

22

CONSOLIDATED  
FINANCIAL  
STATEMENTS

FOR THE YEAR ENDED  
31 MARCH 2022



PACIFIC EDGE   
CANCER DIAGNOSTICS COMPANY

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 (\$'000)	2021 (\$'000)
<b>REVENUE</b>			
Operating Revenue	5	11,445	7,701
<b>Total Operating Revenue</b>		<b>11,445</b>	<b>7,701</b>
Other Income	5	1,691	2,386
Interest Income	9	549	351
Foreign Exchange Gain		193	1
<b>Total Revenue and Other Income</b>		<b>13,878</b>	<b>10,439</b>
<b>OPERATING EXPENSES</b>			
Laboratory Operations		6,498	5,466
Research	6	5,135	4,584
Sales and Marketing		14,277	9,202
General and Administration	7	7,756	5,410
<b>Total Operating Expenses</b>		<b>33,666</b>	<b>24,662</b>
<b>NET LOSS BEFORE TAX</b>		<b>(19,788)</b>	<b>(14,223)</b>
Income Tax Expense	16	-	-
<b>LOSS FOR THE YEAR AFTER TAX</b>		<b>(19,788)</b>	<b>(14,223)</b>
Items that may be reclassified to profit or loss:			
Translation of Foreign Operations		114	46
<b>TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company</b>		<b>(19,674)</b>	<b>(14,177)</b>
<b>Earnings per share for loss attributable to the equity holders of the Company during the year</b>			
Basic and Diluted Earnings per share	3	(0.026)	(0.020)

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Notes	Share Capital (\$'000)	Accumulated Losses (\$'000)	Share Based Payments Reserve (\$'000)	Foreign Currency Translation Reserve (\$'000)	Total Equity (\$'000)
<b>Balance as at 31 March 2020</b>		<b>165,423</b>	<b>(156,242)</b>	<b>4,542</b>	<b>781</b>	<b>14,504</b>
Loss after tax		-	(14,223)	-	-	(14,223)
Other Comprehensive Income		-	-	-	46	46
<b>TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company</b>		<b>-</b>	<b>(14,223)</b>	<b>-</b>	<b>46</b>	<b>(14,177)</b>
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	18	21,962	-	-	-	21,962
Share Based Payments - Employee Remuneration	8	284	-	-	-	284
Share Based Payment - Employee Share Options	8	2,636	404	(504)	-	2,536
<b>Balance as at 31 March 2021</b>		<b>190,305</b>	<b>(170,061)</b>	<b>4,038</b>	<b>827</b>	<b>25,109</b>
<b>Balance as at 31 March 2021</b>		<b>190,305</b>	<b>(170,061)</b>	<b>4,038</b>	<b>827</b>	<b>25,109</b>
Loss after tax		-	(19,788)	-	-	(19,788)
Other Comprehensive Income		-	-	-	114	114
<b>TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company</b>		<b>-</b>	<b>(19,788)</b>	<b>-</b>	<b>114</b>	<b>(19,674)</b>
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	18	99,622	-	-	-	99,622
Share Based Payments - Employee Remuneration	8	172	-	-	-	172
Share Based Payment - Employee Share Options	8	4,040	-	(893)	-	3,147
<b>Balance as at 31 March 2022</b>		<b>294,139</b>	<b>(189,849)</b>	<b>3,145</b>	<b>941</b>	<b>108,376</b>

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

## CONSOLIDATED BALANCE SHEET

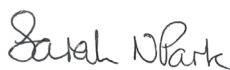
As at 31 March 2022

	Notes	2022 (\$'000)	2021 (\$'000)
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	9	35,412	4,129
Short Term Deposits	9	70,000	19,000
Receivables	10	4,012	2,866
Inventory	11	1,007	790
Other Assets	12	1,183	557
<b>Total Current Assets</b>		<b>111,614</b>	<b>27,342</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	13	1,404	688
Right of Use Assets	23	1,830	2,977
Intangible Assets	14	434	177
<b>Total Non-Current Assets</b>		<b>3,668</b>	<b>3,842</b>
<b>TOTAL ASSETS</b>		<b>115,282</b>	<b>31,184</b>
<b>CURRENT LIABILITIES</b>			
Payables and Accruals	17	4,983	3,197
Lease Liabilities	23	1,072	1,098
<b>Total Current Liabilities</b>		<b>6,055</b>	<b>4,295</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease Liabilities	23	851	1,780
<b>Total Current Liabilities</b>		<b>851</b>	<b>1,780</b>
<b>TOTAL LIABILITIES</b>		<b>6,906</b>	<b>6,075</b>
<b>NET ASSETS</b>		<b>108,376</b>	<b>25,109</b>
Represented by:			
<b>EQUITY</b>			
Share Capital	18	294,139	190,305
Accumulated Losses		(189,849)	(170,061)
Share Based Payments Reserve		3,145	4,038
Foreign Translation Reserve		941	827
<b>TOTAL EQUITY</b>		<b>108,376</b>	<b>25,109</b>
<b>FURTHER INFORMATION</b>			
Net Tangible Assets per share (\$)		0.133	0.034

For and on behalf of the Board of Directors dated the 25th day of May 2022:



Director



Director

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 (\$'000)	2021 (\$'000)
<b>CASH FLOWS TO OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from Customers		10,942	6,747
Receipts from Grant Providers		1,413	1,059
Interest Received		365	271
		12,720	8,077
Cash was disbursed to:			
Payments to Suppliers and Employees		30,198	21,643
Net GST cash outflow		74	4
		30,272	21,647
<b>Net Cash Flows To Operating Activities</b>	<b>20</b>	<b>(17,552)</b>	<b>(13,570)</b>
<b>CASH FLOWS TO INVESTING ACTIVITIES:</b>			
Cash was provided from:			
Proceeds from Short Term Deposits		51,837	23,081
		51,837	23,081
Cash was disbursed to:			
Purchase of Short Term Deposits		102,837	29,052
Capital Expenditure on Plant and Equipment		713	270
Capital Expenditure on Intangible Assets		413	108
		103,963	29,430
<b>Net Cash Flows To Investing Activities</b>		<b>(52,126)</b>	<b>(6,349)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash was received from:			
Ordinary Shares Issued	18	103,488	22,000
Exercising of Share Options		2,306	1,500
		105,794	23,500
Cash was disbursed to:			
Repayment of Leases - Principal	23	1,147	1,143
Repayment of Leases - Interest	23	126	107
Issue Expenses	18	3,865	38
		5,138	1,288
<b>Net Cash Flows From Financing Activities</b>		<b>100,656</b>	<b>22,212</b>
<b>Net increase in Cash Held</b>		<b>30,978</b>	<b>2,293</b>
Add Opening Cash Brought Forward		4,129	1,755
Effect of exchange rate changes on net cash		305	81
<b>Ending Cash Carried Forward</b>	<b>9</b>	<b>35,412</b>	<b>4,129</b>

