21 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2021

PACIFIC EDGE LTD
CANCER DIAGNOSTICS COMPANY

Contents

Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 ($000)	2020 ($000)
REVENUE			
Operating Revenue	5	7,701	4,370
Total Operating Revenue		**7,701**	**4,370**
Other Income	5	2,386	584
Interest Income	9	351	249
Foreign Exchange Gain (Loss)		1	(5)
Total Revenue and Other Income		**10,439**	**5,198**
OPERATING EXPENSES			
Laboratory Operations		5,466	5,181
Research	6	4,584	3,916
Sales and Marketing		9,202	8,571
General and Administration	7	5,410	6,416
Total Operating Expenses	5	**24,662**	**24,084**
NET (LOSS) BEFORE TAX		**(14,223)**	**(18,886)**
Income Tax Expense	16	-	-
(LOSS) FOR THE YEAR AFTER TAX		**(14,223)**	**(18,886)**
Items that may be reclassified to profit or loss:			
Translation of Foreign Operations		46	(96)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		**(14,177)**	**(18,982)**
Earnings per share for profit attributable to the equity holders of the Company during the year			
Basic and Diluted Earnings per share	3	(0.020)	(0.032)

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

Statement of Changes in Equity

For the year ended 31 March 2021

	Notes	Share Capital ($000)	Accumulated Losses ($000)	Share Based Payments Reserve ($000)	Foreign Currency Translation Reserve ($000)	Total Equity ($000)
Balance as at 31 March 2019		**146,403**	**(137,877)**	**4,507**	**877**	**13,910**
(Loss) after tax		-	(18,886)	-	-	(18,886)
Other Comprehensive Income		-	-	-	(96)	(96)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		**-**	**(18,886)**	**-**	**(96)**	**(18,982)**
Transactions with owners in their capacity as owners:						
Issue of Share Capital	18	18,857	-	-	-	18,857
Share Based Payments - Employee Remuneration	8	163	-	-	-	163
Share Based Payment - Employee Share Options	8	-	521	35	-	556
Balance as at 31 March 2020		**165,423**	**(156,242)**	**4,542**	**781**	**14,504**
Balance as at 31 March 2020		**165,423**	**(156,242)**	**4,542**	**781**	**14,504**
(Loss) after tax		-	(14,223)	-	-	(14,223)
Other Comprehensive Income		-	-	-	46	46
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		**-**	**(14,223)**	**-**	**46**	**(14,177)**
Transactions with owners in their capacity as owners:						
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
Balance as at 31 March 2021		**190,305**	**(170,061)**	**4,038**	**827**	**25,109**

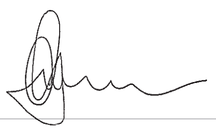
Note: These Financial Statements are to be read in conjunction with the Notes to the Financial Statements

Balance Sheet

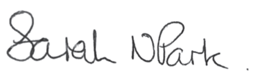
As at 31 March 2021

	Notes	2021 ($000)	2020 ($000)
CURRENT ASSETS			
Cash and Cash Equivalents	9	4,129	1,755
Short Term Deposits	9	19,000	13,029
Receivables	10	2,866	642
Inventory	11	790	796
Other Assets	12	557	694
Total Current Assets		**27,342**	**16,916**
NON-CURRENT ASSETS			
Property, Plant and Equipment	13	688	652
Right of Use Assets	23	2,977	1,581
Intangible Assets	14	177	179
Total Non-Current Assets		**3,842**	**2,412**
TOTAL ASSETS		**31,184**	**19,328**
CURRENT LIABILITIES			
Payables and Accruals	17	3,197	3,270
Lease Liabilities	23	1,098	983
Total Current Liabilities		**4,295**	**4,253**
NON-CURRENT LIABILITIES			
Lease Liabilities	23	1,780	571
Total Current Liabilities		**1,780**	**571**
TOTAL LIABILITIES		**6,075**	**4,824**
NET ASSETS		**25,109**	**14,504**
Represented by:			
EQUITY			
Share Capital	18	190,305	165,423
Accumulated Losses		(170,061)	(156,242)
Share Based Payments Reserve		4,038	4,542
Foreign Translation Reserve		827	781
TOTAL EQUITY		**25,109**	**14,504**
FURTHER INFORMATION			
Net Tangible Assets per share ($)	27	0.034	0.021

For and on behalf of the Board of Directors dated the 26th day of May 2021:



