16 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

PACIFIC EDGE LTD

COMPANY DIRECTORY

As at 31 March 2016

Issued Capital

376,543,478 Ordinary Shares

Registered Office

Anderson Lloyd
Level 10, Otago House
Cnr Moray Place and Princes Street
Dunedin

Directors

C Swann – Chairman

D Band

D Darling

A Masfen

C Stitch

B Williams

Chief Executive Officer

David Darling

Nature of Business

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

Auditors

PricewaterhouseCoopers
Dunedin

Bankers

Bank of New Zealand
Dunedin

ANZ
Dunedin

Solicitors

Anderson Lloyd
Level 10, Otago House
Cnr Moray Place and Princes Street
Dunedin

Securities Registrar

Link Market Services Limited
138 Tancred St
Ashburton

Company Number

1119032

Date of Incorporation

27th February 2001

Statement of Comprehensive Income

For the year ended 31st March 2016

	Notes	GROUP 2016 $	GROUP 2015 $ Restated
OPERATING REVENUE			
Product Sales and Licence Fees		4,975,532	1,899,665
Total Operating Revenue		4,975,532	1,899,665
Other Income	7	1,403,264	1,445,932
Interest Income		762,177	509,529
Foreign Exchange Gain		52,223	276,556
Total Operating Revenue and Other Income		**7,193,196**	**4,131,682**
OPERATING EXPENSES			
Laboratory Operations		1,047,439	588,367
Research	4,7	4,442,459	4,015,005
Sales and Marketing		1,021,831	753,476
Other Expenses	7	16,357,858	11,249,927
Total Operating Expenses		22,869,587	16,606,775
NET (LOSS) BEFORE TAX		**(15,676,391)**	**(12,475,093)**
Income Tax Expense	10	-	-
(LOSS) FOR THE YEAR AFTER TAX		**(15,676,391)**	**(12,475,093)**
Translation Foreign Operations	20	222,966	153,531
TOTAL COMPREHENSIVE (LOSS)		**(15,453,425)**	**(12,321,562)**
Earnings per share for profit attributable to the equity holders of the Company and Group during the year			
Basic and Diluted Earnings per share	3	(0.043)	(0.039)

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

Statement of Changes in Equity

For the year ended 31st March 2016

	Notes	Share Capital $	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Retained Earnings $	Total Equity $
Balance as at 31 March 2014		66,611,612	541,849	-	(45,375,453)	21,778,008
Profit after tax		-	-	-	(11,229,006)	(11,229,006)
Other Comprehensive Income		-	153,531	-	-	153,531
Issue of Share Capital		-	-	-	-	-
Share based payment expense		-	-	-	-	-
Balance as at 31 March 2015 as previously reported		**66,611,612**	**695,380**	**-**	**(56,604,459)**	**10,702,533**
Prior period adjustment	2	-	-	1,246,087	(1,246,087)	-
Restated balance as at 31 March 2015		**66,611,612**	**695,380**	**1,246,087**	**(57,850,546)**	**10,702,533**
Profit after tax		-	-	-	(15,676,391)	(15,676,391)
Other Comprehensive Income		-	222,966	-	-	222,966
Issue of Share Capital	18	33,400,214	-	-	-	33,400,214
Share based payment expense	8	-	-	1,158,148	-	1,158,148
Balance as at 31 March 2016		**100,011,826**	**918,346**	**2,404,235**	**(73,526,937)**	**29,807,470**

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

Balance Sheet

As at 31st March 2016

	Notes	GROUP 2016 $	GROUP 2015 $ Restated
CURRENT ASSETS			
Cash and Cash Equivalents	11	4,160,451	2,818,738
Short Term Deposits	11	20,000,000	5,000,000
Receivables	12	5,730,031	2,583,811
Inventory	13	707,277	622,904
Other Assets	14	495,551	245,498
Total Current Assets		31,093,310	11,270,951
NON-CURRENT ASSETS			
Property, Plant and Equipment	15	989,940	1,118,315
Intangible Assets	16	247,554	244,050
Total Non-Current Assets		1,237,494	1,362,365
TOTAL ASSETS		**32,330,804**	**12,633,316**
CURRENT LIABILITIES			
Payables and Accruals	17	2,523,334	1,930,783
Total Current Liabilities		2,523,334	1,930,783
TOTAL LIABILITIES		2,523,334	1,930,783
NET ASSETS		**29,807,470**	**10,702,533**
Represented by:			
EQUITY			
Share Capital	18	100,011,826	66,611,612
Accumulated Losses	19	(73,526,937)	(57,850,546)
Share Based Payments Scheme	8	2,404,235	1,246,087
Foreign Translation Reserve	20	918,346	695,380
TOTAL EQUITY		**29,807,470**	**10,702,533**

