinical needs and applications for the Cxbladder technology.

Name	Position	Organisation	Country
R. Getzenberg	Director of Research Professor of Urology	James Buchanan Brady Urological Institute Johns Hopkins University School of Medicine	USA
S. Shariat	Surgeon and Specialist in Urologic Oncology	Department of Urology, New York Presbyterian Hospital Weill Medical College Cornell University	USA
J. Raman	Urologist	Penn State Hershey Surgery Specialists Hershey, Pennsylvania, USA	USA
P. Cozzi	Urologist	VMO at Hurstville Community Hospital St George Public Hospital Mater Private Hospital	Australia
P. Gilling	Consultant Urologist Head of Urology Department	Tauranga Hospital UROBop Ltd	New Zealand
M. Fraundorfer	Consultant Urologist	Tauranga Hospital UROBop Ltd	New Zealand
P. Davidson	Consultant Urologist Trustee of CURT	Urology Associates Canterbury Urological Research Trust (CURT)	New Zealand
J. Masters	Urologist	Auckland City Hospital Manukau Superclinic Gilgit Road Specialists	New Zealand

Annual Report of Directors

The Directors present their Annual Report including Financial Statements of Pacific Edge Limited ("the Company") and Group for the year ended 31 March 2014. The Group consists of the Company and its subsidiaries Pacific Edge Diagnostics New Zealand Limited, Pacific Edge Diagnostics USA Limited, Pacific Edge Pty Limited and Pacific Edge Analytical Services Limited.

The business of the Company is developing and commercialising new diagnostic and prognostic tools for the early detection and management of cancers. The Company has wholly owned subsidiaries in New Zealand, Australia and the United States. The subsidiaries in New Zealand and the United States have been set up to manage and operate the commercial laboratories used for the detection of bladder cancer. The Australian subsidiary is a research and development Company.

The nature of the Company's business has not changed during the year.

AUDITORS

The Group's Auditors are PricewaterhouseCoopers. Audit fees payable for the year were $30,600. PricewaterhouseCoopers are willing to continue as the Group's Auditors.

DIRECTORS' DISCLOSURES

The following disclosures were recorded in the interests register for the year ended 31 March 2014:

Share Dealings

Person/or Associated Persons	No. Sold	Class Sold	No. Purchased	Class Purchased
A. G. H. Masfen (Masfen Securities Limited)	8,500,000	Ordinary Shares	1,407,685	Ordinary Shares
C. J. Swann	350,000	Ordinary Shares	91,509	Ordinary Shares
C. E. Dawson	80,000	Ordinary Shares	41,277	Ordinary Shares

Directors' Remuneration

Directors' remuneration paid was as follows:

Directors' Fees	2014 ($)	2013 ($)
C. J. Swann (Chairman)	42,658	27,500
D. C. Band	28,520	17,000
A. G. H. Masfen	23,504	17,000
C. E. Dawson	23,504	17,000
B. R. G. Williams	20,671	–
B. Nogales	24,369	–
J. P. Foster (Resigned 30/11/2012)		9,917
Total	**163,226**	**88,417**

Note: D.C. Band's Directors Fees were paid by the subsidiary Pacific Edge Pty. Limited for the Year Ended 31 March 2014. B. Nogales' Directors Fees were paid by the subsidiary Pacific Edge Diagnostics USA Limited for the Year Ended 31 March 2014. All other fees were paid by Pacific Edge Limited.

Transactions with Directors

The Company paid consultancy fees for accounting services to CJS Advisory Services Limited. C.J. Swann is a Director and Shareholder of this Company. The fees charged were on normal terms and conditions and totalled $28,658 (2013: $40,467). At balance date no fees were outstanding relative to these transactions (2013: $Nil).

A significant shareholder, the University of Otago, provided rental space and car parking to the Group costing $228,321 (2013: $186,118) and the Company costing $197,367 (2013:$160,775). As at 31 March 2014 the Group commitment is $150,600 (2013: $147,360) and the Company commitment is $125,760 (2013: $125,760). Mr C. E. Dawson, a Director of the Company was also the Chief Executive Officer of Otago Innovation Limited, a wholly owned subsidiary of the University of Otago, during the 2014 financial year.