Director



Director

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

Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 ($000)	2020 ($000)
CASH FLOWS TO OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		6,747	4,431
Receipts from Grant Providers		1,059	1,184
Interest Received		271	241
		8,077	5,856
Cash was disbursed to:			
Payments to Suppliers and Employees		21,643	21,190
Net GST cash outflow (inflow)		4	51
		21,647	21,241
Net Cash Flows to Operating Activities	20	**(13,570)**	**(15,385)**
CASH FLOWS TO INVESTING ACTIVITIES:			
Cash was provided from:			
Proceeds from Short Term Deposits		23,081	8,000
		23,081	8,000
Cash was disbursed to:			
Purchase of Short Term Deposits		29,052	13,029
Capital Expenditure on Plant and Equipment		270	116
Capital Expenditure on Intangible Assets		108	67
		29,430	13,212
Net Cash Flows to Investing Activities		**(6,349)**	**(5,212)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash was received from:			
Ordinary Shares Issued	18	22,000	20,136
Exercising of Share Options		1,500	-
		23,500	20,136
Cash was disbursed to:			
Repayment of Leases	23	1,250	1,211
Issue Expenses	18	38	1,280
		1,288	2,491
Net Cash Flows From Financing Activities		**22,212**	**17,645**
Net increase (decrease) in Cash Held		**2,293**	**(2,952)**
Add Opening Cash Brought Forward		1,755	4,847
Effect of exchange rate changes on net cash		81	(140)
Ending Cash Carried Forward	9	**4,129**	**1,755**

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 2021

1. SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

The consolidated financial statements (hereafter referred to as the 'financial statements') presented for the year ended 31 March 2021 are for Pacific Edge Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group'). The Group's purpose is to research, develop and commercialise new diagnostic and prognostic tools for the early detection and management of cancers.

Pacific Edge Limited is registered in New Zealand under the Companies Act 1993 and is a Financial Markets Conduct (FMC) reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the NZX Listing Rules. The financial statements presented are those of the Group, consisting of the Parent entity, Pacific Edge Limited and its subsidiaries. The reporting entity is listed on the New Zealand Stock Exchange (NZX).

These financial statements have been approved for issue by the Board of Directors on 26 May 2021.

Basis of Preparation

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

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

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

Management of Capital

The capital structure of the Group consists of equity raised by the issue of ordinary shares in the Company. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, 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 July 2020, issuing a further 33,846,154 shares at $0.65 per share. Refer to Note 18 for further details on the capital raising activity during FY21.

Going Concern

The 2021 financial statements have been prepared on the going concern basis which assumes that the Company will have sufficient cash to pay its debts as they fall due for a minimum of 12 months from the date of signing the financial statements.

As at 31 March 2021, the Company has $23.129m of cash, cash equivalents and short term deposits (2020: $14.784m) and net assets of $25.109m (2020: $14.504m). Operating cash receipts totalling $8.077m were received in the 12 month period to 31 March 2021 (2020: $5.856m) along with additional capital of $23.500m (2020: $20.136m) prior to issue expenses. Net cash outflows from operating activities for the 12 month period to 31 March 2021 were $13.570m (2020: $15.385m).

The Company obtained two significant commercial milestones during the period, which have increased Cash Receipts from Customers for the twelve months to 31 March 2021, and will have a positive impact on future revenues for the Company.

The first of these announced on 17th June 2020 was that the Company and US healthcare provider, Kaiser Permanente, have reached agreement for the commercial use of Pacific Edge's Cxbladder tests. Kaiser Permanente is one of the largest non-profit healthcare providers in the United States of America (US), with over 12 million members. It operates 39 hospitals and employs approximately 23,000 physicians, and is expected to drive increased test numbers.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

The second of these announced on 3rd July 2020 was the positive LCD decision, resulting in the Company receiving reimbursement for all Cxbladder Monitor and Detect tests performed after 1 July 2020 for patients covered by the Centers for Medicare and Medicaid Services (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. The CMS provides healthcare coverage for all US citizens over 65 years. CMS tests currently make up approximately 42% of Pacific Edge's current Commercial Tests in the US, with Medicare Advantage tests comprising a further 25% of current Commercial Tests in the US.

The obtainment of these commercial milestones have had, and will continue to have a significant positive impact on the Company's financial position. The Company also continues to progress commercial negotiations with targeted large scale health organisations in the US and whilst these negotiations are taking longer than expected to complete, the Company continues to make good progress with these negotiations. The Board of Directors has reviewed the forecasts of the Group and are satisfied that based on their review, there will be adequate cash flows generated from operating and financing activities to meet the obligations of the Group for at least twelve months from signing the financial statements.

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 2021 %	31 March 2020 %
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge 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 2021 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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.

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

There has been a change in a Critical Accounting Estimate for commercial test revenue recognised in the US, which has resulted in Operating Revenue increasing by $973,000 for the reporting period ending 31 March 21. This is detailed in Note 5.

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 2020.

2. NEW STANDARDS

New and Amended Standards Adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020.