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 2022

### 1. ACCOUNTING POLICIES

#### SUMMARY OF ACCOUNTING POLICIES

##### Reporting Entity

The consolidated financial statements (hereafter referred to as the 'financial statements') presented for the year ended 31 March 2022 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 Company is dual listed, with its primary listing of ordinary shares quoted in New Zealand on the NZX Main Board, and a secondary listing in Australia as a Foreign Exempt Entity on the ASX.

These financial statements have been approved for issue by the Board of Directors on the 25th May 2022.

##### 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 Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows have been prepared so that all components are stated net of GST. All items in the Consolidated 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, provide 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 September 2021 (issuing 59,259,259 shares at \$1.35) and a further Retail Offer in October 2021 (issuing 17,398,099 shares at \$1.35 per share). Refer to Note 18 for further details on the capital raising activity during FY22.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 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 2022 %	31 March 2021 %
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge (Australia) Pty Limited	Australia	Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Limited	USA	Commercial Sales and Diagnostic 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 2022 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.

### 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.

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of Pacific Edge Limited for the year ended 31 March 2021.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 2. NEW STANDARDS

#### New and Amended Standards Adopted by the Group

There are no new standards or interpretations material to the Group to be applied during the year.

#### New Standards and Interpretations Not Yet Adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 3. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the profit (or loss) 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	
	2022 (\$000)	2021 (\$000)
Loss attributable to equity holders of the Company	(19,788)	(14,223)
Weighted average number of ordinary shares on issue	767,924	714,031
Earnings per share	(0.026)	(0.020)

#### (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 - NON-GAAP REPORTING

**Laboratory Throughput is a key metric for the Group:** Laboratory Throughput provides evidence of the 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, as it allows readers to compare the current period to prior periods and assess usage trends on a consistent basis. 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 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 as it allows readers to compare the current period to prior periods and assess trends on a consistent basis.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

	FY22	FY21
Total Laboratory Throughput (tests)	23,086	15,814
Change in Total Laboratory Throughput (%)	46%	(6%)
Change in Throughput from previous year (tests)	7,272	(1,047)
Total Commercial Tests (tests)	19,196	12,976
Commercial Tests as a percentage of Total Laboratory Throughput (%)	83%	82%
Change in Commercial Tests from previous year (%)	48%	(5%)

### 5. REVENUE

#### Background information on US customers and the payment process

A physician orders a Cxbladder test when a patient presents to their clinic with symptoms that indicate the possibility of bladder cancer. The most common and significant symptom is haematuria or blood in their urine. A urine sample is collected from the patient and sent in the Cxbladder Urine Sampling System to the Group's laboratory in the US or in New Zealand. The Group receives and processes the urine sample and returns the results of the test back to the ordering physician. The individual patient is the Group's customer, however typically in the US market, the patient's insurer may pay the Group for some or all of 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 ordering physician irrespective of the patient's insurance contract. A patient may have private insurance cover, be covered by the US government's medical program through CMS, self cover 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 agent to begin the process to collect reimbursement from any applicable insurance company/ies for the Cxbladder test performed.

For patients with private insurance cover, the relevant patient and test order 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 (if any) from the insurance company. The Group does have agreements with some insurance providers but these currently cover a small proportion of the Group's customers.

For patients covered by CMS, invoices are sent to CMS. Prior to 3 July 2020, Pacific Edge was not included in the Local Coverage Determination (LCD) and as a result, did not normally receive any amounts for tests performed for patients covered by CMS. On 3 July 2020, Pacific Edge received notice of inclusion in the LCD, resulting in the Company receiving reimbursement for Cxbladder Monitor and Detect tests performed after 1 July 2020 for patients covered by the CMS across the US that are deemed medically necessary.

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 application of significant judgement in determining whether the Group meets the five key criteria identified in NZ IFRS 15, which must be met before revenue may be recognised as performance obligations are satisfied. For the Group this would result in some revenue recognised in advance of the receipt of cash.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

The significant judgements adopted by the Group relate to :

- Determining if a contract with the customer exists;
- Identifying the rights of each party;
- Identifying the payment terms;
- Ensuring the contract has commercial substance; and
- Determining whether it is probable that the Group will collect the consideration to which it is entitled.

While there has been significant judgement applied to all five criteria, there are two criteria that have higher levels of uncertainty, requiring increased levels of judgement. The significant judgements applied to determine the Transaction Price and determining the probability of collecting consideration are detailed in the Accounting Policy relating to Revenue from Cxbladder Tests.

### ACCOUNTING POLICY

#### Revenue from Cxbladder tests

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 has determined a contract exists, and payment terms are identified, the contract has commercial substance and the rights of each party have been identified.

On the 3 July 2020, Pacific Edge received notice of inclusion in the LCD, resulting in the Company receiving reimbursement for Cxbladder Monitor and Detect tests performed after 1 July 2020 for patients covered by the CMS across the US that are deemed medically necessary. Reimbursement for these tests is at the already determined national CMS price for Cxbladder of US\$760 per test.

Since Cxbladder's inclusion in the LCD, based on historical data, the Group has been able to reliably estimate both the probability and size of payment received from the CMS. The inclusion within LCD combined with the growing support for the use of Cxbladder within the US has also allowed the Group to reliably estimate both the probability and size of payment received from customers covered by Medicare Advantage policies provided by private insurers.

Tests performed for patients covered by other private policies, or tests performed for those with no insurance cover continue to be recognised as revenue when cash is received due to not being able to reliably estimate both probability and size of payment received.