The following Directors held office at 31 March 2014:

C. J. Swann (Chairman), D. C. Band, C. E. Dawson, B. R. G. Williams and A. G. H. Masfen.

B. Nogales and D. Darling are Directors of Pacific Edge Diagnostics USA Limited. Only D. Darling does not receive remuneration for this position.

No other person was a Director at any time during the year.

The Board of Directors received no notices from Directors wishing to use Company information received in their capacity as Directors, which would not have ordinarily been available.

Annual Report of Directors (continued)

Donations

The Group has made no donations during the year.

Employee Remuneration

Employees of the Company receiving remuneration or benefits in excess of $100,000 were as follows:

Remuneration	2014 ($)	2013 ($)
$100,000–$109,999	1	–
$110,000–$119,999	1	2
$170,000–$179,999	1	–
$180,000–$190,000	1	1
$270,000–$279,999	–	1
$320,000–$329,999	1	-

Pacific Edge Diagnostics New Zealand Limited

The Company has a wholly owned subsidiary called Pacific Edge Diagnostics New Zealand Limited which was incorporated on 15 April 2010 in New Zealand. This subsidiary manages and operates a laboratory used for the detection of bladder cancer in Dunedin. The Directors of the subsidiary are David Darling (who is the CEO of the Company) and Chris Swann (the Company's Chairman). No remuneration was paid by the subsidiary to these directors.

There is one employee of Pacific Edge Diagnostics New Zealand Limited who received remuneration between $170,000 and $179,999 in the year ended 31 March 2014. No donations have been made by the subsidiary. No amounts have been paid to the auditor by the subsidiary for the Year Ended 31 March 2014.

Pacific Edge Analytical Services Limited

The Company has a wholly owned subsidiary called Pacific Edge Analytical Services Limited which was incorporated on 8 October 2010 in New Zealand. This subsidiary is currently not trading. The sole director of the subsidiary is David Darling. No remuneration was paid by the subsidiary to David Darling for his role as director.

There are no employees of Pacific Edge Analytical Services New Zealand Limited who received remuneration exceeding $100,000 in the year ended 31 March 2014. No donations have been made by the subsidiary. No amounts have been paid to the auditor by the subsidiary for the Year Ended 31 March 2014.

Pacific Edge Diagnostics USA Limited

The Company has a wholly owned subsidiary called Pacific Edge Diagnostics USA Limited which was incorporated in the USA on 15 December 2011. This subsidiary manages and operates a laboratory used for the detection of bladder cancer in Hershey, Pennsylvania. The Directors of the subsidiary are Chris Swann, Jackie Walker, Bruce Nogales and David Darling. No remuneration was paid directly by the subsidiary to Chris Swann, Jackie Walker or David Darling. However, David Darling's salary as CEO has been apportioned to this subsidiary from the Company for work done in the United States of $140,000 for the year. Bruce Nogales was appointed as a director on 11 March 2013 and was paid directors fees of NZ$24,369 by the subsidiary for the Year Ended 31 March 2014.

The US subsidiary has one employee with remuneration between US$270,000 and US$279,999 for the Year Ended 31 March 2014. No donations have been made by the subsidiary. No amounts have been paid to the auditor by the subsidiary for the Year Ended 31 March 2014.

Pacific Edge Pty Limited

The Company has a wholly owned subsidiary called Pacific Edge Pty Limited which was incorporated in Australia on 4 August 2008. This subsidiary's purpose is to research and develop the Cxbladder product along with other diagnostics and prognostic tools for early detection and management of cancers. The directors of the subsidiary are David Darling, David Band and Bryan Williams. David Band was paid Director's fees of NZ$28,520 by the subsidiary.

There are no employees of Pacific Edge Pty Limited who received remuneration exceeding $100,000 in the year ended 31 March 2014. No donations have been made by the subsidiary. No audit fee was paid to the auditor by the subsidiary for the Year Ended 31 March 2014.

For and on behalf of the Board of Directors,

Director Director

Dated the 30th day of June 2014.

Directors' Responsibility Statement

The Directors are responsible for ensuring that the Financial Statements give a true and fair view of the financial position of the Company and Group as at 31 March 2014 and its financial performance and cash flows for the year ended on that date.