For and on behalf of the Board of Directors

Director **Director**

Dated the 26th day of May 2016

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

Statement of Cash Flows

For the year ended 31st March 2016

		GROUP	
	Notes	2016 $	2015 $
CASH FLOWS TO OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers and Grants		3,648,395	1,184,329
Interest Received		318,777	602,175
		3,967,172	1,786,504
Cash was disbursed to:			
Payments to Suppliers and Employees		20,907,758	14,358,079
Net GST Paid (Received)		11,774	(32,824)
		20,919,532	14,325,255
Net Cash Flows to Operating Activities	**22**	**(16,952,360)**	**(12,538,751)**
CASH FLOWS TO INVESTING ACTIVITIES:			
Cash was provided from:			
Proceeds from Short Term Deposits		14,000,000	10,500,000
		14,000,000	10,500,000
Cash was disbursed to:			
Capital Expenditure on Plant and Equipment	15	164,016	227,630
Transfers to Short Term Deposits		29,000,000	-
Capital Expenditure on Intangible Assets	16	160,555	198,912
		29,324,571	426,542
Net Cash Flows to Investing Activities		**(15,324,571)**	**10,073,458**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash was received from:			
Ordinary Shares Issued	18	35,335,812	-
		35,335,812	-
Cash was disbursed to:			
Issue Expenses	18	1,935,596	-
		1,935,596	-
Net Cash Flows From Financing Activities		**33,400,216**	**-**
Net increase (decrease) in Cash Held		1,123,285	(2,465,293)
Add Opening Cash Brought Forward		2,818,738	4,943,700
Effect of exchange rate changes on net cash		218,428	340,331
Ending Cash and Cash Equivalents Carried Forward	**11**	4,160,451	2,818,738

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

Notes to the Financial Statements

For the year ended 31st March 2016

1. GENERAL INFORMATION

The financial statements presented are for the Group. The Group is made up of the "Parent" entity, Pacific Edge Limited ("the Company"), and its subsidiaries. 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. Included within the Group are Pacific Edge Diagnostics New Zealand Limited and Pacific Edge Diagnostics USA Ltd which operate the laboratories used for the detection of bladder cancer. Pacific Edge Pty Ltd's purpose is to research and develop the Cxbladder product and other prognostic tools. Pacific Edge Diagnostics Singapore Pte Ltd was incorporated in March 2015 but remains dormant, as does Pacific Edge Analytical Services Limited.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 May 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pacific Edge Limited is a company registered under the Companies Act 1993 and is a Financial Markets Conduct (FMC) reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013, and the NZX Main Board Listing Rules. In accordance with the Financial Markets Conduct Act 2013, because group financial statements are prepared and presented for Pacific Edge Limited and its subsidiaries, separate financial statements for Pacific Edge Limited are no longer required to be prepared and presented.

The Group is profit-oriented 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 Parent'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.

Basis of Preparation

These consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards.

The consolidated financial statements have been prepared using the historical cost convention.

Reclassification and Disclosures

These financial statements have been restated to reflect a prior period adjustment as follows:

During the period, the Company was made aware of options that have met various vesting conditions and require recognition for accounting purposes. A portion of the amount relates to the previous period. As required by accounting standards, the amount has been adjusted against opening retained earnings. There is no material adjustment to the opening balance sheet, on this basis no third balance sheet has been presented.

The impact of the restatement on these financial statements is as follows:
For the year ended 31 March 2015: $1,246,087 increase in employee benefit expenses and loss for the period, a $1,246,087 increase in share based payments reserve. There is no impact on total equity. This adjustment equates to a $0.004 increase in loss per share.

Notes to the Financial Statements

For the year ended 31st March 2016

(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	
			2016 %	2015 %
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Laboratory Operation	100	100
Pacific Edge Pty Ltd	Australia	Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Ltd	USA	Commercial Laboratory Operation	100	100
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100
Pacific Edge Singapore Pte Ltd	Singapore	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 Ltd, Pacific Edge Analytical Services Limited, Pacific Edge Diagnostics Singapore Pte Ltd and Pacific Edge Pty Ltd all have a balance date of 31 March, which is the same as the Parent.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pacific Edge Limited as at 31 March 2016 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 capacity to control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from involvement with the investee; and
- has the ability to use its power to affect its returns.

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.

Notes to the Financial Statements

For the year ended 31st March 2016

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.

(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.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income when they occur.

(c) Depreciation

Depreciation of plant and equipment is based on writing off the assets over their useful lives, using the straight line (SL) and diminishing value (DV) basis.
Main rates used are:

Laboratory Equipment	5% to 26.4%	DV
Office and Computer Equipment	5% to 60%	DV
Leasehold Improvements	10%	SL
Plant and Equipment	5% to 40%	DV
Furniture and Fittings	7% to 25%	DV

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(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. If the expenditure also benefits processes or products for which it cannot be recovered, it will be expensed. 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 four to five years. All Intellectual Property has a finite life. The carrying value of Intellectual Property is reviewed for impairment, where indicators of impairment exist.

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.

Amortisation of Intangible Assets

- Patents – Amortisation is charged on a straight-line basis over the estimated useful life of the intangible assets 1-20 years. The estimated useful life and amortisation method is reviewed at the end of each reporting period.
- Software development costs - Amortisation is charged on a straight-line basis over the estimated useful life of the intangible assets 2-5 years. The estimated useful life and amortisation method is reviewed at the end of each reporting period.

(f) Goods & Services Tax

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

(g) Share Capital

Ordinary shares are described as equity.

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 Statement of Changes in Equity.

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based transactions are set out in Note 8.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revisits its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payments reserve.