The Group have concluded that the contracts with the CMS and customers covered by Medicare Advantage include variable consideration because the amounts paid by Medicare or the commercial health insurance carriers that provide Medicare Advantage may be paid at less than our standard rates or not paid at all, with such differences considered implicit price concessions. Variable consideration attributable to these price concessions is measured at the expected value, and are determined by historical average collection rates by test type and payor category taking into consideration the range of possible outcomes, the predictive value of our past experiences. Such variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

A provision of \$143,000 has been included to allow for tests that have been paid to the group and recognised as revenue for the period to 31 March 2022, which are subsequently required to be refunded back to the payer after the 31 March 2022 as a result of internal reviews undertaken by that payer. The estimation of the appropriate allowance has been made by reviewing historical data of the Group.

As a result of the Significant Judgements applied, the Group have determined the criteria under NZ IFRS 15 which allows revenue to be recognised in advance of the receipt of cash have been met, and the Group has recognised revenue for tests which were performed from 1 April 2021 to 31 March 2022 for which payment has not been received by 31 March 2022 for CMS and Medicare Advantage.

#### Rest of World revenue recognition from tests performed

There has been no change in accounting policy or estimates for Operating Revenue for the Rest of World.

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 obligations have been met. At the end of the month an invoice is issued to the customer based on the number of tests performed. Revenue is recognised when the test is returned.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 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 Consolidated Statement of Comprehensive Income, on a systematic basis over the periods in which the Group recognises the related costs as expenses for which the grants are intended to compensate.

The Company 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 growth of the Group's commercial and marketing operations in the US. The grant commenced on 17 August 2020 and runs until 16 August 2023. New Zealand Trade and Enterprise reimburses the Company for 50 percent of eligible expenditure, up to a maximum of NZ\$600,000, which was reached during the year ended 31 March 2022.

All conditions of the grants have been complied with.

#### Research Rebates and Tax Incentives

##### - New Zealand R&D Tax Incentive (RDTI)

The New Zealand RDTI is a 15% tax credit on the money invested in eligible research and development (R&D) that has occurred in New Zealand. As the New Zealand companies are in a tax loss position, the Group is eligible for the Tax Incentive to be refunded.

The RDTI is recognised at its fair value where there is a reasonable assurance that the credit will be received and the Group will comply with all attached conditions.

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

##### - Australia 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.

#### Covid-19 Support

During the previous year ended 31 March 2021, the Group received Covid-19 support in the countries in which it operates. No support was received during the year ended 31 March 2022.

### REVENUE AND OTHER INCOME

	2022 (\$000)	2021 (\$000)
<b>Cxbladder Sales</b>		
- US - Accrual Accounting	9,687	5,549
- US - Cash Accounting	953	1,339
- Total US Sales	10,640	6,888
- Rest Of World	805	813
<b>Total Operating Revenue</b>	<b>11,445</b>	<b>7,701</b>
<b>Other Income</b>		
Grant Revenue	321	322
Research Rebates and Tax Incentives	1,370	952
Covid-19 Support		1,112
<b>Total Other Income</b>	<b>1,691</b>	<b>2,386</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### PREVIOUSLY UNRECOGNISED REVENUE

Approximately 40% of Cxbladder tests performed by the Group in the US up to 30 June 2020 relate to patients covered by the Centers for Medicare and Medicaid Services (CMS). The Group invoiced CMS for tests performed for all patients with CMS coverage, however no revenue from these 22,634 tests has been recognised in the past.

In previous Financial Statements the Group reported that while no revenue has been received or recognised on these 22,634 tests, the Group still noted the potential of future receipt as negotiations continued. Negotiations have concluded and no further avenue is available for the Group to obtain reimbursement.

## 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.

	GROUP		
	Notes	2022 (\$000)	2021 (\$000)
Research Expenses		5,135	4,584
Includes:			
Employee Benefits	8	2,664	2,423

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 7. GENERAL AND ADMINISTRATION EXPENSES

	Notes	GROUP	
		2022 (\$000)	2021 (\$000)
Amortisation	14	78	55
Auditors Remuneration: PricewaterhouseCoopers New Zealand*			
- Group year end financial statements		172	155
- Half year review of financial statements		28	29
- Singapore Statutory financial statements		12	11
Auditors Remuneration: PricewaterhouseCoopers Singapore			
- Statutory financial statements		12	12
Depreciation	13	132	94
Depreciation on Right of Use Assets	23	176	225
Directors Fees		413	278
Employee Benefits	8	3,216	2,507
Insurance		418	273
Interest on Lease Liabilities	23	23	39
NZX, ASX and Registry Fees		901	121
Other Operating Expenses		2,175	1,611
		<b>7,756</b>	<b>5,410</b>

\* In addition to the Auditors Remuneration in the General and Administration Expenses, \$NZ42,000 was paid to PwC Australia for the review of the proforma financials related to the ASX Listing and Capital Raise and has been included in Issue Expenses within Share Capital.

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

#### Other Operating Expenses

The major categories of expenditure which make up General and Administration Expenses, but are not disclosed separately above are Information Technology costs, Compliance and Regulatory costs, Investor Relations costs, Consultants and Contractors.

### 8. EMPLOYEE BENEFITS

	Notes	GROUP	
		2022 (\$000)	2021 (\$000)
<b>Represented by:</b>			
<b>Employee Benefits:</b>			
Employee Benefits in Lab Operations		2,145	1,879
Employee Benefits in Research	6	2,664	2,423
Employee Benefits in Sales and Marketing		9,848	6,616
Employee Benefits in General and Administration	7	3,216	2,507
<b>Total Employee Benefits</b>		<b>17,873</b>	<b>13,425</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 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 Consolidated Statement of Comprehensive Income when the shares are issued. During the 2022 financial year, 123,000 (2021: 645,000) ordinary shares were issued to employees as part of the Employee Share Scheme. The associated non-cash cost of these shares was \$172,000 (2021: \$284,000). 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 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 up to ten 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 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. 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 any awards in cash. The fair value of all options granted is recognised as an expense in the Consolidated 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 Consolidated 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, there were 5,527,000 (2021: 3,636,000) share options exercised resulting in an increase in share capital of \$4,040,000 (2021: \$2,636,000). Refer to note 18 for further details on the share options that were exercised.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

	GROUP			
	2022		2021	
	Weighted average exercise price \$	Options #	Weighted average exercise price \$	Options #
Outstanding at 1 April	0.42	15,952,289	0.42	18,137,598
Granted	1.23	3,682,500	0.30	2,493,836
Forfeited	0.32	(246,076)	0.23	(277,490)
Exercised*	0.42	(5,527,394)	0.41	(3,635,838)
Expired	-	-	0.80	(765,817)
<b>Outstanding at 31 March</b>	<b>0.60</b>	<b>13,861,319</b>	<b>0.39</b>	<b>15,952,289</b>
Exercisable at 31 March	0.27	9,908,171	0.31	12,765,384

\* The weighted average share price at the date of options exercised during the year ended 31 March 2022 was NZ\$1.35 (2021: NZ\$0.92).