The Directors consider that the Financial Statements of the Company and Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and facilitate compliance of the Financial Statements with the Financial Reporting Act 2013.

CORPORATE GOVERNANCE

Role of the Board of Directors

The Board of Directors of Pacific Edge Limited is elected by the shareholders to supervise the management of the Company. The Board establishes the Company's objectives, strategies for achieving these objectives, the overall policy framework within which the business of the Company is conducted, monitors management's performance and ensures that procedures are in place to provide effective internal financial control.

The day-to-day management responsibilities of the Company have been delegated to the Chief Executive Officer.

Corporate Governance Practices in the Constitution

The Company's constitution sets out guidelines for Directors and management in carrying out their duties and responsibilities. The constitution requires that the Board comply with the NZX's Main Board Listing Rules and the Companies Act 1993. The provisions in the Second Schedule to the Company's constitution govern the proceedings of the Board. The Company's constitution covers matters such as:

- General Corporate Governance Matters
- Role of the Board
- Composition of the Board
- Directors' Responsibilities
- Appointment and removal of Directors (including executive and alternate Directors)
- Powers and rights of Directors
- Remuneration of Directors
- Confidentiality and protection of Company information
- Compliance with laws and regulations
- Shareholder participation, rights, and obligations
- Company Transactions
- Conflicts of Interest
- Protection of Company Assets

The primary responsibilities of the Board include ensuring compliance with the Company's constitution, setting clear goals for the Company and ensuring that there are appropriate strategies in place for achieving them, monitoring the performance of management, managing the Company's financial position and Financial Statements, ensuring that the Company follows high standards of ethical and corporate behaviour, and ensuring that the Company has appropriate risk management policies in place. Newly elected Directors are expected to be familiar with their obligations under the constitution. Training is also provided to new and existing directors where this is required to enable Directors to fulfil their obligations under the constitution.

Board Membership

The Board has been selected on their individual skills and contribution to the Company. The Board is comprised of 5 non-executive directors including the Chairman C. J. Swann, D. C. Band, C. E. Dawson, A. G. H. Masfen and B. R. G. Williams. The Chairman is a non-executive director who is elected by the Directors.

In accordance with the Company's constitution, one third, or the number nearest to one third, of the Board retire by rotation at each annual meeting. The directors to retire are those who have been longest in office since the last election. Directors retiring by rotation may, if eligible, stand for re-election. A director appointed since the previous Annual Meeting holds office only until the next Annual Meeting but is eligible for re-election at that meeting.

Committees

The Board forms Committees for designated tasks to be addressed. Such Committees include the Audit Committee, the Nomination Committee and the Remuneration Committee.

Internal Financial Control

The Board has overall responsibility for the Company's system of internal financial control. The Directors have established procedures and policies that are designed to provide effective internal financial control. Annual budgets and business plans are prepared, and agreed by the Board. Financial Statements are prepared monthly and reviewed by the Board throughout the year to monitor performance against budget targets and objectives.

The Directors are responsible for presenting the Financial Statements for each Financial Year.

Audit Committee

The Company's constitution requires it to have an Audit Committee comprised solely of directors of the Company, with the majority of members being Independent Directors. There must be at least three members on the Audit Committee and at least one member must have an accounting or financial background. Under the constitution the responsibilities of the Audit Committee include as a minimum:

- Ensuring that the processes are in place in monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters.
- Recommending the appointment and removal of the independent auditor.

Directors' Responsibility Statement (continued)

- Monitoring and reviewing the independent and internal auditing practices.
- Having direct communication with and unrestricted access to the independent auditors and any internal auditors or accountants.
- Reviewing the financial reports and advising all directors whether they comply with the appropriate laws and regulations.
- Ensuring that the external auditor or lead audit partner is changed at least every five years.

The Audit Committee comprises 3 Independent Directors being Chris Swann, David Band and Colin Dawson.

Nominations Committee

The Board has established a Nomination committee to recommend director appointments to the Board. The committee members are Colin Dawson, Bryan Williams, Anatole Masfen and Chris Swann, who are all Independent Directors.

Remuneration Committee

The Board has a Remuneration committee to recommend the remuneration for Directors to the shareholders. The members of this committee are Bryan Williams, David Band and Chris Swann.

