20 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2020

PACIFIC EDGE LTD
CANCER DIAGNOSTICS COMPANY

Contents

Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 ($000)	2019 ($000)
REVENUE			
Operating Revenue	5	4,370	3,817
Total Operating Revenue		**4,370**	**3,817**
Other Income	5	584	990
Interest Income	9	249	323
Foreign Exchange Gain (Loss)		(5)	(1)
Total Revenue and Other Income		**5,198**	**5,129**
OPERATING EXPENSES			
Laboratory Operations		5,181	4,594
Research	6	3,916	3,532
Sales and Marketing		8,571	8,236
General and Administration	7	6,416	6,676
Total Operating Expenses		**24,084**	**23,038**
NET (LOSS) BEFORE TAX		**(18,886)**	**(17,909)**
Income Tax Expense	16	-	9
(LOSS) FOR THE YEAR AFTER TAX		**(18,886)**	**(17,918)**
Items that may be reclassified to profit or loss:			
Translation of Foreign Operations		(96)	(3)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		**(18,982)**	**(17,921)**
Earnings per share for profit attributable to the equity holders of the Company during the year			
Basic and Diluted Earnings per share	3	(0.032)	(0.036)

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

Statement of Changes in Equity

For the year ended 31 March 2020

	Notes	Share Capital ($000)	Retained Earnings ($000)	Share Based Payments Reserve ($000)	Foreign Currency Translation Reserve ($000)	Total Equity ($000)
Balance as at 31 March 2018		**131,824**	**(120,119)**	**4,055**	**880**	**16,640**
(Loss) after tax		-	(17,918)	-	-	(17,918)
Other Comprehensive Income		-	-	-	(3)	(3)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		**-**	**(17,918)**	**-**	**(3)**	**(17,921)**
Transactions with owners in their capacity as owners:						
Issue of Share Capital	18	14,391	-	-	-	14,391
Share Based Payments - Employee Remuneration	8	188				188
Share Based Payment - Employee Share Options	8	-	160	452	-	612
Balance as at 31 March 2019		**146,403**	**(137,877)**	**4,507**	**877**	**13,910**

	Notes	Share Capital ($000)	Retained Earnings ($000)	Share Based Payments Reserve ($000)	Foreign Currency Translation Reserve ($000)	Total Equity ($000)
Balance as at 31 March 2019		**146,403**	**(137,877)**	**4,507**	**877**	**13,910**
(Loss) after tax		-	(18,886)	-	-	(18,886)
Other Comprehensive Income		-	-	-	(96)	(96)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		**-**	**(18,886)**	**-**	**(96)**	**(18,982)**
Transactions with owners in their capacity as owners:						
Issue of Share Capital	18	18,857	-	-	-	18,857
Share Based Payments - Employee Remuneration	8	163	-	-	-	163
Share Based Payment - Employee Share Options	8	-	521	35	-	556
Balance as at 31 March 2020		**165,423**	**(156,242)**	**4,542**	**781**	**14,504**

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

Balance Sheet

As at 31 March 2020

	Notes	2020 ($000)	2019 ($000)
CURRENT ASSETS			
Cash and Cash Equivalents	9	1,755	4,847
Short Term Deposits	9	13,029	8,000
Receivables	10	642	1,265
Inventory	11	796	842
Other Assets	12	694	610
Total Current Assets		**16,916**	**15,564**
NON-CURRENT ASSETS			
Property, Plant and Equipment	13	652	769
Right-of-Use Assets	23	1,581	-
Intangible Assets	14	179	233
Total Non-Current Assets		**2,412**	**1,002**
TOTAL ASSETS		**19,328**	**16,566**
CURRENT LIABILITIES			
Payables and Accruals	17	3,270	2,572
Lease Liabilities	23	983	52
Total Current Liabilities		**4,253**	**2,624**
NON-CURRENT LIABILITIES			
Lease Liabilities	23	571	32
Total Current Liabilities		**571**	**32**
TOTAL LIABILITIES		**4,824**	**2,656**
NET ASSETS		**14,504**	**13,910**
Represented by:			
EQUITY			
Share Capital	18	165,423	146,403
Accumulated Losses		(156,242)	(137,877)
Share Based Payments Reserve		4,542	4,507
Foreign Translation Reserve		781	877
TOTAL EQUITY		**14,504**	**13,910**

For and on behalf of the Board of Directors dated the 28th Day of May 2020:

Sarah N Park

Director **Director**

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

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Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 ($000)	2019 ($000)
CASH FLOWS TO OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		4,431	3,734
Receipts from Grant Providers		1,184	755
Interest Received		241	376
		5,856	4,865
Cash was disbursed to:			
Payments to Suppliers and Employees		21,190	22,431
Net GST cash outflow (inflow)		51	(59)
		21,241	22,372
Net Cash Flows to Operating Activities	20	**(15,385)**	**(17,507)**
CASH FLOWS (TO)/FROM INVESTING ACTIVITIES:			
Cash was provided from:			
Proceeds from Short Term Deposits		8,000	11,000
		8,000	11,000
Cash was disbursed to:			
Purchase of Short Term Deposits		13,029	8,000
Capital Expenditure on Plant and Equipment		116	50
Capital Expenditure on Intangible Assets		67	106
		13,212	8,156
Net Cash Flows (to)/from Investing Activities		**(5,212)**	**2,844**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash was received from:			
Ordinary Shares Issued	18	20,136	14,569
		20,136	14,569
Cash was disbursed to:			
Repayment of Leases	23	1,211	97
Issue Expenses	18	1,280	178
		2,491	275
Net Cash Flows From Financing Activities		**17,645**	**14,294**
Net increase (decrease) in Cash Held		**(2,952)**	**(369)**
Add Opening Cash Brought Forward		4,847	5,242
Effect of exchange rate changes on net cash		(140)	(26)
Ending Cash Carried Forward	9	**1,755**	**4,847**

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. SUMMARY OF ACCOUNTING POLICIES

Reporting Entity
The consolidated financial statements (hereafter referred to as the 'financial statements') presented for the year ended 31 March 2020 are for Pacific Edge Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group'). The Group's purpose is to research, develop and commercialise new diagnostic and prognostic tools for the early detection and management of cancers.

Pacific Edge Limited is registered in New Zealand 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 the Financial Markets Conduct Act 2013 and the NZX Listing Rules. The financial statements presented are those of the Group, consisting of the Parent entity, Pacific Edge Limited, and its subsidiaries. The reporting entity is listed on the New Zealand Stock Exchange (NZX).

These financial statements have been approved for issue by the Board of Directors on 28th May 2020.

Basis of Preparation
These 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 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 financial statements also comply with International Financial Reporting Standards.

The financial statements are presented in New Zealand Dollars, which is the Company's functional currency and Group's presentation currency, and all values are rounded to the nearest thousand dollars ($000). The accounting principles recognised as appropriate for the measurement and reporting of earnings, cash flows and financial position on a historical cost basis have been used.

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

Management of Capital
The capital structure of the Group consists of equity raised by the issue of ordinary shares in the Company. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefit for other stakeholders and to maintain an optimal capital structure to support the development of its business. The Company meets these objectives through closely managing revenue and expenditure, and where required issues new shares. As part of meeting these objectives, the Company completed a Share Placement in November 2019 and a Rights Issue in December 2019, issuing a further 178,026,769 shares at an average of $0.11 per share. Refer to Note 18 for further details on the capital raising activity during FY20.

Going Concern
The 2020 financial statements have been prepared on the going concern basis which assumes that the Company will have sufficient cash to pay its debts as they fall due for a minimum of 12 months from the date of signing the financial statements.