(h) Financial Instruments

Financial instruments include cash and cash equivalents, short term deposits, receivables and trade creditors. 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 the receivables. Significant financial difficulties of the debtor, probability

Notes to the Financial Statements

For the year ended 31st March 2016

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 ('NZ$'), which is the functional currency of the Parent 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 rates of exchange 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.
Exchange differences are recognised in the Statement of Comprehensive Income in the period in which they arise.

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.

(l) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The fair values are determined based on management estimates of the amounts 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.

Sale of Goods
Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. In the case of Cxbladder sales, revenue is recognised when the Cxbladder report has been produced for the sample being tested.

Notes to the Financial Statements

For the year ended 31st March 2016

Consultancy Fees
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.

Licence Fees
Licence fees are recognised in the accounting period in which the contract is signed.

Interest Income
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) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in the Statement of Comprehensive Income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

All conditions of the grants have been complied with.

Cxbladder Research Rebate
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. The research programme is administered by Pacific Edge Pty Ltd.

All conditions of the research rebate have been complied with.

(n) Borrowing Costs

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

(o) Operating Leases

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating leases are charged to other expenses in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(p) Employee Entitlements

Employee benefits are measured at 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, long service leave entitlements expected to be settled within 12 months.

(q) 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, revenue which is

Notes to the Financial Statements

For the year ended 31st March 2016

detailed further within Note 2 (l) and the going concern assumption which is further assessed in Note 29: Going Concern. 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.

(r) Statements of Cash Flows

Operating activities include the cash received and cash paid for the principal revenue-producing activities of the 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 and proceeds and payments of short term deposits. Financing activities comprise the change in equity and debt capital structure of the Group.

(s) Income Tax

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

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.

(t) Inventory

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

(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 issued but not yet effective and relevant to the Group

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.

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2018) :
NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact the Group.

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019):
NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

There are no other NZ IFRS or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(w) New and amended standards adopted the Group

There are no standards or amendments adopted by the Group since 1 April 2015 that have a significant impact on the Group.

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 excluding ordinary shares purchased by the Company (Note 18).

	GROUP	
	2016 **$**	**2015** **$**
Loss attributable to equity holders of the Company	(15,676,391)	(12,475,093)
Weighted average number of ordinary shares on issue	361,307,737	318,615,921
Earnings per share	(0.043)	(0.039)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are in the form of share options. As the Group made a loss during the current year and losses cannot be diluted, basic and diluted earnings per share are the same.

Notes to the Financial Statements

For the year ended 31st March 2016

4. GRANT REVENUE

Grants are for the reimbursement of research costs. The Company has been awarded grants from Callaghan Innovation and New Zealand Trade and Enterprise.

Callaghan Innovation has awarded the Company a Growth Grant, which commenced on 1 January 2014. Callaghan Innovation reimburses the Company for 20 percent of eligible expenditure on the Group's R&D programme. This eligible expenditure complies with NZ IAS 38: Intangible Assets and the Ministerial Direction / New Zealand Gazette, No 146.

For the year ended 31 March 2016, the total eligible expenditure under this Growth Grant was $5,700,739 (2015: $5,309,469). The Company also receives grants from Callaghan Innovation for postgraduate internships and summer students.

New Zealand Trade and Enterprise have awarded the Company an International Growth Fund grant, to support the start up of the Group's operations in Singapore. New Zealand Trade and Enterprise reimburses the Company for 50 percent of eligible expenditure relating to the Singapore operations.

All conditions of the grants have been complied with.

5. DEPRECIATION

	GROUP	
	2016 $	2015 $
Laboratory Equipment	196,414	174,764
Computer/Office Equipment	97,154	88,972
Leasehold Property Improvements	17,927	12,389
Furniture and Fittings	25,675	21,195
Plant and Equipment	10,313	10,848
Total Depreciation	347,483	308,168

6. AMORTISATION

	GROUP	
	2016 $	2015 $
Internally Generated Software Development Costs	122,397	103,888
Patents	36,322	46,735
Total Amortisation	158,719	150,623

Notes to the Financial Statements

For the year ended 31st March 2016

7. REVENUE AND EXPENSES

	GROUP	
	2016 $	2015 $
Other Income		
Grant Revenue	1,281,728	1,110,772
Research Rebated Received	121,536	335,160
	1,403,264	1,445,932
Other Expenses		
Amortisation (refer to Note 6 for additional information)	158,719	150,623
Auditors Remuneration		
- Audit Fees	57,700	50,400
- Other Assurance Services (refer below)	8,500	-
Depreciation (refer to Note 5 for additional information)	347,483	308,168
Directors Fees (refer to Note 9 for additional information)	225,828	203,452
Employee Benefits (refer to Note 9 for additional information)	8,237,118	4,284,735
Employee Share Options (refer below)	1,158,148	1,246,087
Rental and Lease Expense	1,033,620	763,587
Compensation Payment (refer to Note 17 for additional information)	(135,016)	500,000
Other Operating Expenses	5,265,758	3,742,875
	16,357,858	11,249,927

Other assurance services

Other assurance services performed by the auditor includes; a share registry audit, review of the half year disclosure to the NZX and a review of the Callaghan Growth Grant claim.