Conflicts of Interest

The constitution sets out a procedure to be followed where Directors are faced with a potential conflict of interest. At all times a Director must be able to act in the interests of the Company as a whole and in accordance with all relevant laws including the NZX Main Board Listing Rules and the Companies Act 1993.

The personal interests of a Director must not be allowed to prevail over those of the Company and its shareholders generally. The constitution requires a Director to disclose any personal interests to the Company which may conflict with the Company's interest.

The Company's constitution provides that a Director may:

- contract with the Company and be a party to any transaction with the Company.
- have any personal involvement or interest in any transaction or arrangement to which the Company is a party or is otherwise interested or involved.
- become a Director or other officer of, or otherwise be interested in, any corporation promoted by the Company or in which the Company may be directly or indirectly interested as a shareholder or otherwise.
- retain any remuneration profits or benefits in relation to any of these arrangements.

However a Director who is interested in a transaction with the Company may attend a Board meeting at which any matter relating to the transaction arises but will not be counted for quorum purposes and may not vote on a Board resolution in respect of any matter relating to the transaction unless that matter is one in which the directors are either required to sign a certificate or where the matter relates to an indemnity.

Compliance with NZX and Financial Markets Authority Guidelines

The Company's governance policies are consistent with the NZX Corporate Governance Best Practice Code and meet the 9 Principles for Corporate Governance issued by the Securities Commission (now the Financial Markets Authority) as set out on the Financial Markets Authority website.

In summary, the 9 principles are:

1. Ethical Standards – Directors should observe and foster high ethical standards.
2. Board Composition – There should be a balance of independence, skills, knowledge, experience, and perspectives among directors so that the board works effectively.
3. Board Committees – The Board should use committees where this would enhance its effectiveness in key areas while retaining board responsibility.
4. Reporting and Disclosure – The Board should demand integrity both in financial reporting and in the timeliness and balance of disclosures on entity affairs.
5. Remuneration – The remuneration of Directors and Executives should be transparent, fair, and reasonable.
6. Risk Management – The Board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.
7. Audits – The Board should ensure the quality and independence of the external audit process.
8. Shareholder Relations – The Board should foster constructive relationships with shareholders that encourage them to engage with the Company.
9. Stakeholder Interests – the Board should respect the interests of stakeholders within the context of a Company structure and its fundamental purpose.

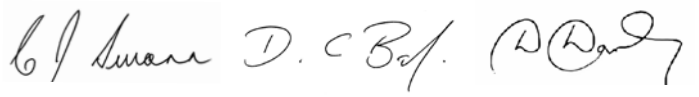
Reporting and Disclosure

The Board focuses on providing accurate, adequate and timely information both to existing shareholders and to the market generally. This enables all investors to make informed decisions about the Company. All significant announcements made to NZX, and reports issued, are posted on the Company's website.

The Directors have pleasure in presenting the Financial Statements, set out on pages 23 to 62 for Pacific Edge Limited and the consolidated Group for the year ended 31 March 2014.

The Board of Pacific Edge Limited authorised these Financial Statements for issue on 30 June 2014.

For and on behalf of the Board of Directors,



Chairman Director Chief Executive Officer

Dated the 30th day of June 2014.

Glossary

Assay. Chemical reactions that allow detection or quantification of substances or biomarkers in samples.

Biomarker. A characteristic that is objectively measured and evaluated as an indicator of normal biologic or pathogenic processes or pharmacological responses to a therapeutic intervention.

Biopsy. Sample of tissue from a living body extracted for diagnostic purposes.

Classification. The division of a disease into medically relevant subtypes, such as aggressive and nonaggressive subclasses of tumours in oncology.

CAP (College of American Pathologists). The leading organization of board-certified pathologists that serves patients, pathologists, and the public by fostering and advocating excellence in the practice of pathology and laboratory medicine worldwide. (www.cap.org).

Clinical Laboratory Improvement Amendments (CLIA). Regulate laboratory testing and require clinical laboratories to be certificated by their state as well as the Center for Medicare and Medicaid Services (CMS) before they can accept human samples for diagnostic testing. (www.fda.gov)

Clinical Trial. A single statistically significant trial for patients with disease. The results of the trial provide performance statistics for the test and are written up and published in a peer reviewed journal.