As at 31 March 2020, the Company has $14.784m of cash, cash equivalents and short term deposits (2019: $12.847m) and net assets of $14.504m (2019: $13.910m). Operating cash receipts totalling $5.856m were received in the 12 month period to 31 March 2020 (2019: $4.865m) along with additional capital of $20.136m (2019: $14.569m) prior to issue expenses. Net cash outflows from operating activities for the 12 month period to 31 March 2020 were $15.385m (2019: $17.507m).

While the Company continues to incur operating losses, the Company continues to meet its debts as they fall due. The Company continues to progress commercial negotiations with targeted large scale health organisations in the USA. The new contracts that will result from these commercial negotiations will have a significant positive impact on the Company's financial position when concluded. Although these negotiations are progressing, the likely outcome and the timing of completion is uncertain.

The Company has prepared cash flow forecasts for the 2021 financial year which indicate that if these commercial negotiations continue to be delayed the Company may not have sufficient cash to meet its minimum expenditure commitments and support its current levels of activity. The Company may need to manage costs or raise additional

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

funds to continue as a going concern. The Company has been able to successfully raise additional capital in the past. The healthcare industry continues to see strong support in global markets and the value proposition for non-invasive cancer diagnostic treatments is well suited to an environment supporting telehealth services. It is acknowledged that the increase in capital raising activity due to the COVID-19 pandemic may create greater uncertainty regarding the Company's ability to raise capital.

These matters indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. To further address the future additional funding requirements, the Company continues to actively manage the ongoing working capital requirements, including focusing on ensuring an appropriate level of expenditure in line with the Company's available cash resources. However, as noted above, unless new contracts are successfully negotiated, the Company may need to raise additional capital.

The financial statements do not include any adjustments that might be required if the Company is unable to continue as a going concern.

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	
			31 March 2020 %	31 March 2019 %
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 Diagnostics Singapore Pte Limited	Singapore	Commercial Sales and Biotechnology Research & Development	100	100
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100

The financial statements incorporate the assets, liabilities and results of all subsidiaries of Pacific Edge Limited as at 31 March 2020 and for the year then ended. All subsidiaries have the same balance date as the Company of 31 March.

Pacific Edge Limited consolidates all entities over which Pacific Edge Limited has control. Control is achieved when the Group:

- Has power to direct the activities of the entity;
- Is exposed, or has rights, to variable returns from involvement with the entity; 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 Group. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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 in relation to revenue from Cxbladder tests in the US detailed in Note 5, and the going concern assumption which is further assessed in Note 1 above.

2. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

New Standards

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019):

NZ IFRS 16 replaces NZ IAS 17. The effective date of this new standard is 1 April 2019 and the Group has applied this standard for the first time in this current financial year.

The Group has applied NZ IFRS 16 using the modified retrospective method. There is no restatement of comparative financial information or impact on opening equity, the comparative period continues to be reported under NZ IAS 17 and NZ IFRIC 4 which are detailed in the accounting policies (note 23).

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group. Under NZ IFRS 16, the Group recognises Right-of-Use assets and lease liabilities on balance sheet for most leases.

At transition date (1 April 2019), lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. As at 1 April 2019, this ranged between 5.5% and 7.0%. Right-of-Use assets were measured at an amount equal to the lease liability. The Group applied this approach to all leases.

The Right-of-Use asset is subsequently depreciated using the straight-line method over the shorter of the estimated useful life of the Right-of-Use asset or the remaining estimated lease term. The estimated useful lives of Right-of-Use assets are determined on the same basis as those of property, plant and equipment. The impact on the statement of comprehensive income is that costs previously recorded as operating expenses will be recorded as depreciation and finance costs.

The following practical expedients were used when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics; and
- Applied the exemption not to recognise Right-of-Use assets and liabilities for leases with less than 12 months of lease term remaining.

On transition to NZ IFRS 16, the Group recognised Right-of-Use assets of $1,598,000 and a corresponding lease liability of $1,598,000.

The impact of the profit and loss statement for the year ended 31 March 2020 was an increase in depreciation of $1,074,000, an increase in interest of $57,000 and a decrease in operating costs of $1,115,000. The overall impact on profit and loss was a $16,000 decrease in profit and has had no significant impact on Earnings per Share.

There is no significant impact on banking covenants or other reporting requirements.

Please refer to Note 23 for further details on lease accounting.

	2020 ($000)
Operating lease commitments as at 31 March 2019	1,923
Present value impact of incremental borrowing rate at 1 April 2019	(60)
Impact of changes to leases identified under NZ IFRS 16 criteria and remeasurements	(265)
Discounted operating lease commitments as at 1 April 2019	**1,598**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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	
	2020 ($000)	2019 ($000)
Loss attributable to equity holders of the Company	(18,886)	(17,918)
Weighted average number of ordinary shares on issue	581,344	504,426
Earnings per share	(0.032)	(0.036)

(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.

4. LABORATORY THROUGHPUT AND COMMERCIAL TESTS

Laboratory Throughput is a key metric for the Group: Laboratory Throughput provides evidence of the increasing usage of Cxbladder products globally and the rates of adoption between different customer segments. The inclusion of this non-GAAP reporting is considered helpful to readers of these accounts. Total Laboratory Throughput includes Commercial Tests, which are invoiced to customers (including tests for patients covered by the US government's medical program through the Centers for Medicare and Medicaid Services (CMS)), and tests which are not considered to be Commercial as these tests relate to user programs (research tests) or other nonchargeable activities.

Commercial Test numbers are also a key metric for the Group: Commercial Tests are those tests for which the Company is actively seeking reimbursement and cash receipts, and tests performed at no charge in order to gain new customers. The inclusion of this non-GAAP reporting is considered helpful to readers of these accounts. Given the time lag in the US between processing a Cxbladder test and receiving the associated cash receipts, reported revenue based on the application of our accounting policy and Commercial Tests do not typically arise in the same reporting period as each other. Commercial Test numbers also include CMS tests which are all invoiced to CMS but for which revenue is not being recognised. Further detail on the accounting policy for revenue recognition is included in Note 5.

Laboratory Throughput and Commercial Tests per financial year are shown below.

	FY20	FY19
Total Laboratory Throughput (tests)	16,861	15,697
Increase in Total Laboratory Throughput (%)	7%	9%
Increase in Throughput from previous year (tests)	(+) 1,164	(+) 1,249
Total Commercial Tests (tests)	13,627	12,830
Commercial Tests as a percentage of Total Laboratory Throughput (%)	81%	82%
Increase in Commercial Tests from previous year (%)	6%	7%

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

5. REVENUE

Background information on US customers and the payment process
A physician will order a Cxbladder test if a patient presents to them with symptoms that may indicate the possibility of bladder cancer. One of the main symptoms is haematuria or blood in their urine. A urine sample is taken from the patient and sent to the Group's laboratory in the US in the Cxbladder Urine Sampling System. The Group receives and processes the urine sample and returns the results of the test back to the physician who originally ordered the test. The individual patient is the Group's customer, however typically in the US market, the patient's insurer would pay the Group for the cost of the test.

When a physician orders a Cxbladder test, the Group has an obligation to perform the test and report the results to the physician irrespective of the patient's insurance circumstances. A patient may have private insurance cover, be covered by the US government's medical program through CMS, or have no insurance cover.

Once the Cxbladder test has been completed, all information required for insurance purposes is sent to the Group's billing and reimbursement company to begin the process to collect reimbursement from the applicable insurance company/ies for the Cxbladder test performed.

For patients with private insurance cover, the relevant test information will be sent to their insurance provider. When the Group does not have an individual agreement with that insurance provider to pay for Cxbladder tests ("out of network"), the insurance provider will assess that individual patient's test for medical necessity and the level of insurance cover (if any) available to cover the cost of the test. This process of assessment can take many months to work through before the Group receives payments from the insurance company. The Group does have agreements with some insurance providers but these currently cover a small population of the Group's customers.