Employee Share Options

Employee Share Options are a non-cash expense. Refer to Note 8 for additional information.

8. EMPLOYEE BENEFITS

	GROUP	
	2016 $	2015 $
Represented by:		
Employee Benefits in Research and Development	1,202,283	1,066,669
Short Term Salaries, Wages and Other Employee Benefits	8,237,118	4,284,735
Share Option Expense	1,158,148	1,246,087
Total Employee Benefits	**10,597,549**	**6,597,491**

Notes to the Financial Statements

For the year ended 31st March 2016

Employee share option scheme

The Board believes that the issue of share options provides an appropriate incentive for participating employees to grow the total shareholder return of the Company. Share options are issued to selected employees as a long-term component of remuneration in accordance with the Group's remuneration policy.

The Employee Share Option scheme allows Group employees to acquire shares of the Company. Each option entitles the holder, on payment of the exercise price, to one ordinary share in the capital of the Company. The exercise price of the granted options is determined using the fair value of the Company's share price at the time of the options being granted. The term in which options may be exercised and ultimately lapse if not exercised, varies from case to case depending on the terms of issue for each separate option.

The fair value of options granted is recognised as an employee expense in the Statement of Comprehensive Income with a corresponding increase in the employee share option reserve. Incentive options vest over three years and the employee must continue to be employed by the Group for their share options to vest. Performance options vest immediately and there are no other vesting conditions for performance options. Tranches of options are exercisable over four to ten years from the relevant vesting date. No options can be exercised later than the tenth anniversary of the final vesting date.

The cost of stock options recognised in the Income Statement for the year ended 31 March 2016 is $1,158,148 (2015: $1,246,087).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

	Group			
	2016		2015	
	Weighted average exercise price ($)	Options	Weighted average exercise price ($)	Options
Outstanding at 1 April	0.72	4,642,166	-	-
Granted	0.50	701,000	0.72	4,680,500
Forfeited	0.63	(90,000)	0.69	(38,334)
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 31 March	**0.69**	**5,253,166**	**0.72**	**4,642,166**
Exercisable at 31 March	0.70	4,105,993	0.70	1,948,132

The weighted average fair value of options granted during the year, determined using the Black-Scholes valuation model, was $0.54 per option (2015: $0.64).

The significant inputs into the Black-Scholes valuation model were the market share price at grant date, the exercise price shown below, the expected annualised volatility of 50%, a dividend yield of 0%, an expected option life of between one and ten years and an annual risk-free interest rate of between 2.6% and 4.2%.

The volatility measured is the standard deviation of continuously compounded share returns and is based on a statistical analysis of daily share prices in the past one to ten years.

Notes to the Financial Statements

For the year ended 31st March 2016

Share options outstanding at the end of the reporting periods have the following expiry dates, vesting dates and exercise prices:

Expiry Month	Vesting Date	Exercise Price	31 March 16 Options	31 March 15 Options	
September 2018	September 2014	0.69	56,666	56,666	*
September 2018	September 2014	0.80	73,000	73,000	*
November 2018	November 2014	0.54	200,000	200,000	
September 2019	September 2015	0.69	362,497	362,497	
September 2019	September 2015	0.80	750,000	750,000	
November 2019	November 2015	0.54	200,000	200,000	
September 2020	September 2016	0.69	367,501	367,501	
September 2020	September 2016	0.80	750,000	750,000	
November 2020	November 2016	0.54	200,000	200,000	
September 2021	September 2017	0.69	372,502	372,502	
September 2021	September 2017	0.80	750,000	750,000	
March 2024	March 2014	0.72	-	20,000	
March 2024	March 2014	0.50	-	30,000	
September 2024	September 2014	0.69	260,000	260,000	*
August 2025	August 2015	0.72	4,166	-	
September 2025	September 2015	0.50	265,000	-	*
September 2025	September 2015	0.72	14,998	-	
January 2026	January 2016	0.72	10,832	-	
March 2026	March 2016	0.72	83,333	83,333	
July 2026	August 2016	0.50	4,166	-	
July 2026	July 2016	0.50	8,332	-	
August 2026	August 2016	0.50	4,166	-	
August 2026	August 2016	0.72	4,167	-	
September 2026	September 2016	0.50	85,333	-	
September 2026	September 2016	0.72	15,001	-	
January 2027	January 2017	0.72	10,834	-	
March 2027	March 2017	0.72	83,333	83,333	
July 2027	August 2017	0.50	4,167	-	
July 2027	July 2017	0.50	8,334	-	
August 2027	August 2017	0.50	4,167	-	
August 2027	August 2017	0.72	4,167	-	
September 2027	September 2017	0.50	85,333	-	
September 2027	September 2017	0.72	15,001	-	
January 2028	January 2018	0.72	10,834	-	
March 2028	March 2018	0.72	83,334	83,334	
July 2028	August 2018	0.50	4,167	-	
July 2028	July 2018	0.50	8,334	-	
August 2028	August 2018	0.50	4,167	-	
September 2028	September 2018	0.50	85,334	-	
			5,253,166	**4,642,166**	

* Included within these tranches are 684,000 options (2015: 383,000) that vested immediately.