The Group used the Black-Scholes valuation model to determine the fair value of the equity instruments granted. The Black-Scholes valuation model has been determined as the most appropriate method as it estimates the theoretical value of derivatives taking into account the impact of time and other risk factors. 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 50-70%, a dividend yield of 0%, an expected option life of between one and ten years and an annual risk-free interest rate of between 0.65% 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 ten years.

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 2022 Options #	31 March 2021 Options #
September 2021	September 2017	0.80	-	750,000
September 2024	September 2014	0.69	95,000	180,000 *
April 2025	April 2015	0.69	6,666	6,666
July 2025	July 2015	0.69	12,498	12,498
August 2025	August 2015	0.72	4,166	4,166
September 2025	September 2015	0.72	14,998	14,998
September 2025	September 2015	0.69	15,000	15,000
September 2025	September 2015	0.50	85,000	190,000 *
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	0.69	12,501	12,501
July 2026	July 2016	0.50	8,332	8,332
August 2026	August 2016	0.72	2,866	2,866
August 2026	August 2016	0.50	8,332	8,332
September 2026	September 2016	0.72	15,001	15,001
September 2026	September 2016	0.69	15,000	15,000



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

Expiry Month	Vesting Date	Exercise Price \$	31 March 2022 Options #	31 March 2021 Options #
September 2026	September 2016	0.50	85,333	85,333
November 2026	November 2016	0.72	83,333	83,333
November 2026	November 2016	0.60	8,332	8,332
November 2026	November 2016	0.48	10,000	30,000 *
December 2026	December 2016	0.60	10,832	10,832
January 2027	January 2017	0.72	10,834	10,834
February 2027	February 2023	1.15	600,000	-
March 2027	March 2017	0.60	4,166	4,166
April 2027	April 2017	0.69	6,667	6,667
April 2027	April 2017	0.60	75,000	75,000
July 2027	July 2017	0.69	10,012	343,346
July 2027	July 2017	0.50	4,190	4,190
August 2027	August 2017	0.50	8,334	8,334
August 2027	August 2017	0.48	4,166	4,166
September 2027	September 2017	0.72	10,594	10,594
September 2027	September 2017	0.69	15,000	15,000
September 2027	September 2017	0.50	79,168	79,168
September 2027	September 2017	0.48	6,666	6,666
November 2027	November 2017	0.72	83,334	83,334
November 2027	November 2017	0.60	8,334	8,334
December 2027	December 2017	0.60	3,790	3,790
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 2024	1.25	600,000	-
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	836,664	1,319,994
May 2028	May 2018	0.28	6,666	6,666
July 2028	July 2018	0.50	2,671	2,671
August 2028	August 2018	0.50	4,315	4,315
August 2028	August 2018	0.48	3,916	3,916
September 2028	September 2018	0.50	219	219
September 2028	September 2018	0.48	4,128	4,128
October 2028	October 2018	0.48	-	30,000
October 2028	October 2018	0.28	8,332	8,332
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
February 2029	February 2019	0.28	6,666	6,666

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

Expiry Month	Vesting Date	Exercise Price \$	31 March 2022 Options #	31 March 2021 Options #
February 2029	February 2025	1.25	600,000	-
March 2029	March 2019	0.60	68	68
April 2029	April 2019	0.60	75,000	75,000
May 2029	May 2019	0.51	964,247	1,414,249
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	4,166
October 2029	October 2019	0.48	40,000	40,000
October 2029	October 2019	0.28	8,334	8,334
October 2029	October 2019	0.23	4,166	4,166
November 2029	November 2019	0.23	8,332	8,332
December 2029	December 2019	0.51	2,717	2,717
January 2030	January 2020	0.51	3,767	3,767
February 2030	February 2020	0.28	6,667	6,667
February 2030	February 2026	1.25	600,000	-
May 2030	May 2020	0.51	906,322	1,322,990
May 2030	May 2020	0.28	5,334	5,334
June 2030	June 2020	0.28	2,432	2,432
July 2030	July 2020	0.28	4,167	4,167
August 2030	August 2020	0.23	437,494	1,260,826
October 2030	October 2020	0.28	8,334	8,334
October 2030	October 2020	0.23	4,167	4,167
November 2030	November 2020	0.23	8,334	8,334
February 2031	February 2021	0.28	6,667	6,667
February 2031	February 2027	1.25	600,000	-
June 2031	June 2021	0.22	388,888	719,612
July 2031	July 2021	0.28	4,167	4,167
August 2031	August 2021	0.23	990,746	2,754,172
October 2031	October 2021	0.23	4,167	4,167
November 2031	November 2021	0.23	8,334	8,334
December 2031	December 2021	0.8	335,000	335,000
June 2032	June 2022	0.22	719,612	719,612
August 2032	August 2022	1.23	210,825	-
August 2032	August 2022	0.23	2,617,360	2,750,011
June 2033	June 2023	0.22	719,612	719,612
August 2033	August 2023	1.23	210,837	-
August 2034	August 2024	1.23	210,838	-
			13,861,319	15,952,290

\* Included within these tranches are 190,000 options (2021: 400,000 options) that vested immediately.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 9. CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS

#### ACCOUNTING POLICY

Cash and cash equivalents includes cash in hand and deposits held on call with banks, and bank overdrafts. Term deposits are also presented as cash equivalents if they have a maturity of three months or less from acquisition date.

Short Term Deposits and Cash Equivalents include investments with ANZ, BNZ, Kiwibank and Westpac (2021: ANZ, BNZ and Heartland), with periods ranging up to 365 days. Funds held on term deposit with ANZ, BNZ Westpac and Kiwibank can be accessed with one month's notice at the request of the authorised bank signatories of Pacific Edge Limited.