For patients covered by CMS, invoices are sent to CMS to demonstrate the validity of the Cxbladder test and support the process for obtaining inclusion in the Local Coverage Determination (LCD). However, CMS will not normally pay any amounts to the Group, nor permit the patient to be invoiced, until the LCD inclusion has been obtained.

For uninsured patients, the Group has no certainty of when or if the patient will pay.

Rest of World Customers
Revenue from Rest of World customers is primarily from the District Health Boards (DHBs) in New Zealand. In all Rest of World locations, there is a clearly defined contract with the customer meeting the requirements of NZ IFRS 15. Pacific Edge Diagnostics New Zealand Limited has individual contracts with DHBs across New Zealand and revenue is recognised as described on the following pages.

Critical Accounting Estimate
The application of NZ IFRS 15: Revenue from contracts with customers (NZ IFRS 15) requires the Directors to apply significant judgement in determining whether revenue can be recognised in advance of the receipt of cash.

The significant judgements adopted by the Group in applying NZ IFRS 15 criteria include:

- Determining if a contract with the customer exists;
- Determining if the entity can identify the payment terms for the services; and
- Determining whether it is probable that the entity will collect the consideration to which it is entitled.

ACCOUNTING POLICY

Revenue from Cxbladder tests
NZ IFRS 15 provides five criteria which must be met before an entity accounts for a contract with a customer under the revenue standard:

- The contract has been approved;
- The rights of each party are identified;
- Payment terms are identified;
- The contract has commercial substance; and
- It is probable that consideration will be collected for the goods or services transferred.

The Group performs Cxbladder tests when requested by a patient's physician. At the point the test results are returned to the physician, the Group has satisfied its performance obligation and has the right to issue an invoice.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

US customers – patients covered by CMS

The Group has judged it is not probable that any consideration will be received from CMS as inclusion in the Local Coverage Determination (LCD) with the CMS has not yet been obtained. Therefore, no revenue is recognised for any patients covered by CMS.

US customers – patients covered by private insurance/no insurance cover

The Group performs Cxbladder tests when requested by a patient's physician. At the point the test results are returned to the physician, the Group has satisfied its performance obligation and has the right to issue an invoice.

The Group is out of network with almost all private insurers in the US market and so the Test Requisition Form (TRF) signed by the patient is the key contract in this revenue stream. In assessing the information contained in the TRF, the Group has concluded that the payment terms are unclear. This means that Cxbladder sales in the US do not meet the required criteria under NZ IFRS 15 to enable revenue to be recognised when the test is undertaken and the results are delivered to the ordering physician. The Group currently has a number of agreements signed with private insurers, covering only a small percentage of the patient population which is currently deemed to be immaterial for accounting purposes.

Revenue is recognised only when cash is received, and it is non-refundable. As new agreements are entered into with private insurers, the Group will revisit this judgement to determine if the criteria to account for a contract in accordance with NZ IFRS 15 are met.

Rest of World customers

The Group performs Cxbladder tests when requested by a patient's physician in New Zealand, Australia and Singapore. At the point the test results are returned to the physician, the Group has satisfied its performance obligation and an invoice is issued to the customer, therefore revenue is recognised when the invoice is issued.

OTHER INCOME

Grant Income

Government Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government Grants are recognised in Other Income 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.

Callaghan Innovation has awarded the Company a Growth Grant, which commenced on 1 January 2014 and ended on 31 March 2019. Callaghan Innovation reimbursed the Company for 20 percent of eligible expenditure on the Company's R&D programme. The eligible expenditure complies with NZ IAS 38: Intangible Assets and the Ministerial Direction / New Zealand Gazette, No. 146.

The Company also receives grants from Callaghan Innovation for postgraduate internships and summer students.

New Zealand Trade and Enterprise awarded the Company an International Growth Fund grant, to support the startup of the Group's operations in Singapore. The grant commenced on 14 May 2015 and ran until 30 April 2019. New Zealand Trade and Enterprise reimbursed the Company for 50 percent of eligible expenditure relating to the Singapore operations.

All conditions of the grants have been complied with.

Cxbladder Research Rebate

A Cxbladder research programme is administered by Pacific Edge Pty Limited and tax rebates are received as a result of this programme.

The 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.

All conditions of the research rebate have been complied with. Payment will be received after submission of each annual research and development tax claim.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

REVENUE AND OTHER INCOME

	GROUP	
	2020 ($000)	2019 ($000)
Cxbladder Sales		
- US	3,778	3,296
- Rest of World	592	521
Total Operating Revenue	**4,370**	**3,817**
Other Income		
Grant Revenue	98	773
Research Rebate Received	486	217
Total Other Income	**584**	**990**

UNRECOGNISED REVENUE

Approximately 40% of all Cxbladder tests performed by the Group in the US relate to patients covered by CMS. The Group presently invoices CMS tests performed for all US Medicare patients with CMS coverage, however no revenue from these tests is recognised. Upon issuance of the LCD, the Group expects to be reimbursed at the agreed rate for all US Medicare patients for tests performed after that date. The Group may also be reimbursed for some tests completed prior to the issuance of the LCD. No contingent asset has been disclosed at 31 March 2020 as it is not certain when the LCD process will be completed, nor whether any backpayment will be received.

As at 31 March 2020, a total of 21,789 tests have been performed that relate to patients covered by CMS, for which no payments have been received and no revenue recognised.

For patients with private insurance cover or no insurance cover, revenue has only been recognised when and to the extent payment has been received, leaving a significant portion of invoiced amounts unrecognised. The level of unrecognised revenue is expected to gradually decrease as the Group concludes firm agreements for reimbursement with individual payers, principally the insurance companies. A contingent asset of $3,150,000 has been estimated at 31 March 2020 for private insurance receivables as an inflow of economic benefits is considered probable.

To date, a total of 5,355 tests have been performed and billed for which no payment has been received. These tests are for patients covered by private insurance, and have not been written off and are being actively pursued for payment.

6. RESEARCH AND DEVELOPMENT COSTS

ACCOUNTING POLICY

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 probable 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 within intangible assets. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

		GROUP	
	Notes	2020 ($000)	2019 ($000)
Research Expenses		3,916	3,352
Includes:			
Employee Benefits	8	2,012	1,734

7. GENERAL AND ADMINISTRATION EXPENSES

		GROUP	
	Notes	2020 ($000)	2019 ($000)
Amortisation	14	61	77
Auditors Remuneration: PricewaterhouseCoopers New Zealand			
- Group year end financial statements		129	167
- Half year review of financial statements		21	21
- R&D review of Callaghan Innovation		-	3
- Singapore Statutory financial statements		11	-
Auditors Remuneration: PricewaterhouseCoopers Singapore			
- Statutory financial statements		10	9
Depreciation	13	86	119
Depreciation on Right-of-Use Assets	23	261	-
Directors Fees		321	279
Employee Benefits	8	2,857	2,695
Employee Share Scheme Expenses	8	163	188
Employee Share Options	8	148	562
Interest on Lease Liabilities	23	27	-
Rental and Lease Expense*		-	262
Other Operating Expenses		2,321	2,294
		6,416	**6,676**

**Due to the adoption of NZ IFRS 16, this now only includes short term, low value and variable lease payments. The remaining payments are now represented by depreciation on Right-of-Use assets and Interest on Lease Liabilities.*

Note: Amounts displayed for Amortisation, Depreciation, Employee Benefits and Employee Share Options are only the General and Administration Expense component of the total expense. Refer to relevant notes for full expense disclosure.

Employee Share Options

Employee Share Options are a non-cash expense. Refer to Note 8 for details of the accounting policy for Employee Share Schemes.