Notes to the Financial Statements

For the year ended 31st March 2016

9. RELATED PARTIES

The Group 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 totaled $24,975 (2015: $31,464). At balance date $2,723 were outstanding relative to these transactions (2015: $2,613).

A significant shareholder, the University of Otago, provided services, including rental space and car parking, to the Group to the value of $250,881 (2015: $233,067). As at 31 March 2016 the Group commitment for the next financial year is $186,990 (2015: $168,079).

Refer to Note 30 for details of the Incentive Plan that includes key management remuneration.

Directors' fees and payments during the 2016 financial year are $225,828 (2015: $203,452). There are no long term or termination benefits.

Key management personnel comprise of Directors and the Chief Executive Officers of Pacific Edge Limited and Pacific Edge Diagnostics USA Limited. A close personal relation of a member of key management personnel is employed by the company on the same terms as other comparable employees.

Key management compensation was as follows:

	GROUP	
	2016 $	2015 $
Salaries and Other Short Term Employee Benefits	1,223,422	963,628
Share Options Benefits	797,391	675,136
Total Benefits	**2,020,813**	**1,638,764**

Notes to the Financial Statements

For the year ended 31st March 2016

10. INCOME TAX

The Company and Group has incurred an operating loss for the 2016 financial year and no income tax is payable. The Company had a certificate of exemption for RWT and as such no RWT was deducted from interest earned.

	GROUP	
	2016 **$**	**2015** **$**
Income tax recognised in the profit or loss:		
Current tax expense	280,570	34,087
Adjustments to current tax in respect to prior years	373,269	-
Benefit of previously unrecognised tax losses	(653,840)	(34,087)
Deferred Tax in respect of the current year	(4,542,483)	(3,261,455)
Adjustments to deferred tax in respect to prior years	358,859	-
Deferred tax assets not recognised	4,183,625	3,261,455
Income tax expense	-	-
The prima facie income tax on pre-tax accounting profit from operations reconciles to:		
Accounting loss before income tax	(15,676,391)	(12,475,093)
At the statutory income tax rate of 28%	(4,389,390)	(3,493,026)
Permanent Differences - Non-deductible expenditure	968,698	673,561
Difference in US and Australian income tax rates	(467,950)	(407,903)
Prior period adjustment	358,857	-
Tax losses utilised	(653,840)	(34,087)
Deferred tax assets not recognised	4,187,624	3,261,455
Income tax expense reported in the Statement of Comprehensive Income	-	-

Tax Losses
The group has losses to carry forward of approximately $25,822,802 (2015: $18,889,706) with a potential tax benefit of $6,442,095 (2015: $5,289,118). The tax losses are split between the following jurisdictions (shown in NZD): New Zealand $5,526,831 (tax effect of $1,547,513 (at 28%)), Australia $151,197 (tax effect of $45,359 (at 30%)) and the United States $20,144,744 (tax effect of $6,849,223 (at 34%)). Tax losses are available to be carried forward and offset against future taxable income subject to the various conditions required by income tax legislation being complied with.

Deferred Research and Development Expenditure
The Group has deferred research and development tax expenditure of $29,543,514 (2015: $23,486,869) to carry forward and claim for income tax purposes in New Zealand in the future. This has a tax effect of $8,272,184 (2015: $6,806,947). The deferred research and development tax expenditure can either be carried forward and offset against future income arising from the research and development, or subject to meeting the shareholder continuity requirements can be offset against future other taxable income.

Deferred Tax Assets
The Group does not recognise a deferred tax asset in the Balance Sheet.

Imputation Credit Account
The Group has imputation credits of $Nil (2015: $Nil).

Notes to the Financial Statements

For the year ended 31st March 2016

11. CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS

	GROUP	
	2016 $	2015 $
Cash at Bank	4,160,451	2,818,738
Short Term Deposits	20,000,000	5,000,000
Total Cash, Cash Equivalents and Short Term Deposits	**24,160,451**	**7,818,738**
NZD	23,202,186	6,070,784
AUD	13,345	119,707
USD	938,318	1,622,964
EUR	6,602	5,283
Total Cash, Cash Equivalents and Short Term Deposits	**24,160,451**	**7,818,738**

Interest on the bank balances ranges from 0% to 3.95% (2015: 0% to 4.79%) per annum. Funds held on term deposit with ANZ Bank can be accessed with one month's notice at the request of the authorised bank signatories of Pacific Edge Ltd.

12. RECEIVABLES

	GROUP	
	2016 $	2015 $
Trade Receivables	4,486,259	1,645,898
Sundry Debtors	692,719	842,033
Accrued Interest	483,904	40,504
GST/BAS Refund Due	67,149	55,376
Total Receivables	5,730,031	2,583,811

No allowance for bad debts have been recognised for the year ended 31 March 2016. Amounts overdue but not impaired are as follows:

- $2,398,052 is within 0 – 180 days old
- $967,510 is within 181 – 365 days old
- $882,046 is over 365 days old but is still expected to be recovered.

13. INVENTORY

	GROUP	
	2016 $	2015 $
Laboratory Supplies	707,277	622,904
Total Inventory	707,277	622,904

Laboratory supplies used during the year are included within the Statement of Comprehensive Income in Laboratory Operations.