	GROUP	
	2022 (\$000)	2021 (\$000)
Cash and Cash Equivalents	35,412	4,129
Short Term Deposits	70,000	19,000
<b>Total Cash, Cash Equivalents and Short Term Deposits</b>	<b>105,412</b>	<b>23,129</b>
NZD	84,517	22,513
USD	18,601	578
AUD	2,284	25
EUR	1	1
SGD	9	12
<b>Total Cash, Cash Equivalents and Short Term Deposits</b>	<b>105,412</b>	<b>23,129</b>

#### INTEREST INCOME

##### ACCOUNTING POLICY

Interest income is recognised using the effective interest method.

Interest on the bank balances ranges from 0% to 1.89% (2021: 0% to 1.70%) per annum.

### 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	
	2022 (\$000)	2021 (\$000)
Trade Receivables	1,633	1,016
Sundry Debtors	1,925	1,655
Accrued Interest	337	152
GST Refund Due / (Payable)	117	43
<b>Total Receivables</b>	<b>4,012</b>	<b>2,866</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

US Trade Receivables includes a provision for future refunds of \$143,000.

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.

	GROUP	
	2022 (\$000)	2021 (\$000)
3 to 6 Months	109	27
<b>Total Overdue Trade Receivables</b>	<b>109</b>	<b>27</b>

The foreign currency split of Receivables is:

	GROUP	
	2022 (\$000)	2021 (\$000)
NZD	1,579	1,310
USD	1,550	935
AUD	883	621
<b>Total Receivables</b>	<b>4,012</b>	<b>2,866</b>

### 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	
	2022 (\$000)	2021 (\$000)
Laboratory Supplies	1,007	790
<b>Total Inventory</b>	<b>1,007</b>	<b>790</b>

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

Laboratory supplies used during the year of \$1,569,000 (2021: \$1,261,000) are included within the Consolidated Statement of Comprehensive Income in Laboratory Operations and Research.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 12. OTHER ASSETS

	GROUP	
	2022 (\$000)	2021 (\$000)
Prepayments	1,014	398
Security Deposits	169	159
<b>Total Other Assets</b>	<b>1,183</b>	<b>557</b>

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

### 13. PROPERTY, PLANT AND 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 Consolidated 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 67%	DV
Leasehold Improvements	6% to 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

	Plant & Laboratory Equipment (\$000)	Computer Equipment (\$000)	Leasehold Improvements (\$000)	Furniture & Fittings (\$000)	Total (\$000)
<b>Cost</b>					
Balance at 1 April 2020	2,385	764	331	348	3,828
Additions	195	46	29	-	270
Disposals	(244)	(246)	(1)	(22)	(513)
Translation Difference	(143)	(52)	(22)	(27)	(244)
<b>Balance at 31 March 2021</b>	<b>2,193</b>	<b>512</b>	<b>337</b>	<b>299</b>	<b>3,341</b>
Balance at 1 April 2021	2,193	512	337	299	3,341
Additions	511	232	213	33	989
Disposals	(788)	(362)	(159)	(7)	(1,316)
Translation Difference	1	2	1	1	5
<b>Balance at 31 March 2022</b>	<b>1,917</b>	<b>384</b>	<b>392</b>	<b>326</b>	<b>3,019</b>
<b>Accumulated Depreciation</b>					
Balance at 1 April 2020	2,073	677	149	277	3,176
Depreciation Expense	118	49	18	4	189
Disposals	(237)	(241)	(1)	(20)	(499)
Translation Difference	(130)	(46)	(11)	(26)	(213)
<b>Balance at 31 March 2021</b>	<b>1,824</b>	<b>439</b>	<b>155</b>	<b>235</b>	<b>2,653</b>
Balance at 1 April 2021	1,824	439	155	235	2,653
Depreciation Expense	150	89	14	10	263
Disposals	(787)	(355)	(71)	(91)	(1,304)
Translation Difference	2	1	-	-	3
<b>Balance at 31 March 2022</b>	<b>1,189</b>	<b>174</b>	<b>98</b>	<b>154</b>	<b>1,615</b>
<b>Carrying Amounts</b>					
At 1 April 2020	312	87	182	71	652
At 31 March 2021	369	73	182	64	688
<b>At 31 March 2022</b>	<b>728</b>	<b>210</b>	<b>294</b>	<b>172</b>	<b>1,404</b>

### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 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.

### Cxbladder 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.

	Software Development Costs (\$000)	Patents (\$000)	Cxbladder Development Costs (\$000)	Total (\$000)
<b>Cost</b>				
Balance at 1 April 2020	887	347	33	1,267
Additions	40	68	-	108
Foreign Translation Difference	(6)	-	-	(6)
<b>Balance at 31 March 2021</b>	<b>921</b>	<b>415</b>	<b>33</b>	<b>1,369</b>
Balance at 1 April 2021	921	415	33	1,369
Additions	278	135	-	413
Foreign Translation Difference	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>1,199</b>	<b>550</b>	<b>33</b>	<b>1,782</b>
<b>Accumulated Amortisation</b>				
Balance at 1 April 2020	799	273	16	1,088
Amortisation Expense	53	55	2	110
Foreign Translation Difference	(6)	-	-	(6)
<b>Balance at 31 March 2021</b>	<b>846</b>	<b>328</b>	<b>18</b>	<b>1,192</b>
Balance at 1 April 2021	846	328	18	1,192
Amortisation Expense	87	67	2	156
Foreign Translation Difference	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>933</b>	<b>395</b>	<b>20</b>	<b>1,348</b>
<b>Carrying Amounts</b>				
At 31 March 2020	88	74	17	179
At 31 March 2021	75	87	15	177
<b>At 31 March 2022</b>	<b>266</b>	<b>155</b>	<b>13</b>	<b>434</b>

## 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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 their net result 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 2022, is shown below.