Other Operating Expenses

The major categories of expenditure which make up operating expenses, but are not disclosed separately above are Information Technology costs, Compliance and Regulatory costs, NZX and Registry fees, Investor Relations costs, Consultants and Contractors.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. EMPLOYEE BENEFITS

	Notes	GROUP 2020 ($000)	GROUP 2019 ($000)
Represented by:			
Employee Benefits in Research	6	2,012	1,734
Employee Benefits in General & Administration	7	2,857	2,695
Short Term Salaries, Wages and Other Employee Benefits		6,359	6,271
		11,228	**10,700**
Non-Cash Employee Benefits:			
Employee Share Scheme Expenses	18	163	188
Share Option Expense		556	612
		719	**800**
Total Employee Benefits		**11,947**	**11,500**

Employee Share Scheme

The Company has an Employee Share Scheme where ordinary shares in the Company may be issued to selected employees to recognise performance or a significant contribution to the Company. These shares may be issued in lieu of a cash bonus or in addition to the employee's remuneration. The ordinary shares are issued directly to the employee and the Company accounts for the cost of the shares. The shares are allocated to the employee on the date that the Board approves the issue of the share capital. All employees who hold ordinary shares in the Company must comply with the Company's Share Trading Policy.

The issuance of ordinary shares to employees is treated as equity settled share-based payments. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date based on the market price at the time of issuance. The fair value of shares granted is recognised as an employee expense in the Statement of Comprehensive Income when the shares are issued. During the 2020 financial year, 754,000 (2019: 561,000) ordinary shares were issued to employees as part of the Employee Share Scheme. The associated non-cash cost of these shares was $163,000 (2019: $188,000). Refer to Note 18 for further details on the shares issued during the financial year.

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 to recognise performance or contribution to the Company or as a long-term component of remuneration in accordance with the Group's remuneration policy.

The Company has two categories of Share Options which are outlined below:

Performance Options

Performance Options are issued to selected employees to recognise performance or a significant contribution to the Company. Performance Options entitle 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. Performance Options vest immediately and there is no service requirement linked to the options or any other vesting conditions. The term in which options may be exercised, and ultimately lapse if not exercised, is 10 years.

Incentive Options

Incentive Options are issued to selected employees as a long-term component of remuneration in accordance with the Group's remuneration policy. Incentive Options entitle the holder, on payment of the exercise price, to one ordinary share in the capital of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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. Incentive Options vest over three years and there is a requirement to remain as an employee of the Company in order for the options to vest. 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.

ACCOUNTING POLICY

All options are accounted for as equity settled share based payments as the Group has no legal or constructive obligation to repurchase or settle either the Performance Options or the Incentive Options in cash. The fair value of all options granted is recognised as an expense in the Statement of Comprehensive Income over their vesting period, with a corresponding increase in the employee share option reserve.

The fair value is determined at the grant date of the options and 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 the Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payments reserve.

During the year, no share options were exercised resulting in an increase in share capital (2019: Nil).

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

	GROUP			
	2020		2019	
	Weighted average exercise price $	Options #	Weighted average exercise price $	Options #
Outstanding at 1 April	0.61	10,712,368	0.59	11,221,944
Granted	0.23	10,360,000	0.28	152,500
Forfeited	0.25	(1,621,853)	0.37	(46,159)
Exercised	-	-	-	-
Expired	0.65	(1,312,917)	0.45	(615,918)
Outstanding at 31 March	**0.42**	**18,137,598**	**0.60**	**10,712,367**
Exercisable at 31 March	0.52	11,350,318	0.61	9,953,937

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 50-60%, a dividend yield of 0%, an expected option life of between one and ten years and an annual risk-free interest rate of between 1.1% and 4.71%.

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 10 years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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 20 Options #	31 March 19 Options #
April 2019	April 2015	0.36	-	259,585
June 2019	June 2015	0.69	-	13,333
July 2019	July 2015	0.69	-	6,666
August 2019	August 2015	0.54	-	83,333
September 2019	September 2015	0.80	-	750,000
November 2019	November 2015	0.54	-	200,000
June 2020	June 2016	0.69	13,077	13,077
July 2020	July 2016	0.69	2,740	2,740
August 2020	August 2016	0.54	83,334	83,334
September 2020	September 2016	0.80	750,000	750,000
November 2020	November 2016	0.54	200,000	200,000
September 2021	September 2017	0.80	750,000	750,000
September 2024	September 2014	0.69	310,000	310,000 *
April 2025	April 2015	0.69	6,666	6,666
July 2025	July 2015	0.69	345,831	345,831
August 2025	August 2015	0.72	4,166	4,166
September 2025	September 2015	0.50	270,000	270,000 *
September 2025	September 2015	0.69	15,000	15,000
September 2025	September 2015	0.72	14,998	14,998
November 2025	November 2015	0.72	83,333	83,333
January 2026	January 2016	0.72	17,498	17,498
April 2026	April 2016	0.69	6,667	6,667
July 2026	July 2016	0.50	8,332	8,332
July 2026	July 2016	0.69	345,834	345,834
August 2026	August 2016	0.50	8,332	8,332
August 2026	August 2016	0.72	2,866	2,866
September 2026	September 2016	0.50	85,333	85,333
September 2026	September 2016	0.69	15,000	15,000
September 2026	September 2016	0.72	15,001	15,001
November 2026	November 2016	0.50	50,000	50,000 *
November 2026	November 2016	0.60	14,998	14,998
November 2026	November 2016	0.72	83,333	83,333
December 2026	December 2016	0.60	4,166	4,166
January 2027	January 2017	0.72	10,834	10,834
February 2027	February 2017	0.60	10,000	10,000
March 2027	March 2017	0.60	4,166	4,166

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Expiry Month	Vesting Date	Exercise Price $	31 March 20 Options #	31 March 19 Options #
April 2027	April 2017	0.60	75,000	75,000
April 2027	April 2017	0.69	6,667	6,667
July 2027	July 2017	0.50	4,190	4,190
July 2027	July 2017	0.69	343,346	343,346
August 2027	August 2017	0.48	4,166	4,166
August 2027	August 2017	0.50	8,334	8,334
September 2027	September 2017	0.48	6,666	6,666
September 2027	September 2017	0.50	79,169	79,169
September 2027	September 2017	0.69	15,000	15,000
September 2027	September 2017	0.72	10,594	10,594
October 2027	October 2017	0.48	20,000	20,000
November 2027	November 2017	0.60	10,252	10,252
November 2027	November 2017	0.72	83,334	83,334
December 2027	December 2017	0.60	1,872	1,872
December 2027	December 2017	0.51	4,166	4,166
January 2028	January 2018	0.72	7,473	7,473
January 2028	January 2018	0.51	12,498	12,498
February 2028	February 2018	0.60	10,000	10,000
March 2028	March 2018	0.60	4,167	4,167
April 2028	April 2018	0.60	75,000	75,000
May 2028	May 2018	0.51	1,587,492	1,587,492
May 2028	May 2018	0.28	6,666	6,666
July 2028	July 2018	0.50	2,671	2,671
August 2028	August 2018	0.48	3,916	3,916
August 2028	August 2018	0.50	4,315	4,315
September 2028	September 2018	0.48	4,128	4,128
September 2028	September 2018	0.50	219	219
October 2028	October 2018	0.48	30,000	30,000
October 2028	October 2018	0.28	4,166	4,166
November 2028	November 2018	0.60	6,816	6,816
December 2028	December 2018	0.51	4,167	4,167
January 2029	January 2019	0.51	6,416	6,416
January 2029	January 2019	0.28	16,666	16,666
February 2029	February 2019	0.6	10,000	10,000
February 2029	February 2019	0.28	6,666	6,666
March 2029	March 2019	0.60	68	68
April 2029	April 2019	0.60	75,000	75,000
May 2029	May 2019	0.51	1,581,749	1,587,502