Notes to the Financial Statements

For the year ended 31st March 2016

14. OTHER ASSETS

	GROUP	
	2016 $	2015 $
Prepayments	339,935	128,597
Lease Security Deposit	97,725	90,197
Credit Card Collateral	57,891	26,704
Total Other Assets	495,551	245,498

15. PROPERTY, PLANT & EQUIPMENT

	GROUP					
	Laboratory Equipment	Office & Computer Equipment	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Total
Cost						
Balance at 1 April 2014	2,001,620	727,678	122,919	100,418	137,619	3,090,254
Additions	72,222	77,008	61,651	2,898	13,851	227,630
Disposals	-	-	-	-	-	-
Translation Differences	79,557	21,443	15,846	143	18,120	135,109
Balance at 31 March 2015	2,153,399	826,129	200,416	103,459	169,590	3,452,993
Balance at 1 April 2015	2,153,399	826,129	200,416	103,459	169,590	3,452,993
Additions	55,652	95,822	-	11,386	1,156	164,016
Translation differences	49,701	15,471	9,760	88	12,318	87,338
Disposals	-	-	-	-	-	-
Balance at 31 March 2016	2,258,752	937,422	210,176	114,933	183,064	3,704,347
Accumulated Depreciation						
Balance at 1 April 2014	1,401,400	478,054	17,043	48,242	33,546	1,978,285
Depreciation expense	174,764	88,972	12,389	10,848	21,195	308,168
Disposals	-	-	-	-	-	-
Translation differences	32,482	8,212	2,294	57	5,180	48,225
Balance at 31 March 2015	1,608,646	575,238	31,726	59,147	59,921	2,334,678
Balance at 1 April 2015	1,608,646	575,238	31,726	59,147	59,921	2,334,678
Depreciation expense	196,414	97,154	17,927	10,313	25,675	347,483
Disposals	-	-	-	-	-	-
Translation differences	21,723	5,513	1,527	37	3,446	32,246
Balance at 31 March 2016	1,826,783	677,905	51,180	69,497	89,042	2,714,407
Carrying Amounts						
At 1 April 2014	600,220	249,624	105,876	52,176	104,073	1,111,969
At 31 March 2015	544,753	250,891	168,690	44,312	109,669	1,118,315
At 31 March 2016	431,969	259,517	158,996	45,436	94,022	989,940

Notes to the Financial Statements

For the year ended 31st March 2016

16. INTANGIBLE ASSETS

	GROUP			
	Software Development Costs	Patents	Cxbladder Development Costs	Total
Cost				
Balance at 1 April 2014	242,188	33,802	32,846	308,836
Additions	139,244	59,668	-	198,912
Translation Differences	4,306	-	-	4,306
Balance at 31 March 2015	385,738	93,470	32,846	512,054
Balance at 1 April 2015	385,738	93,470	32,846	512,054
Additions	105,010	55,545	-	160,555
Translation Differences	2,653	-	-	2,653
Balance at 31 March 2015	493,401	149,015	32,846	675,262
Accumulated Amortisation				
Balance at 1 April 2014	89,516	16,901	9,529	115,946
Amortisation expense	103,888	46,735	-	150,623
Translation differences	1,435	-	-	1,435
Balance at 31 March 2015	194,839	63,636	9,529	268,004
Balance at 1 April 2015	194,839	63,636	9,529	268,004
Amortisation expense	122,397	36,322	-	158,719
Translation differences	985	-	-	985
Balance at 31 March 2016	318,221	99,958	9,529	427,708
Carrying Amounts				
At 1 April 2014	152,672	16,901	23,317	192,890
At 31 March 2015	190,899	29,834	23,317	244,050
At 31 March 2016	175,180	49,057	23,317	247,554

Notes to the Financial Statements

For the year ended 31st March 2016

17. PAYABLES AND ACCRUALS

	GROUP	
	2016 $	2015 $
Trade Creditors	1,114,326	949,879
Accrued Expenses	300,236	97,833
Compensation Payment (refer below)	-	500,000
Employee Entitlements (refer below)	1,108,772	383,071
Total Payables and Accruals	2,523,334	1,930,783

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	
	2016 $	2015 $
PAYE Tax	63,173	54,538
Holiday Pay	436,999	153,250
Accrued Wages	608,600	175,283
Total Employee Entitlements	1,108,772	383,071

Compensation payment

On 25 May 2015 the Financial Markets Authority (“FMA”) issued the Company with a warning in regard to what FMA considered to be two historical breaches by the Company of its continuous disclosure obligations under NZX Main Board Listing Rule 10.1.1(a) (“Listing Rule”) and Section 19B of the Securities Markets Act 1988 (“Act”). The alleged breaches related to the timing of market releases made by the Company in connection with the signing of two separate contractual agreements with US National Provider Networks where the Company was obliged to seek formal approval from the contractual counterparties to announce that the agreements had been signed.

FMA and the Company entered into a settlement agreement under which the Company agreed to make a compensation payment of $500,000 to be distributed to shareholders who sold shares in the Company during the period of delay between the signing of the agreements and announcement to NZX.