2022	Commercial (\$000)	Research (\$000)	Less: Eliminations (\$000)	Total (\$000)
<b>Income</b>				
Operating Revenue - External	11,445	-	-	11,445
- Internal	-	-	-	-
Other Income	437	2,187	(933)	1,691
Interest Income	2	547	-	549
Foreign Exchange Gain	-	193	-	193
<b>Total Income</b>	<b>11,884</b>	<b>2,927</b>	<b>(933)</b>	<b>13,878</b>
<b>Expenses</b>				
Expenses	20,378	12,737	(933)	32,182
Depreciation & Amortisation	977	507	-	1,484
<b>Total Operating Expenses</b>	<b>21,355</b>	<b>13,244</b>	<b>(933)</b>	<b>33,666</b>
<b>Loss Before Tax</b>	<b>(9,471)</b>	<b>(10,317)</b>	-	<b>(19,788)</b>
Income Tax Expense	-	-	-	-
<b>Loss After Tax</b>	<b>(9,471)</b>	<b>(10,317)</b>	-	<b>(19,788)</b>
<b>Net Cash Flow to Operating Activities</b>	<b>(8,620)</b>	<b>(8,932)</b>	-	<b>(17,552)</b>

2021	Commercial (\$000)	Research (\$000)	Less: Eliminations (\$000)	Total (\$000)
<b>Income</b>				
Operating Revenue - External	7,701	-	-	7,701
- Internal	-	-	-	-
Other Income	1,224	2,130	(968)	2,386
Interest Income	1	350	-	351
Foreign Exchange Gain	3	(2)	-	1
<b>Total Income</b>	<b>8,929</b>	<b>2,478</b>	<b>(968)</b>	<b>10,439</b>
<b>Expenses</b>				
Expenses	14,529	9,730	(968)	23,291
Depreciation and Amortisation	934	437	-	1,371
<b>Total Operating Expenses</b>	<b>15,463</b>	<b>10,167</b>	<b>(968)</b>	<b>24,662</b>
<b>Loss Before Tax</b>	<b>(6,534)</b>	<b>(7,689)</b>	-	<b>(14,223)</b>
Income Tax Expense	-	-	-	-
<b>Loss After Tax</b>	<b>(6,534)</b>	<b>(7,689)</b>	-	<b>(14,223)</b>
<b>Net Cash Flow to Operating Activities</b>	<b>(6,438)</b>	<b>(7,132)</b>	-	<b>(13,570)</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### Eliminations

These are the intercompany transactions between the subsidiaries and the Parent. These are eliminated on consolidation of Group results. The Research segment of the business utilise consumables and other components that are purchased by the Commercial segments of the business, with the costs of these components allocated to the Research segment, and the Commercial segment recognising the revenue from the sale.

### Segment Assets and Liabilities Information

2022	Commercial (\$000)	Research (\$000)	Total (\$000)
Total Assets	6,031	109,251	115,282
Total Liabilities	4,571	2,335	6,906

2021	Commercial (\$000)	Research (\$000)	Total (\$000)
Total Assets	5,477	25,707	31,184
Total Liabilities	4,529	1,546	6,075

### Additions to Non Current Assets for the period include:

	Commercial (\$000)	Research (\$000)	Total (\$000)
Property, Plant and Equipment	823	166	989
Right of Use Assets	148	-	148
Intangible Assets	279	134	413
<b>Total Additions to Non Current Assets</b>	<b>1,250</b>	<b>300</b>	<b>1,550</b>

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.

	2022 (\$000)	2021 (\$000)
<b>Operating and Grant Revenue</b>		
US	10,640	7,677
New Zealand	1,729	2,133
Rest of World	767	277
<b>Total Operating and Grant Revenue</b>	<b>13,136</b>	<b>10,087</b>

	2022 (\$000)	2021 (\$000)
<b>Non-Current Assets</b>		
US	1,611	2,201
New Zealand	2,057	1,618
Rest of World	-	23
<b>Total Non-Current Assets</b>	<b>3,668</b>	<b>3,842</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 16. INCOME TAX

#### ACCOUNTING POLICY

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated 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 2022 financial year and no income tax is payable.

	GROUP	
	2022 (\$'000)	2021 (\$'000)
<b>Income Tax recognised in the profit or loss:</b>		
Current tax expense	-	-
Deferred Tax in respect of the current year	(4,258)	(6,291)
Adjustments to deferred tax in respect to prior years	94	512
Deferred tax assets not recognised	4,164	5,779
<b>Income tax expense</b>	-	-
<b>The prima facie income tax on pre-tax accounting profit from operations reconciles to:</b>		
Accounting loss before income tax	(19,788)	(14,223)
At the statutory income tax rate of 28%	(5,541)	(3,982)
Non-deductible expenditure	626	(2,760)
Difference in US, Singapore and Australian income tax rates	657	451
Prior period adjustment	94	512
Deferred tax assets not recognised	4,164	5,779
<b>Income tax expense reported in Consolidated Statement of Comprehensive Income</b>	-	-

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### Tax Losses

The group has losses to carry forward of approximately \$112,330,000 (2021: \$94,400,000) with a potential tax benefit of \$25,694,000 (2021: \$21,500,000). The tax losses are split between the following jurisdictions:

	Tax Losses (\$000)	Tax Effect (\$000)	Rate
New Zealand	29,200	8,200	28%
Australia	1,200	400	30%
Singapore	1,500	200	17%
United States	80,300	16,900	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 \$45,846,000 (2021: \$42,200,000) to carry forward and claim for income tax purposes in New Zealand in the future. This has a tax effect of \$12,889,000 (2021: \$11,900,000). 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 Consolidated Balance Sheet.

### Imputation Credit Account

The Group has imputation credits of Nil (2021: 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	
	2022 (\$000)	2021 (\$000)
Trade Creditors	1,906	818
Accrued Expenses	659	411
Employee Entitlements (refer below)	2,418	1,968
<b>Total Payables and Accruals</b>	<b>4,983</b>	<b>3,197</b>

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	
	2022 (\$000)	2021 (\$000)
NZD	2,161	1,025
AUD	131	126
USD	2,656	2,013
SGD	35	33
	<b>4,983</b>	<b>3,197</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 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	
	2022 (\$'000)	2021 (\$'000)
Income Tax	214	361
Holiday Pay	360	261
Accrued Wages	1,844	1,346
<b>Total Employee Entitlements</b>	<b>2,418</b>	<b>1,968</b>

## 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 Consolidated 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	
	2022 (\$'000)	2021 (\$'000)
Ordinary Shares Authorised	294,139	190,305
<b>Total Share Capital</b>	<b>294,139</b>	<b>190,305</b>

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

### Share Capital Group

	2022 Shares ('000)	2022 (\$'000)	2021 Shares ('000)	2021 (\$'000)
Opening Balance	727,779	190,305	689,652	165,423
Issue of Ordinary Shares - Placement <sup>1</sup>	76,657	103,487	33,846	22,000
Issue of Ordinary Shares - Exercise of share options <sup>2</sup>	5,528	4,040	3,636	2,636
Issue of Ordinary Shares - Employee Remuneration <sup>3</sup>	123	172	645	284
Less: Issue Expenses	-	(3,865)	-	(38)
Movement	82,308	103,834	38,127	24,882
<b>Closing Balance</b>	<b>810,087</b>	<b>294,139</b>	<b>727,779</b>	<b>190,305</b>