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Expiry Month	Vesting Date	Exercise Price $	31 March 20 Options #	31 March 19 Options #
May 2029	May 2019	0.28	6,667	6,667
June 2029	June 2019	0.28	4,166	4,166
July 2029	July 2019	0.28	4,166	4,166
August 2029	August 2019	0.23	4,166	
October 2029	October 2019	0.48	40,000	40,000
October 2029	October 2019	0.28	4,167	4,167
October 2029	October 2019	0.23	4,166	-
November 2029	November 2019	0.23	8,332	-
December 2029	December 2019	0.51	2,717	4,167
January 2030	January 2020	0.51	3,767	4,167
January 2030	January 2020	0.28	16,667	16,667
February 2030	February 2020	0.28	6,667	6,667
May 2030	May 2020	0.51	1,490,492	1,587,506
May 2030	May 2020	0.28	5,334	6,667
June 2030	June 2020	0.28	2,432	4,167
July 2030	July 2020	0.28	4,167	4,167
August 2030	August 2020	0.23	2,937,483	-
October 2030	October 2020	0.28	4,167	4,167
October 2030	October 2020	0.23	4,167	-
November 2030	November 2020	0.23	8,334	-
January 2031	January 2021	0.28	16,667	16,667
February 2031	February 2021	0.28	6,667	6,667
June 2031	June 2021	0.28	-	4,167
July 2031	July 2021	0.28	4,167	4,167
August 2031	August 2021	0.23	2,937,506	-
October 2031	October 2021	0.23	4,167	-
November 2031	November 2021	0.23	8,334	-
August 2032	August 2022	0.23	2,933,345	-
			18,137,598	**10,712,367**

** Included within these tranches are 580,000 options (2019: 630,000 options) that vested immediately.*

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

9. CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS

ACCOUNTING POLICY

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

Short Term Deposits are with ANZ, BNZ and Heartland Bank, with periods ranging from 120 to 240 days.

	GROUP	
	2020 ($000)	2019 ($000)
Cash and Cash Equivalents	1,755	4,847
Short Term Deposits	13,029	8,000
Total Cash, Cash Equivalents and Short Term Deposits	**14,784**	**12,847**
NZD	14,525	11,927
USD	154	874
AUD	94	44
EUR	5	1
SGD	6	1
Total Cash, Cash Equivalents and Short Term Deposits	**14,784**	**12,847**

INTEREST INCOME

ACCOUNTING POLICY

Interest income is recognised using the effective interest method.

Interest on the bank balances ranges from 0% to 2.90% (2019: 0% to 3.45%) per annum. Funds held on term deposit with ANZ, BNZ and Heartland Banks can be accessed with one month's notice at the request of the authorised bank signatories of Pacific Edge Limited.

10. RECEIVABLES

ACCOUNTING POLICY

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. An allowance for impairment is made up of expected credit losses based on the assessment of the trade receivables debt at the individual level for impairment, plus an additional allowance on the remaining balance for potential credit losses not yet identified.

	GROUP	
	2020 ($000)	2019 ($000)
Trade Receivables	61	514
Sundry Debtors	470	699
Accrued Interest	72	64
GST Refund Due/(Payable)	39	(12)
Total Receivables	**642**	**1,265**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

There is no provision for impairment relating to the revenue from Cxbladder sales. All outstanding sales are current and there are no expected credit losses on the amounts outstanding at balance date.

Sundry debtors include accruals for grants and rebates that have not yet been paid. These are expected to be paid once the relevant claims have been submitted. The Company has met all conditions of the claims and there is no indication that there is impairment of these balances.

Included in trade receivables are the below amounts which were past due but not impaired. These relate to a number of customers for whom there is no history of default.

	2020 ($000)	2019 ($000)
3 to 6 Months	-	10
Over 6 Months	-	-
Total Overdue Trade Receivables	**-**	**10**

The foreign currency split of Receivables is:

	2020 ($000)	2019 ($000)
NZD	168	839
AUD	473	426
SGD	1	-
Total Receivables	**642**	**1,265**

11. INVENTORY

ACCOUNTING POLICY

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

	GROUP	
	2020 ($000)	2019 ($000)
Laboratory Supplies	796	842
Total Inventory	**796**	**842**

The major items of Inventory are laboratory reagents, chemicals and Cxbladder urine sampling systems.

Laboratory supplies used during the year of $1,112,000 (2019: $1,012,000) are included within the Statement of Comprehensive Income in Laboratory Operations and Research.

12. OTHER ASSETS

	GROUP	
	2020 ($000)	2019 ($000)
Prepayments	509	445
Security Deposits	185	165
Total Other Assets	**694**	**610**

Prepayments are largely made up of insurance, subscriptions and travel not yet used. Security deposits are paid to secure properties for lease in US and Singapore and to secure credit cards in the US.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

13. PROPERTY, PLANT & EQUIPMENT

ACCOUNTING POLICY

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.

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:

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

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

	Plant & Laboratory Equipment ($000)	Computer Equipment ($000)	Leasehold Improvements ($000)	Furniture & Fittings ($000)	Total ($000)
Cost					
Balance at 1 April 2018	2,165	631	270	316	3,382
Additions	89	39	-	-	128
Disposals	-	-	-	-	-
Foreign Translation Difference	53	18	7	10	88
Balance at 31 March 2019	**2,307**	**688**	**277**	**326**	**3,598**
Balance at 1 April 2019	2,307	688	277	326	3,598
Additions	44	35	37	-	116
Translation Difference	127	41	17	22	207
Transfer to/from Right-of-Use Assets	-	-	-	-	-
Disposals	(93)	-	-	-	(93)
Balance at 31 March 2020	**2,385**	**764**	**331**	**348**	**3,828**
Accumulated Depreciation					
Balance at 1 April 2018	1,717	504	97	210	2,528
Depreciation Expense	125	66	21	25	237
Disposal	-	-	-	-	-
Translation Difference	41	13	3	7	64
Balance at 31 March 2019	**1,883**	**583**	**121**	**242**	**2,829**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

	Plant & Laboratory Equipment ($000)	Computer Equipment ($000)	Leasehold Improvements ($000)	Furniture & Fittings ($000)	Total ($000)
Balance at 1 April 2019	1,883	583	121	242	2,829
Depreciation Expense	79	59	20	15	173
Disposals	(4)	-	-	-	(4)
Transfer to/from Right-of-Use Assets	12	-	-	-	12
Translation Difference	103	35	8	20	166
Balance at 31 March 2020	**2,073**	**677**	**149**	**277**	**3,176**
Carrying Amounts					
At 1 April 2018	448	127	173	106	854
At 31 March 2019	424	105	156	84	769
At 31 March 2020	**312**	**87**	**182**	**71**	**652**

14. INTANGIBLE ASSETS

ACCOUNTING POLICY

Intellectual Property

The costs of acquired Intellectual Property are recognised at cost. All Intellectual Property has a finite life. The carrying value of Intellectual Property is reviewed for impairment, where indicators of impairment exist. Amortisation is charged on a diminishing value 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.

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 the development of software are held at cost. Amortisation is charged on a diminishing value basis over the estimated useful life of the intangible assets (2-10 years). The estimated useful life and amortisation method is reviewed at the end of each reporting period.