The full compensation payment of $500,000 was recognised in the Statement of Comprehensive Income in 2015 as an expense with a corresponding accrual made in the Balance Sheet. $135,016 has been reversed into the Statement of Comprehensive Income in 2016 as this portion of the accural was not required.

For more information on the FMA Warning please refer to the announcement released to the NZX on 25 May 2015.

Notes to the Financial Statements

For the year ended 31st March 2016

18. SHARE CAPITAL

	GROUP	
	2016 $	2015 $
Ordinary Shares	100,011,826	66,611,612
Total Share Capital	100,011,826	66,611,612

There are 376,543,478, (2015: 318,615,921) Authorised 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

	2016 Shares	2016 $	2015 Shares	2015 $
Opening Balance	318,615,921	66,611,612	318,615,921	66,611,612
New issues: Direct Offers	57,927,557	35,335,810	-	-
	376,543,478	101,947,422	318,615,921	66,611,612
Less Issue Expenses	-	(1,935,596)	-	-
Closing Balance	376,543,478	100,011,826	318,615,921	66,611,612

19. ACCUMULATED LOSSES

	GROUP	
	2016 $	2015 $
Opening Balance	(57,850,546)	(45,375,453)
Net (Loss) After Tax	(15,676,391)	(12,475,093)
Closing Balance	**(73,526,937)**	**(57,850,546)**

20. 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.

Notes to the Financial Statements

For the year ended 31st March 2016

21. 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. There are three operating segments at balance date. These are research and development of diagnostic and prognostic products for human cancer both 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. Segment income, expenses and profitability are presented on a gross basis excluding inter-segment eliminations to best represent the performance of each segment operating as independent business units.

The segment information provided to the Chief Executive Officer for the reportable segment described above, for the year ended 31 March 2016, is shown below.

2016	NZ Laboratory	US Laboratory	Research NZ & Australia	Less: Eliminations	Total External Income
Income					
Commercial Sales and Licence Fees	344,001	4,631,036	495	-	4,975,532
Research Tests Processed	190,670	200,331	-	(391,001)	-
Grant Revenue and Research Rebate	-	-	1,403,264	-	1,403,264
Interest	24	28	2,051,437	(1,289,312)	762,177
Intercompany Cost Recovery	66,606	9,452	757,555	(833,613)	-
Foreign Exchange Gain	(1,214)	-	53,437	-	52,223
Total Income	600,087	4,840,847	4,266,188	(2,513,926)	7,193,196
Expenses					
Expenses	1,204,288	13,298,230	10,374,793	(2,513,926)	22,363,385
Depreciation and Amortisation	18,421	216,207	271,574	-	506,202
Total Operating Expenses	1,222,709	13,514,437	10,646,367	(2,513,926)	22,869,587
Profit Before Tax	(622,622)	(8,673,590)	(6,380,179)	-	(15,676,391)

Eliminations

These are the intercompany transactions between the subsidiaries and the parent. These are eliminated on consolidation of Group results.

Segment assets and liabilities information

2016	NZ Laboratory	US Laboratory	Research NZ & Australia	Total
Total Assets	256,448	5,663,653	26,410,703	32,330,804
Total Liabilities	45,714	1,095,004	1,382,616	2,523,334

Additions to non current assets include property, plant and equipment of $114,518 to Research NZ and Australia, $12,544 to the NZ Laboratory and $36,954 to the US Laboratory. There were also $160,566 in additions to intangible assets within Research NZ and Australia.

There is no external revenue to any particular customer greater than 10%, nor is there a significant concentration risk in relation to receivable balances.

Notes to the Financial Statements

For the year ended 31st March 2016

2015 (Restated)	NZ Laboratory	US Laboratory	Research NZ & Australia	Less: Eliminations	Total External Income
Income					
Commercial Sales and Licence Fees	120,321	1,777,097	2,247	-	1,899,66
Research Tests Processed	328,812	32,425	-	(361,237)	-
Grant Revenue and Research Rebate	-	-	1,445,932	-	1,445,93
Interest	14	2	1,186,488	(676,975)	509,529
Overhead Recovery	-	-	862,188	(862,188)	-
Foreign Exchange Gain	-	-	276,556	-	276,556
Total Income	449,147	1,809,524	3,773,411	(1,900,400)	4,131,682
Expenses					
Expenses	869,356	7,450,925	9,728,103	(1,900,400)	16,147,984
Depreciation and Amortisation	24,704	175,419	258,668	-	458,791
Total Operating Expenses	894,060	7,626,344	9,986,771	(1,900,400)	16,606,775
Profit Before Tax	(444,913)	(5,816,820)	(6,213,360)	-	(12,475,093)

Segment assets and liabilities information

2015	NZ Laboratory	US Laboratory	Research NZ & Australia	Total
Total Assets	188,138	2,958,652	9,486,526	12,633,316
Total Liabilities	63,079	428,271	1,439,433	1,930,783

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 and liabilities are allocated based on the operation of the segment and the physical location of the asset.

There are no unallocated assets or liabilities.