1) During the period 76,657,358 shares were issued under placements at \$1.35 per share. (2021: 33,846,154 at \$0.65)

2) During the period 5,527,391 share options were exercised at an average price of \$0.42 per share (2021: 3,635,835 at an average price of \$0.41)

3) During the period 123,086 shares were issued as part of employees remuneration in lieu of cash payments at an average price of \$1.40 per share. (2021: 645,182 at \$0.44)

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 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 Consolidated 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 FLOWS TO OPERATING ACTIVITIES WITH NET LOSS

	GROUP	
	2022 (\$000)	2021 \$000
Net Loss for the Period	(19,788)	(14,223)
<b>Add Non Cash Items:</b>		
Depreciation	263	189
Loss on disposal of Property, Plant and Equipment	11	13
Amortisation	156	110
Employee Share Options	839	1,035
Employee Bonuses paid in shares in lieu of cash	172	284
Depreciation on Right of Use Assets	1,064	1,073
Interest on finance leases shown in lease repayments	126	103
<b>Total Non Cash Items</b>	<b>2,631</b>	<b>2,807</b>
<b>Add Movements in Other Working Capital items:</b>		
Increase in Receivables and Other Assets	(1,772)	(2,088)
Increase (Decrease) in Inventory	(217)	6
Increase (Decrease) in Payables and Accruals	1,786	(71)
Effect of exchange rates on net cash	(192)	(1)
<b>Total Movement in Other Working Capital</b>	<b>(395)</b>	<b>(2,154)</b>
<b>Net Cash Flows to Operating Activities</b>	<b>(17,552)</b>	<b>(13,570)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 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) Credit Risk	Risk of financial loss in counterparty fails to meet contractual obligations
(iv) Liquidity Risk	Risk the Group may not be able to meet its commitments as they fall due
(v) 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 United States 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. 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 foreign currency against the NZD will reduce/increase the loss reported by approximately \$167,000 (2021: \$130,000) 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 \$1,041,000 and increase/reduce equity by the same amount (2021: \$219,000).

##### (iii) 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 2022

The Group has no significant concentration of credit risk other than bank deposits with 26.1% at Westpac, 25.4% at BNZ, 22.3% at ANZ, 17.4% at Kiwibank and 0.4% 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 A+ 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, US customers, and the Australian Government. Refer to note 10 for further details on expected credit losses for receivables.

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. The Group has included an accrual for tests performed from 1 April 2021 to 31 March 2022 for which payment has not been received by 31 March 2022.

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:

	Notes	GROUP	
		2022 (\$000)	2021 (\$000)
Cash and Cash Equivalents	9	35,412	4,129
Short Term Deposits	9	70,000	19,000
Trade and Other Receivables (excludes GST)	10	3,895	2,824
Other Assets (excludes prepayments)	12	169	159
		<b>109,476</b>	<b>26,112</b>

### (iv) 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 \$4,983,000 are due within 3 months of balance date (2021: \$3,197,000).

### Fair Values

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

## 22. RELATED PARTIES

A shareholder, the University of Otago, provided services, including rental space and car parking, to the Group to the value of \$361,000 (2021: \$340,000). The Group has commitments totaling \$269,000 (2021: \$267,000) with the University of Otago in the next financial year.

### Key Management Compensation

Key management personnel comprise of Directors and the Chief Executive Officer (current and retired) of Pacific Edge Limited, and the Chief Executive Officer and Executive Chairman of Pacific Edge Diagnostics USA Limited.

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

	GROUP	
	2022 (\$000)	2021 (\$000)
Salaries and Other Short Term Employee Benefits	2,207	1,861
Consulting Fees	105	-
Share Options Benefits	445	313
<b>Total Employee Entitlements</b>	<b>2,757</b>	<b>2,174</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### 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 29th July 2021 is \$465,000 per annum. During the year ended 31 March 2022, Tony Barclay was appointed to the board (21st March 2022) and David Darling ceased on the board (17th January 2022). The total amount of fees paid to Directors for the year ended 31 March 2022 was \$413,000.

The table below sets out the total fees approved for non-executive Directors of Pacific Edge Limited for the year ended 31 March 2022 based on the positions held:

Position	Quantity 2022	Total Fees Approved 2022	Quantity 2021	Total Fees Approved 2021
Chair	1	\$115,000	1	\$80,000
Deputy Chair	1	\$70,000	1	\$50,000
Non-executive Directors	4	\$240,000	2	\$88,000
Chair Audit & Risk Committee	1	\$10,000	1	\$5,000
Special Governance Allocation		\$30,000		-
US-based non-executive Director		-	1	\$79,000
<b>Total Fee Pool</b>		<b>\$465,000</b>		<b>\$302,000</b>

## 23. FINANCE AND OPERATING LEASE COMMITMENTS

### ACCOUNTING POLICY

The group leases various properties and equipment. Rental contracts vary depending on the type of asset being leased. 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 cost is charged to the Consolidated 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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 Consolidated 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 2021 comparative for lease repayments in the Consolidated Statement of Cashflows has been split between principal and interest to be comparable with the current year reporting.

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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

### Right of Use Assets

	GROUP	
	2022 (\$'000)	2021 (\$'000)
<b>Cost</b>		
<b>Opening Balance</b>	<b>3,914</b>	<b>2,518</b>
Additions	179	2,588
Removals (Leases Completed)	(366)	(1,227)
Foreign Currency Translation	(122)	35
<b>Closing Balance</b>	<b>3,605</b>	<b>3,914</b>
<b>Accumulated Depreciation</b>		
<b>Opening Balance</b>	<b>937</b>	<b>937</b>
Depreciation	1,064	1,083
Reversal of Accumulated Depreciation (Leases Completed)	(153)	(1,204)
Foreign Currency Translation	(73)	121
<b>Closing Balance</b>	<b>1,775</b>	<b>937</b>
<b>Net Right of Use Assets Balance</b>	<b>1,830</b>	<b>2,977</b>
<b>Right of Use Assets Net Book Value</b>		
Buildings	1,792	2,624
Computer Equipment	38	62
Plant and Equipment	-	291
	<b>1,830</b>	<b>2,977</b>
<b>Depreciation</b>		
Buildings	1,018	966
Computer Equipment	24	18
Plant and Equipment	22	99
	<b>1,064</b>	<b>1,083</b>
Expenses relating to Short Term and Low Value Leases	74	24
<b>Total Cash Outflow relating to Leases</b>	<b>1,273</b>	<b>1,250</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