- Definition of Material - amendments to IAS 1 and IAS 8
- Definition of a Business - amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to NZ IFRS 9, NZ IAS 39 and NZ IFRS 7
- Revised New Zealand Equivalent for Financial Reporting

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 2021 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	
	2021 ($000)	2020 ($000)
Loss attributable to equity holders of the Company	(14,223)	(18,886)
Weighted average number of ordinary shares on issue	714,031	581,344
Earnings per share	(0.020)	(0.032)

(b) Diluted

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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. 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.

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

	FY21	FY20
Total Laboratory Throughput (tests)	15,814	16,861
Change in Total Laboratory Throughput (%)	-6%	7%
Change in Throughput from previous year (tests)	(-) 1,047	(+) 1,164
Total Commercial Tests (tests)	12,976	13,627
Commercial Tests as a percentage of Total Laboratory Throughput (%)	82%	81%
Change in Commercial Tests from previous year (%)	-5%	6%

Total Laboratory Throughput and Commercial Test numbers reduced during the year when compared to the prior year due to the impact of Covid-19. The impact of this was seen in the first half of the year with volumes down 16% for both Total Laboratory Throughput and Commercial Tests when compared to the prior year, while Total Laboratory Throughput and Commercial Test numbers were up up 3% and 6% respectively for the second half of the year when compared to the prior corresponding period.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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 allows revenue to be recognised as performance obligations are satisfied. For the Group this would result in some revenue recognised in advance of the receipt of cash.

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.

Within the five criteria, significant judgement is applied in determining the Transaction Price to apply to the transaction, and also the probability of payment. Further information on the Significant Judgements applied are included 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.

For the prior comparative period (31 March 2020) the Group had judged it is not probable that any consideration will be received from CMS as inclusion in the LCD with the CMS had not at the time been obtained. For customers covered by private insurance, or with no insurance cover, the Group could not reliably estimate both the probability and size of payment to be received. The Group therefore recognised Operating Revenue from the US when cash was received, with no revenue accrual for tests performed but unpaid at balance date.

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 for patients with Medicare. The inclusion within the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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 has concluded that the contracts with the CMS and customers covered by Medicare Advantage include variable consideration. The amounts paid by Medicare may be subject to a refund if the Group was subject to an audit by CMS in the future and tests were identified which were not medically necessary. The commercial health insurance carriers that provide Medicare Advantage may pay an amount less than our standard rates if a patient has an unused deductible limit, or may not pay at all if the insurer identifies the test was not medically necessary. Variable consideration attributable to these price concessions is measured at the expected value, and is determined by using historical average collection rates by test type and payor category taking into consideration the range of possible outcomes and the predictive value of our past experience. 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 refund liability of $29,000 has been recognised to allow for tests that have been paid to the Group which are subsequently required to be refunded 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 between 1 July 2020 and 31 March 2021 for CMS and Medicare Advantage at the point in time the tests were completed. This has resulted in an increase to operating revenue and receivables of $973,000.

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 and an invoice is issued to the customer. Revenue is recognised when the invoice is issued.

OTHER INCOME

Grant Income

Government Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government Grants are recognised in Other Income in the Statement of Comprehensive Income, on a systematic basis over the periods in which the Group recognises 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

- 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 year ended 31 March 2021, the Group received Covid-19 support in the countries in which it operates. This support included Pacific Edge Diagnostics USA Limited receiving US$530,000 (NZ$790,000) which was recognised as Other Income after the application for forgiveness of the loan was approved, support in New Zealand from the Covid-19 Wage Subsidy (NZ$168,000), and in Australia with support from JobKeeper and Cash Flow Boost payments (NZ$139,000).

REVENUE AND OTHER INCOME

	2021 ($000)	2020 ($000)
Cxbladder Sales		
– US - Accrual Accounting	5,549	-
– US - Cash Accounting	1,339	3,778
– Total US Sales	6,888	3,778
– Rest Of World	813	592
Total Operating Revenue	**7,701**	**4,370**
Other Income		
Grant Revenue	322	83
Research Rebate Received	952	486
Covid-19 Support	1,112	15
Total Other Income	**2,386**	**584**

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 tests has been recognised.

The Company is in discussion with Novitas Solutions Inc who administer the health insurance for the CMS seeking reimbursement for tests performed prior to 30 June 2020 for patients covered by the CMS.

Tests performed for CMS since commencement of the Cxbladder test being used up to 30 June 2020 total 22,634.