CMS (Centers for Medicare and Medicaid Services). The branch of the Department of Health and Human Services that administers Medicare. (medicare.kaiserpermanente.org)

Colonoscopy. Invasive endoscopic examination of the large colon and the end section of the small bowel with a CCD camera or a fibre optic camera on a flexible tube passed through the anus. Frequently used to diagnose colorectal cancer and other colon diseases.

Commercial payers. private insurers. (Medical Device and Diagnostic Industry 2006)

Company. Pacific Edge Limited.

DNA. Deoxyribonucleic acid. The carrier of genetic information for all complex organisms. DNA consists of four different bases bound to a sugar phosphate backbone: adenine (A), cytosine (C), guanine (G), thymine (T). The genetic information is encoded in the sequence of four bases.

Endoscope. Optical device for the inspection of body cavities and minimally invasive surgery. See also colonoscopy.

Endoscopy. Visual inspection of body cavities by use of an endoscope.

False-positive rate. Percentage of healthy individuals, falsely identified as sick due to the imprecision of a diagnostic procedure.

FDA. Food and Drug Administration. U.S. government agency responsible for the approval of drugs and medical devices. (e.g. IVD tests)

FSS. Federal Supply Schedule – General Services Administration's (GSA) Federal Supply Schedules are large contracts through which federal customers can acquire more than 4 million products and services directly from more than 8,000 commercial suppliers. They offer a vast array of brand name products-from office supplies and copier paper to systems furniture, computers and laboratory- and services ranging from accounting to graphic design to landscaping. (www.va.gov/osdbu/library/dbwvaFss.asp)

Health care provider. an individual or an institution who is authorized by the State and performing within the scope of their practice as devined by state law that provides preventive, curative, promotional or rehabilitative health care services in a systematic way to individuals, families, or communities. (Wikipedia and hrweb.berkeley.edu)

Incidence. Number of new cases per year in a specific disease indication.

Indication. A valid reason to use a certain test, medication, procedure or surgery.

Integrated Health Care Delivery System. a managed care system in the United States that includes a hospital organization that provides acute patient care, a multispecialty medical care delivery system, the capability of contracting for any other needed services, and a payer. Services are provided to enrollees of the health plan. (http://medical-dictionary.thefreedictionary.com/Integrated+Health+Care+Delivery+System)

In vitro. In a test tube.

IVD. In vitro diagnostic.

Local Coverage Determination (LCD). Local coverage determinations (LCDS) are defined in Section 1869(f)(2)(B) of the Social Security Act (the Act). This section states: "For purposes of this section, the term 'local coverage determination' means a determination by a fiscal intermediary or a carrier under part A or part B, as applicable, respecting whether or not a particular item or service is covered on an intermediary- or carrier-wide basis under such parts, in accordance with section 1862(a)(1)(A)." (cms.gov)

Laboratory Developed Test (LDT). Laboratory developed tests are in vitro diagnostic tests that are developed, validated, and used for in-house pathology and diagnostic purposes. (www.ascp.org)

Medicaid. a program administered at the state level, which provides medical assistance to the needy. Families with dependent children, the aged, blind, and disabled who are in financial need are eligible for Medicaid. It may be known by different names in different states. (www.census.gov/hhes/www/hlthins/methodology/definitions/cps.html)

Medicare. the Federal program which helps pay health care costs for people 65 and older and for certain people under 65 with long-term disabilities. (www.census.gov/hhes/www/hlthins/methodology/definitions/cps.html)

Medicare Advantage (Medicare Part C). A plan offered by a private organization as an alternative to Parts A & B only. Part C plans and cost plans may offer more benefits than original Medicare and may include Part D coverage. (medicare.kaiserpermanente.org)

National Provider Network. provider of healthcare cost management solutions. (multiplan.com)

VA. Veterans Administration – An agency of the federal government which provides a variety of services for United States veterans. (business dictionary.com)

Milestone payment. One-time payment between contractual parties upon reaching important goals with collaboration.

Molecular classification test. Diagnostic test that, based on the analysis of DNA or RNA allows the more precise classification of a disease in clinically or pathologically relevant subgroups.