Cxblader Development Costs

Costs associated with the development of Cxbladder products are held at cost. Amortisation is charged on a diminishing value basis over the estimated useful life of the intangible assets (20 years). The estimated useful life and amortisation method is reviewed at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

	Software Development Costs ($000)	Patents ($000)	Cxbladder Development Costs ($000)	Total ($000)
Cost				
Balance at 1 April 2018	798	253	33	1,084
Additions	65	41	-	106
Foreign Translation Difference	2	-	-	2
Balance at 31 March 2019	**865**	**294**	**33**	**1,192**
Balance at 1 April 2019	865	294	33	1,192
Additions	15	53	-	68
Foreign Translation Difference	7	-	-	7
Balance at 31 March 2020	**887**	**347**	**33**	**1,267**
Accumulated Amortisation				
Balance at 1 April 2018	607	184	12	803
Amortisation Expense	110	42	2	154
Foreign Translation Difference	2	-	-	2
Balance at 31 March 2019	**719**	**226**	**14**	**959**
Balance at 1 April 2019	719	226	14	959
Amortisation Expense	74	47	2	123
Foreign Translation Difference	6	-	-	6
Balance at 31 March 2020	**799**	**273**	**16**	**1,088**
Carrying Amounts				
At 1 April 2018	191	69	21	281
At 31 March 2019	146	68	19	233
At 31 March 2020	**88**	**74**	**17**	**179**

15. SEGMENT INFORMATION

ACCOUNTING POLICY

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.

There are two operating segments at balance date:

1. Commercial: The sales, marketing, laboratory and support operations to run the commercial businesses worldwide.
2. Research: The research and development of diagnostic and prognostic products for human cancer.

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

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 2020 is shown on the next page.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2020		Commercial ($000)	Research ($000)	Less: Eliminations ($000)	Total ($000)
Income					
Operating Revenue	- External	4,370	-	-	4,370
	- Internal	-	-	-	-
Other Income		376	1,381	(1,173)	584
Interest Income		6	245	(2)	249
Foreign Exchange Gain		-	(5)	-	(5)
Total Income		**4,752**	**1,621**	**(1,175)**	**5,198**
Expenses					
Expenses		15,093	8,740	(1,175)	22,658
Depreciation and Amortisation		1,015	411	-	1,426
Total Operating Expenses		**16,108**	**9,151**	**(1,175)**	**24,084**
Loss Before Tax		**(11,356)**	**(7,530)**	-	**(18,886)**
Income Tax Expense		-	-	-	-
Loss After Tax		**(11,356)**	**(7,530)**	-	**(18,886)**
Net Cash Flows to Operating Activities		**(9,910)**	**(5,475)**	-	**(15,385)**

2019		Commercial ($000)	Research ($000)	Less: Eliminations ($000)	Total ($000)
Income					
Operating Revenue	- External	3,817	-	-	3,817
	- Internal	199	-	(199)	-
Other Income		213	1,669	(892)	990
Interest Income		4	368	(49)	323
Foreign Exchange Gain		(1)	1	(1)	(1)
Total Income		**4,232**	**2,038**	**(1,141)**	**5,129**
Expenses					
Expenses		15,625	8,163	(1,141)	22,647
Depreciation and Amortisation		135	256	-	391
Total Operating Expenses		**15,760**	**8,419**	**(1,141)**	**23,038**
Loss Before Tax		**(11,528)**	**(6,381)**	-	**(17,909)**
Income Tax Expense		9	-	-	9
Loss After Tax		**(11,537)**	**(6,381)**	-	**(17,918)**
Net Cash Flows to Operating Activities		**(11,709)**	**(5,798)**	-	**(17,507)**

Eliminations

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Segment Assets and Liabilities Information

2020	Commercial ($000)	Research ($000)	Total ($000)
Total Assets	2,374	16,954	19,328
Total Liabilities	2,842	1,982	4,824

2019	Commercial ($000)	Research ($000)	Total ($000)
Total Assets	2,028	14,538	16,566
Total Liabilities	1,768	888	2,656

Additions to Non Current Assets for the period include:

	Commercial ($000)	Research ($000)	Total ($000)
Property, Plant & Equipment	75	41	116
Right-of-Use Assets	1,588	1,088	2,676
Intangible Assets	-	67	67
Total Additions to Non Current Assets	**1,663**	**1,196**	**2,859**

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.

Geographic Split of Revenue and Non-Current Assets

The Group generates most of the operating revenue from commercial tests from the US and New Zealand, and also receives Grant revenue from Australia and New Zealand. Rest of World consists of Revenue from Australia and Singapore.

	2020 ($000)	2019 ($000)
Operating and Grant Revenue		
US	3,778	3,296
New Zealand	675	1,292
Rest of World	501	219
Total Operating and Grant Revenue	**4,954**	**4,807**

The US accounted for 37% of non-current assets (2019: 37%). Non-current assets located in New Zealand account for 61% of the Group's total (2019: 63%), with Rest of World, consisting of non-current assets in Australia and Singapore holding 2% (2019: 0%).

	2020 ($000)	2019 ($000)
Non-Current Assets		
US	885	375
New Zealand	1,478	626
Rest of World	49	1
Total Non-Current Assets	**2,412**	**1,002**

Notes to the Consolidated Financial Statements

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16. INCOME TAX

ACCOUNTING POLICY

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.

The Company and Group has incurred an operating loss for the 2020 financial year and no income tax is payable.

	GROUP	
	2020 ($000)	**2019 ($000)**
Income Tax recognised in the Statement of Comprehensive Income		
Current Tax Expense	-	9
Deferred Tax in respect of the Current Year	(2,931)	(2,569)
Adjustments to Deferred Tax in respect to Prior Years	(451)	(521)
Deferred Tax Assets not recognised	3,382	3,090
Income Tax Expense	**-**	**9**
The prima facie Income Tax on Pre-Tax Accounting Profit from operations reconciles to:		
Accounting Loss before Income Tax	(18,887)	(17,909)
At the statutory Income Tax rate of 28%	(5,288)	(5,015)
Non-Deductible Expenditure	2,530	1,642
Difference in US, Singapore and Australian Income Tax Rates	928	804
Prior Period Adjustment	(451)	(521)
Foreign Tax Forfeited	-	9
Tax Losses Utilised	(1,101)	-
Deferred Tax Assets not recognised	3,382	3,090
Income Tax Expense reported in Statement of Comprehensive Income	**-**	**9**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Tax Losses

The Group has losses to carry forward of approximately $84,000,000 (2019: $64,300,000) with a potential tax benefit of $18,000,000 (2019: $14,200,000). The tax losses are split between the following jurisdictions:

	Tax Losses ($000)	Tax Effect ($000)	Rate
New Zealand	5,800	1,600	28%
Australia	500	100	30%
Singapore	1,000	200	17%
United States	76,700	16,100	21%

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 Tax Expenditure

The Group also has deferred research and development tax expenditure of $39,600,000 (2019: $38,200,000) to carry forward and claim for income tax purposes in New Zealand in the future. This has a tax effect of $11,100,000 (2019: $10,800,000). 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 (2019: Nil).

17. PAYABLES AND ACCRUALS

ACCOUNTING POLICY

Trade and Other Payables Due Within One Year

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of trade payables is considered to approximate fair value as amounts are unsecured and are usually paid by the 30th of the month following recognition.

	GROUP	
	2020 ($000)	**2019 ($000)**
Trade Creditors	692	634
Accrued Expenses	380	304
Revenue Received in Advance	168	-
Employee Entitlements (refer below)	2,030	1,634
Total Payables and Accruals	**3,270**	**2,572**

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

The foreign currency split for Payables and Accruals is:

	GROUP	
	2020 ($000)	**2019 ($000)**
NZD	1,138	883
AUD	97	69
USD	1,981	1,562
SGD	54	58
	3,270	**2,572**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Employee Entitlements

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

	GROUP	
	2020 ($000)	2019 ($000)
Income Tax	237	108
Holiday Pay	563	513
Accrued Wages	1,230	1,013
Total Employee Entitlements	**2,030**	**1,634**

18. SHARE CAPITAL

ACCOUNTING POLICY

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.