Lease Liability	GROUP	
	2022 (\$'000)	2021 (\$'000)
<b>Opening Balance</b>	<b>2,878</b>	<b>1,554</b>
Additions	148	2,587
Lease Terminated - Liability Reversed	-	(26)
Lease Repayments	(1,230)	(1,262)
Interest Charged	126	107
Foreign Currency Translation	1	(82)
<b>Closing Balance</b>	<b>1,923</b>	<b>2,878</b>
<b>Split by:</b>		
Current Liability	1,072	1,098
Non-Current Liability	851	1,780
	<b>1,923</b>	<b>2,878</b>
<b>The maturity of the Lease Liabilities is as follows:</b>		
Less than one year	1,072	1,103
One to two years	671	999
Two to three years	51	595
More than three years	129	181
	<b>1,923</b>	<b>2,878</b>

### 24. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

#### a) Contingent Liabilities

There were no known contingent liabilities at 31 March 2022 (March 2021: 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 2022 (March 2021: Nil).

### 25. COVID-19

Covid-19 continues to have had an impact on the throughput, revenue and expenses of the Group for the year ended 31 March 2022.

In the markets the Group operates in, measures have been employed by Governments in an attempt to limit the spread of the virus. This has restricted the ability for people to visit clinics and have tests performed.

While throughput quantities for the group for the year ended 31 March 2022 are up 46% on the prior year, the restricted access to clinics has offset some of the increase expected from the increased Sales and Marketing expenditure (up 55% on the prior year).

The benefits of the increased investment in Sales and Marketing are expected to be realised by the Group in the next 12 months as Covid-19 restrictions are relaxed and/or removed.

The Group has Cash, Cash Equivalents and Short Term Deposits of \$105,412,000, which provides confidence in the ability of the Group to manage any on-going impacts caused by Covid-19.

### 26. SUBSEQUENT EVENTS

There are no subsequent events.



## Independent auditor's report

To the shareholders of Pacific Edge Limited

### 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 2022, 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).

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### 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.

### Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for 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 areas of half year review procedures and with providing other assurance services. The provision of these other services has not impaired our independence as auditor of the Group.

### 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.



Description of the key audit matter	How our audit addressed the key audit matter
<p><b>Determining the timing of revenue recognition for US revenue</b></p> <p>As disclosed in Note 5 of the consolidated financial statements, the timing of revenue recognition for US based revenue varies by revenue stream between completion of the Cxbladder test and receipt of cash.</p> <p>The Company has two material United States (US) revenue streams:</p> <ol style="list-style-type: none"> <li>1. Coverage via Centers for Medicare and Medicaid Services (CMS), and</li> <li>2. Private Insurance.</li> </ol> <p>In July 2020, the Company received Local Coverage Determination (“LCD”) for CMS. This determination created a set price for the Company’s tests of US\$760 per test from July 2020. This established a clear transaction price for the tests. This transaction price, along with a history of payment, satisfies the NZ IFRS requirements for revenue recognition.</p> <p>Accordingly, in the current year US derived revenue for tests performed for CMS and Medicare Advantage has been recognised in advance of cash being received. Revenue for these customers is recognised when the tests are performed.</p> <p>All other US derived revenue is accounted for on a cash receipts basis as disclosed in Note 5.</p>	<p>Our audit procedures included the following:</p> <p>We obtained an understanding of management’s processes and controls for the CMS and Private Insurance US revenue streams, including the relevant controls at the external billing reimbursement service organisation. We obtained the SOC1 System and Organisation Controls Report for the external billing reimbursement service organisation, and evaluated the evidence provided over the design and operating effectiveness of the relevant controls.</p> <p>We evaluated management’s determination of whether a contract with customers existed by:</p> <ul style="list-style-type: none"> <li>• Assessing the data supporting revenue recognition for CMS and Medicare Advantage to confirm that the transaction price can be determined and collectability is probable;</li> <li>• Assessing the data supporting revenue recognition for private insurance to confirm that the transaction price and collectability is only probable when cash is received;</li> <li>• Performing subsequent receipt testing to validate the probability of collection of the year end receivable and performing look back procedures over the prior year receivable to test collection rates; and</li> <li>• Evaluating the application of NZ IFRS 15 against technical guidance and the accounting standards.</li> </ul> <p>We have no matters to report from the procedures performed above.</p>

**Our audit approach**

**Overview**

	<p>Overall group materiality: \$467,000, which represents 2.5% of (loss)/earnings before interest, tax, depreciation and amortisation (EBITDA).</p> <p>We chose earnings before interest, tax, depreciation and amortisation (EBITDA) as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</p> <p>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.</p> <p>As reported above, we have one key audit matter, being:</p> <ul style="list-style-type: none"> <li>• Determining the timing of revenue recognition for US revenue.</li> </ul>
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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.

### **How we tailored our group audit scope**

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.

We selected transactions and balances to audit based on their materiality to the Group rather than determining the scope of procedures to perform by auditing only specific subsidiaries or business units.

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### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

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### **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.

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**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/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

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**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.

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The engagement partner on the audit resulting in this independent auditor's report is Maxwell John Dixon.

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
25 May 2022

Dunedin

**COMPANY DIRECTORY**

As at 31 March 2022

**Issued Capital**

810,087,233 Ordinary Shares

**Registered Office**

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

**Directors**

C. Gallaher – Chairman  
 A. Masfen  
 S. Park  
 B. Williams  
 A. Stove  
 M. Green (appointed 10 May 2021)  
 T. Barclay (appointed 21 March 2022)  
 D. Darling (ceased 17 January 2022)

**Chief Executive Officer**

Peter Meintjes

**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

Kiwibank  
 Dunedin

Westpac  
 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](http://www.pacificedgedx.com)[www.cxbladder.com](http://www.cxbladder.com)**Facebook**[www.facebook.com/PacificEdgeLtd](http://www.facebook.com/PacificEdgeLtd)[www.facebook.com/Cxbladder](http://www.facebook.com/Cxbladder)**Twitter**

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**PACIFIC EDGE**   
CANCER DIAGNOSTICS COMPANY

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