Molecular Diagnostics. Diagnostics based on genetic and epigenetic information.

Monitoring. The tracing of potential recurrence or assessment of progression of a disease.

NMP22. Nuclear Matrix Protein 22, a single protein biomarker test used to detect bladder cancer.

Non exclusive licensing model. Strategy for the commercialisation of patents by which several licensees in a geographic region obtain the rights to use one or more patents for the same application.

Nonexclusive partnerships. Business partnerships of a company with several other companies in which each of the collaborations pursues the same or similar goals.

Glossary (continued)

Oncology. The branch of medicine that studies tumours (cancer) and seeks to understand their development, diagnosis, treatment and prevention.

PCR. Polymerase chain reaction. Method to multiply a section of the DNA in a test tube.

Private health insurance. Private health insurance is coverage by a health plan provided through an employer or union or purchased by an individual from a private health insurance company. (www.census.gov/hhes/www/hlthins/methodology/definitions/cps.html)

Prognosis. Prediction of how a patient's disease will progress, and the chance of recovery.

Prototype assay. Prototype of a test procedure as a starting point for the development of diagnostic products.

Reagents. Chemical substances needed for the performance of an assay.

Reimbursement. to make repayment to for expense or loss incurred (http://dictionary.reference.com/browse/reimbursement)

Regulatory approval. approval required by State and/or National regulatory bodies to sell a product or service in the USA

Relapse. Disease return following treatment to the primary or distant organ.

Recurrence. Disease return following medical intervention. (see relapse)

Research market. Market for laboratory equipment and supplies not intended for therapeutic or diagnostic use in humans or animals.

RNA. Ribonucleic acid. Molecule build of similar components as DNA that mainly as an information carrier is involved in the use of genetic information to direct the synthesis of proteins. Compared to DNA, RNA is chemically and biologically considerably less stable.

RT PCR. Real-time PCR. PCR in which the amplification of a DNA segment is continuously measured.

RUO. Research-Use-Only. Label for products only intended for research applications.

Screening. The systematic and preventative mass screening of an asymptomatic population for early detection of disease.

Sensitivity. The measure of a test's ability to accurately detect the presence of a disease. For example, a sensitivity of 90% means that out of 100 patients which actually have the disease, on average 90 are correctly diagnosed.

Specificity. The measure for a test's ability to exclude a disease if it is truly not present. For example, a specificity of 90% means that out of 100 healthy people ten are falsely identified as having the disease.

Surveillance. Tight surveillance of individuals at high risk of developing a disease by using diagnostic procedure.

Test kit. Test reagent kit. A set of reagents, consumables and processing instructions necessary to perform a diagnostic laboratory test.

Test panel. Combination of different biomarkers in a diagnostic test.

Tumour. A mass of excess tissue that results from abnormal cell division.

Urologist. Specialist clinicians for urological diseases and disorders.

User Program. formal evaluation program that allows a physician, group practice, institution, or healthcare system to evaluate the performance of a new product or technology

Validation. Establishing documented evidence that a process or system, when operated within established parameters, can perform effectively and reproducibly and meet its predetermined specifications and quality attributes.

Company Directory

Issued Capital

318,615,921 Ordinary Shares

Registered Office

Level 10, Otago House
Cnr Moray Place & Princes Street
Dunedin

Directors

C. J. Swann — Chairman
D. C. Band
C. E. Dawson
A. G. H. Masfen
B. R. G. Williams

Chief Executive Officer

D. Darling

Auditors

PricewaterhouseCoopers
Dunedin

Bankers

Bank of New Zealand
Dunedin

Solicitors

Anderson Lloyd Lawyers
Otago House
481 Moray Place
Dunedin

Securities Registrar

Link Market Services Limited
138 Tancred St
Ashburton

Accountants

Deloitte
Otago House
481 Moray Place
Dunedin

Company Number

119032

Date of Incorporation

27 February 2001

Nature of Business

Develop and commercialise new diagnostic and prognostic tools for the early detection and management of cancers.

PACIFIC EDGE LTD

87 St David Street, PO Box 56, Dunedin, New Zealand

P +64 3 479 5800 **F** +64 3 479 5801

W www.pacificedge.co.nz