	GROUP	
	2020 ($000)	2019 ($000)
Ordinary Shares	165,423	146,403
Total Share Capital	**165,423**	**146,403**

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

	2020 Shares (000)	2020 ($000)	2019 Shares (000)	2019 ($000)
Opening Balance	510,871	146,403	466,322	131,824
Issue of Ordinary Shares - Rights Issue and Direct Offers[1]	178,027	20,136	43,988	15,044
Issue of Ordinary Shares - Employee Remuneration[2]	754	163	561	188
Less: Issue Expenses[3]	-	(1,279)	-	(653)
Movement	178,781	19,020	44,549	14,579
Closing Balance	**689,652**	**165,423**	**510,871**	**146,403**

1) During the period 178,026,769 shares were issued under private placements and a rights issue at an average price of $0.11 per share. (2019: 43,988,000, $0.34)

2) During the period 753,994 shares were issued as part of employees remuneration in lieu of cash payments at an average price of $0.22 per share. (2019: 561,000, $0.34)

3) No shares were issued to suppliers during the year. In 2019 $475,000 of issue expenses are non cash, suppliers were instead issued 1,359,000 shares in the Company. This forms part of the total detailed within (1).

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Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

19. FOREIGN CURRENCY

ACCOUNTING POLICIES

Foreign Currency Transactions
The individual financial statements of the Group 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 the 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. Non monetary items denominated in foreign currencies are translated at the rates prevailing on the date the transaction occurs.

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.

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.

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

	GROUP	
	2020 ($000)	2019 $000
Net Loss for the Period	(18,886)	(17,918)
Add Non Cash Items:		
Depreciation	173	237
Amortisation	123	154
Employee Share Options	556	612
Employee Bonuses paid in shares in lieu of cash	163	188
Depreciation on Right-of-Use Assets	1,131	-
Interest on finance leases shown in lease repayments	65	-
Total Non Cash Items	**2,211**	**1,191**
Add Movements in Other Working Capital items:		
Decrease (Increase) in Receivables and Other Assets	539	(341)
Decrease (Increase) in Inventory	46	(90)
Increase (Decrease) in Payables and Accruals	698	(353)
Effect of exchange rates on net cash	7	4
Total Movement in Other Working Capital	**1,290**	**(780)**
Net Cash Flows to Operating Activities	**(15,385)**	**(17,507)**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

21. FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Foreign Currency Transactions
Financial instruments include cash and cash equivalents, short term deposits, receivables, security deposits, finance lease liabilities and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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.

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

Risk Factor	Description
(i) Currency risk	Financial assets and financial liabilities are denominated in NZD, USD, AUD, SGD and EUR currencies
(ii) Interest rate risk	Exposure to changes in Bank interest rates resulting in cashflow interest rate risk
(iii) Other price risk	Not applicable as no securities are bought, sold or traded

(i) Foreign Currency Risk
The Group faces the risk of movements in foreign currency exchange rates in relation to the New Zealand dollar. The Group has significant operations in US Dollars and less significant operations in Australian dollars, Euros and Singapore dollars. As a result of this, the financial performance and financial position are impacted by movements in exchange rates.

The Group manages foreign currency risk by purchasing overseas goods only when necessary and when foreign exchanges are favourable. It will also purchase foreign currency to fund overseas operations based on cash flow forecasts where it can maximise value. There are no formal foreign currency hedges entered into.

A 10% increase or decrease in the foreign currency against the NZD will reduce/increase the loss reported by approximately $40,000 (2019: $35,000) and increase/reduce equity by the same amount.

(ii) Interest Rate Risk
The Group's interest rate risk arises from its cash and equivalents, and short term deposits. Cash and equivalents comprise cash on hand and deposits at call with banks. Short term deposits comprise of term deposits placed with New Zealand banks on fixed rates for different periods of time.

Management regularly review its banking arrangements to ensure it achieves the best returns on its funds while maintaining access to necessary liquidity levels to service the Group's day-to-day activities. The mixture of bank deposits at floating interest rates and short term deposits at different rates over various periods of time mitigate the risk of interest rates being received at less than market rates. The Group does not enter into interest rate hedges.

A 1% increase or decrease in bank deposit interest rates will reduce/increase the loss reported by approximately $131,000 and increase/reduce equity by the same amount (2019: $130,000).

Credit Risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group incurs credit risk from:

a) Cash and short term deposits;

b) Receivables in the normal course of its business; and

c) Other assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

The Group has no significant concentration of credit risk other than bank deposits with 31.3% of total assets at the Bank of New Zealand, 26.0% at Heartland Bank, 18.5% at ANZ, and 0.7% at Wells Fargo. The Group's cash and short term deposits are placed with high credit quality financial institutions including major banks who have at least a BBB credit rating.

Regular monitoring of receivables is undertaken to ensure that the credit exposure remains within the Group's normal terms of trade. These receivables balances mainly relate to New Zealand customers, and the Australian Government. Refer to note 10 for further details on expected credit losses for receivables.

While there are no trade receivables recognised for US customers, the Group continues to invoice for every billable test completed in the US, and the billing and reimbursement process continues to maximise the cash that is received by the Group.

Regular monitoring of other assets is undertaken to ensure that the credit exposure is limited. This is firstly done by determining the credit risk before making security deposits on leased properties and ensuring suppliers are not paid in advance where there is uncertainty in relation to their credit worthiness.

The carrying values of financial assets represent the maximum exposure to credit risk as represented below:

		GROUP	
	Notes	2020 ($000)	2019 ($000)
Cash and Cash Equivalents	9	1,755	4,847
Short Term Deposits	9	13,029	8,000
Trade and Other Receivables (excludes GST)	10	603	1,277
Other Assets (excludes prepayments)	12	185	165
		15,572	**14,289**

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 balances and uses cash flow forecasts to determine future cash flow requirements. The Group does not have any external loans but does have four finance leases.

Payables and Accruals totaling $3,276,000 are due within 3 months of balance date (2019: $2,143,000).

Fair Values

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

22. RELATED PARTIES

A shareholder, the University of Otago, provided services, including rental space and car parking, to the Group to the value of $276,000 (2019: $272,000). The Group has commitments totaling $208,000 (2019: $194,000) with the University of Otago in the next financial year.

Key Management Compensation

Key management personnel comprise of Directors and the Chief Executive Officers of Pacific Edge Limited and Pacific Edge Diagnostics USA Limited.

Refer to Note 8 for details of the Incentive Plan that includes key management remuneration.

	GROUP	
	2020 ($000)	**2019 ($000)**
Salaries and Other Short Term Employee Benefits	1,332	1,319
Share Options Benefits	193	320
Total Employee Entitlements	**1,525**	**1,639**

Directors' Fees

The current total Directors' fee pool for non-executive Directors of Pacific Edge Limited, approved by the shareholders at the Annual Shareholders Meeting on the 16th August 2018 is $302,000 per annum. During the year ended 31 March 2020, the number of non-executive Directors of Pacific Edge increased by one to six with the addition of J. Duncan to the Board in April 2019. J. Duncan ceased to be a Director during the year ended 31 March 2020. The group relied on NZX Listing Rule 2.11.3 for the period J. Duncan was added to the Board. The total amount of fees paid to Directors for the year ended 31 March 2020 was $321,000.

The table below sets out the total fees payable to the non-executive Directors of Pacific Edge Limited for the year ended 31 March 2020 based on the positions held:

Position	**Quantity**	**Total Fees Payable**
Chair	1	$80,000
Deputy Chair	1	$50,000
Non-executive Directors	2	$88,000
US-based non-executive Director	1	$79,000
Chair Audit & Risk Committee	1	$5,000
Total Fee Pool		**$302,000**

23. FINANCE AND OPERATING LEASE COMMITMENTS

ACCOUNTING POLICY

The Group has changed its accounting policy for leases and has adopted NZ IFRS 16 Leases.

The Group leases various properties and equipment. Rental contracts vary depending on the type of asset being leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognised as a Right-of-Use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

cost is charged to the Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Right-of-Use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(i) Measurement basis

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the Right-of-Use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Pacific Edge Limited, which does not have recent third-party financing; and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the Right-of-Use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the Right-of-Use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the Right-of-Use buildings held by the Group.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets include IT equipment and small items of office furniture.