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

22. RECONCILIATION OF CASH USED FROM OPERATING ACTIVITIES WITH OPERATING NET LOSS

	GROUP	
	2016 $	2015 $
Net Loss for the Period	(15,676,391)	(12,475,093)
Add Non Cash Items:		
Depreciation	347,483	308,168
Amortisation	158,719	150,623
Movement in share based payments reserve	1,158,148	1,246,087
Effect of exchange rates on net cash	(52,223)	(276,556)
Total Non Cash Items	1,612,127	1,428,322
Add Movements in Other Working Capital items:		
(Increase) in Receivables and Other Assets	(3,396,273)	(2,088,524)
(Increase) in Inventory	(84,373)	(381,059)
Increase in Payables and Accruals	592,550	977,603
Total Movement in Other Working Capital	(2,888,096)	(1,491,980)
Net Cash Flows to Operating Activities	**(16,952,360)**	**(12,538,751)**

23. FINANCIAL INSTRUMENTS

Managing Financial Risk

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

Credit Risk

The Group incurs 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 Group's normal terms of trade. The Group's cash and short term deposits are placed with high credit quality financial institutions. Accordingly, the Group has no significant concentration of credit risk other than bank deposits with 11.75% of total assets at the Bank of New Zealand and 61.90% at ANZ Bank. The carrying values of financial assets represent the maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the 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.

Notes to the Financial Statements

For the year ended 31st March 2016

Fair Values

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

Market Risk

The Group purchases goods from overseas suppliers. This exposes the Group to foreign currency risk. The Group manages foreign currency risk by purchasing overseas goods only 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:

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

Balances in AUD and EUR currencies are not significant. A 10% increase or decrease in USD against the NZD will reduce/increase the loss reported by approximately $860,000 (2015 at 1%: $59,000) 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 $146,000 (based on normal levels of bank deposits) and increase/reduce equity by the same amount (2015: $113,000).

Payables and Accruals totaling $2,523,334 are due within 3 months of balance date (2015: $1,930,783) due within 3 months of balance date.

24. CONTINGENT LIABILITIES

There were no known contingent liabilities at 31 March 2016 (2015: Nil). The Group has not granted any securities in respect of liabilities payable by any other party whatsoever.

25. CAPITAL COMMITMENTS

There are no capital commitments for the Group at 31 March 2016 (2015: Nil).

Notes to the Financial Statements

For the year ended 31st March 2016

26. LEASE COMMITMENTS

The Group has the following lease commitment for buildings.

	GROUP	
	2016 $	2015 $
Non cancellable operating lease commitments within one year	1,007,285	562,422
Later than one year, not later than two years	610,428	529,004
Later than two years, not later than five years	13,029	531,064
Total Lease Commitments	1,630,742	1,622,490

The lease of premises (in the Centre for Innovation) with the University of Otago was renegotiated on 26 May 2015 for a further two years at $154,750 per annum. Pacific Edge Diagnostics New Zealand Limited's lease of premises is $26,650 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 $711,764 (2015:$1,033,688). This includes an additional Allowance Reimbursement which is payable to the landlord on a monthly basis. The total financial commitment for this Allowance Reimbursement is $324,455 (2015: $589,342).

27. SUBSEQUENT EVENTS

There are no subsequent events.

28. 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 its liquidity position with available funds by reducing expenditure or issuing new shares.

29. GOING CONCERN

While the Company continues to incur operating losses, the Company remains solvent and continues to meet its debts as they fall due. The cash flows are a critical part of ensuring the business continues to operate in line with the business strategy adopted by the Directors. In preparing the financial statements, the Directors have applied the principles of going concern on the basis that current cash reserves and its ability to generate cash will be sufficient to meet its debts as they fall due for a minimum of 12 months from signing the financial statements. Given there is uncertainty of future cash flows at the date of signing these financial statements, a material uncertainty exists at that date. In the event that the Company is unable to generate sufficient cash or scale back its operations, that event may cast significant doubt on the Company's ability to continue as a going concern. In this event, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Financial Statements

For the year ended 31st March 2016

30. PACIFIC EDGE INCENTIVE PLAN (PEIP)

In March 2011 the Company developed an "Incentive Plan" as a means of providing Key Persons 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 have reached $1.00 per 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 6,253,000 EE units had been issued. The fair value of these EE Units has been determined as $Nil at 31 March 2016 (2015: $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

Chris Swann	412,500
David Darling	1,800,000

The Board of Directors has voted in favour of winding up this scheme and this is intended to be completed during financial year 2017.

Independent Auditors' Report

to the shareholders of Pacific Edge Limited

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Pacific Edge Limited ("the Company") on pages 3 to 31, which comprise the consolidated balance sheet as at 31 March 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements that include significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2016 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements 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'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 consolidated financial statements.

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

We are independent of the Group. Other than in our capacity as auditors and providers of other related assurance services we have no relationship with, or interests in, the Group. The provision of these services has not impaired our independence.

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pwc

Independent Auditors' Report
Pacific Edge Limited

Opinion
In our opinion, the consolidated financial statements on pages 3 to 31 present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to the disclosures made in Note 29 in the financial statements which indicates that there is uncertainty over the Group's ability to generate sufficient cash flows. This condition, along with other matters as set forth in Note 29, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Restriction on Use of our Report
This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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　　　　Dunedin
26 May 2016

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