(ii) Accounting policies applied until 31 March 2019

Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the Operating Expenses component of the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Right-of-Use Assets

	GROUP	
	2020 ($000)	**2019 ($000)**
Cost		
Assets recognised on Initial Transition - previously Operating Assets	1,598	-
Assets recognised on Initial Transition - previously under a Finance Lease	223	-
Additions	1,078	-
Transfers to Plant, Property and Equipment	(155)	-
Foreign Currency Translation	(226)	-
	2,518	**-**
Accumulated Depreciation		
Depreciation	1,131	-
Transfers to Plant, Property and Equipment	(24)	-
Foreign Currency Translation	(170)	-
	937	**-**
Net Right-of-Use Assets Balance	**1,581**	**-**
Right-of-Use Assets Net Book Value		
Buildings	1,148	-
Computer Equipment	16	-
Plant and Equipment	417	-
	1,581	-
Depreciation		
Buildings	1,009	-
Computer Equipment	28	-
Plant and Equipment	94	-
	1,131	-
Expenses relating to Short Term and Low Value Leases	22	-
Total Cash Outflow relating to Leases	**1,211**	**97**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

	GROUP	
Lease Liability	**2020 ($000)**	**2019 ($000)**
Liabilities Recognised on Initial Transition	1,598	-
Lease Liabilities previously recognised as Finance Leases	84	-
Additions	1,078	-
Lease Repayments	(1,210)	-
Interest Charged	65	-
Foreign Currency Translation	(61)	-
	1,554	**-**
Split by:		
Current Liability	983	52
Non-Current Liability	571	32
	1,554	**84**
The maturity of the Lease Liabilities is as follows:		
Less than one year	983	-
One to two years	340	-
Two to three years	200	-
More than four years	31	-
	1,554	**-**

24. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

a) Contingent Liabilities

There were no known contingent liabilities at 31 March 2020 (March 2019: Nil). The Group has not granted any securities in respect of liabilities payable by any other party whatsoever.

b) Capital Commitments

There are no capital commitments at 31 March 2020 (March 2019: Nil).

25. SUBSEQUENT EVENT – COVID-19

At the date of signing, there has been an impact on the throughput, revenue and expenses of the Group as a result of Covid-19.

In the markets the Group operates in, measures have been employed by Governments in an attempt to limit the spread of the virus. This restricted the ability for people to visit clinics and have tests performed for the occurrence of bladder cancer. This has resulted in reduced throughput numbers seen by the group in April and May 2020. Tests performed in the US and New Zealand laboratories for the month of April 2020 were approximately 51% of April 2019 levels. This is expected to be seen in reduced income from the US in particular in coming months.

Offsetting the reduced throughput from patients visiting clinics has been increased adoption of the unique in-home sampling system which allows patients to perform tests at home, with the results provided to their urologist. The Group has also seen increased sales activity with institutions as they seek alternative methods to treat their patients remotely.

The Group has been able to reduce costs to offset income reductions, and has also received support in the form of Covid-19 relief packages from the Governments in New Zealand, Australia, Singapore and the US.

26. OTHER SUBSEQUENT EVENTS

There are no other subsequent events.

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Independent auditor's report

To the Shareholders of Pacific Edge Limited

We have audited the consolidated financial statements which comprise:

- the balance sheet as at 31 March 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of accounting policies.

Our opinion

In our opinion, the accompanying consolidated financial statements of Pacific Edge Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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

Our firm carries out other services for the Group in the area of half year review procedures. The provision of these other services has not impaired our independence as auditor of the Group.

Material uncertainty related to going concern

We draw attention to the disclosures in Note 1 to the financial statements, which indicates that the Company continued to have net cash outflows from operations in the 2020 financial year and is forecast to do so during the 2021 financial year. The Company continues to progress commercial negotiations with targeted large-scale health organisations in the USA, however the likely outcome and timing of completion is uncertain. The Company has prepared cash flow forecasts which indicate that if these commercial negotiations continue to be delayed, the Company may not have sufficient cash to meet its minimum expenditure commitments and support its current levels of activity. As a result, the Company may need to raise additional funds to continue as a going concern. As stated in Note 1, these matters, together with the other matters set out in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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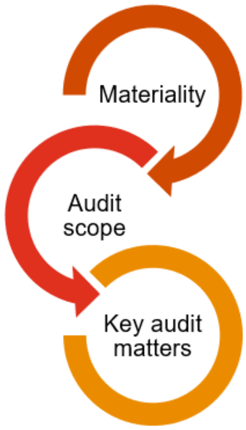
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
US Revenue Recognition	
The application of NZ IFRS 15: Revenue from contracts with customers (NZ IFRS 15) requires the Directors to apply significant judgement in determining whether revenue can be recognised in advance of the receipt of cash. The Company has two material United States (US) revenue streams: 1. Coverage via Centers for Medicare and Medicaid Services (CMS), and 2. Private Insurance. The significant judgements adopted by the Directors in applying NZ IFRS 15 criteria include: • Determining if a contract with the customer exists; • Determining if the entity can identify the payment terms for the services; and • Determining whether it is probable that the entity will collect the consideration to which it is entitled. Based on management's assessment, US derived revenue is accounted for on a cash receipts basis as disclosed in Note 5. Due to the significant audit effort required to understand the revenue recognition process and considering the significance of the judgements applied by the Directors, we determined this area to be a key audit matter.	Our audit procedures included the following: We obtained an understanding of management's analysis of the CMS and Private Insurance US revenue streams to identify the significant judgements. We evaluated management's determination of whether a contract with customers existed by: • Inspecting documentation supporting the contractual process and basis for engagement of patients (customers) in the US; and • Discussing the process for engaging patients with New Zealand and US based management to reconfirm the facts that support a cash based revenue recognition conclusion. Assessing the supporting documentation provided by management to illustrate the variation in payment terms by customer. Considering the payment terms and the probability of recovery of outstanding balances based on the history of past collections. This included assessing management's conclusions on whether it is probable that the entity will collect the consideration. We normally visit the Group's external billing reimbursement agent to confirm our understanding of the process and monthly report. Due to COVID-19 we were unable to perform this visit physically. However, we held video conference meetings to obtain this understanding. We have no matters to report from the procedures performed above.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $240,000, which represents 1% of total expenses.

We chose total expenses as the benchmark because, the Company is in a loss making position. The Company's focus is on achieving revenue growth. In our judgement, total expenses provides a more stable basis for calculating materiality.

We have determined that there is one key audit matter:

- US Revenue Recognition.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

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

Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

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

This description forms part of our auditor's report.

Who we report to

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

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

PricewaterhouseCoopers

Chartered Accountants
28 May 2020

Dunedin

COMPANY DIRECTORY

As at 31 March 2020

Issued Capital
689,652,227 Ordinary Shares

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

Directors
C. Gallaher – Chairman
D. Darling
D. Levison
A. Masfen
S. Park
B. Williams
J. Duncan (appointed 30 April 2019 / ceased 2 October 2019)

Chief Executive Officer
David Darling

Nature of Business
Research, 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

Heartland Bank
Dunedin

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

Securities Registrar
Link Market Services Limited
138 Tancred Street
Ashburton

Company Number
1119032

Date of Incorporation
27th February 2001

PACIFIC EDGE COMMUNICATIONS

Websites
www.pacificedgedx.com
www.cxbladder.com
www.bladdercancer.me

Facebook
www.facebook.com/PacificEdgeLtd
www.facebook.com/Cxbladder

Twitter
@PacificEdgeLtd
@Cxbladder

LinkedIn
www.linkedin.com/company/pacific-edge-ltd

PACIFIC EDGE LTD
CANCER DIAGNOSTICS COMPANY

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