While negotiations are in progress, there is no certainty that any payment will be received by the Group for these tests and as a result, no revenue has been recognised for the tests performed prior to 30 June 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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	2021 ($000)	2020 ($000)
Research Expenses		4,584	3,916
Includes:			
Employee Benefits	8	2,423	2,012

7. GENERAL AND ADMINISTRATION EXPENSES

		GROUP	
	Notes	2021 ($000)	2020 ($000)
Amortisation	14	55	61
Auditors Remuneration: PricewaterhouseCoopers New Zealand			
- Group year end financial statements		155	129
- Half year review of financial statements		29	21
- Singapore Statutory financial statements		11	11
Auditors Remuneration: PricewaterhouseCoopers Singapore			
- Statutory financial statements		12	10
Depreciation	13	94	86
Depreciation on Right of Use Assets	23	225	261
Directors Fees		278	321
Employee Benefits	8	1,850	2,857
Employee Share Scheme Expenses	8	284	163
Employee Share Options	8	373	148
Interest on Lease Liabilities	23	39	27
Rental and Lease Expense*		24	-
Other Operating Expenses		1,981	2,321
		5,410	**6,416**

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

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

8. EMPLOYEE BENEFITS

		GROUP	
	Notes	2021 ($000)	2020 ($000)
Represented by:			
Employee Benefits in Research	6	2,423	2,012
Employee Benefits in General & Administration	7	1,850	2,857
Short Term Salaries, Wages and Other Employee Benefits		7,833	6,359
		12,106	**11,228**
Non-Cash Employee Benefits:			
Employee Share Scheme Expenses	18	284	163
Share Option Expense		1,035	556
		1,319	**719**
Total Employee Benefits		**13,425**	**11,947**

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

The issuance of ordinary shares to employees is treated as equity settled share-based payments. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date based on the market price at the time of issuance. The fair value of shares granted is recognised as an employee expense in the Statement of Comprehensive Income when the shares are issued. During the 2021 financial year, 645,000 (2020: 754,000) ordinary shares were issued to employees as part of the Employee Share Scheme. The associated non-cash cost of these shares was $284,000 (2020: $163,000). Refer to Note 18 for further details on the shares issued during the financial year.

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

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

Performance Options
Performance Options are issued to selected employees to recognise performance or a significant contribution to the Company. Performance Options entitle the holder, on payment of the exercise price, to one ordinary share in the capital of the Company. The exercise price of the granted options is determined using the fair value of the

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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 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 in the capital of the Company.

The exercise price of the granted options is determined using the fair value of the Company's share price at the time of the options being granted. Incentive Options vest over three years and there is a requirement to remain as an employee of the Company in order for the options to vest. Tranches of options are exercisable over four to ten years from the relevant vesting date. No options can be exercised later than the tenth anniversary of the final vesting date.

ACCOUNTING POLICY

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

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

During the year, there were 3,636,000 share options exercised resulting in an increase in share capital of $2,636,000 (2020: nil). Refer to note 18 for further details on the share options that were exercised.

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

	GROUP			
	2021		2020	
	Weighted average exercise price $	Options #	Weighted average exercise price $	Options #
Outstanding at 1 April	0.42	18,137,598	0.61	10,712,368
Granted	0.30	2,493,836	0.23	10,360,000
Forfeited	0.23	(277,490)	0.25	(1,621,853)
Exercised*	0.41	(3,635,838)	-	-
Expired	0.80	(765,817)	0.65	(1,312,917)
Outstanding at 31 March	**0.39**	**15,952,289**	**0.42**	**18,137,598**
Exercisable at 31 March	0.31	12,765,384	0.52	11,350,318

** The weighted average share price at the date of options exercised during the year ended 31 March 2021 was NZ$0.92 (2020 - not applicable)..*

The significant inputs into the Black-Scholes valuation model were the market share price at grant date, the exercise price shown below, the expected annualised volatility of 50-60%, a dividend yield of 0%, an expected option life of between one and ten years and an annual risk-free interest rate of between 0.9% 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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 21 Options #	31 March 20 Options #
June 2020	June 2016	0.69		13,077
July 2020	July 2016	0.69		2,740
August 2020	August 2016	0.54		83,334
September 2020	September 2016	0.80		750,000
November 2020	November 2016	0.54		200,000
September 2021	September 2017	0.80	750,000	750,000
September 2024	September 2014	0.69	180,000	310,000 *
April 2025	April 2015	0.69	6,666	6,666
July 2025	July 2015	0.69	12,498	345,831
August 2025	August 2015	0.72	4,166	4,166
September 2025	September 2015	0.50	190,000	270,000 *
September 2025	September 2015	0.69	15,000	15,000
September 2025	September 2015	0.72	14,998	14,998
November 2025	November 2015	0.72	83,333	83,333
January 2026	January 2016	0.72	17,498	17,498
April 2026	April 2016	0.69	6,667	6,667
July 2026	July 2016	0.50	8,332	8,332
July 2026	July 2016	0.69	12,501	345,834
August 2026	August 2016	0.50	8,332	8,332
August 2026	August 2016	0.72	2,866	2,866
September 2026	September 2016	0.50	85,333	85,333
September 2026	September 2016	0.69	15,000	15,000
September 2026	September 2016	0.72	15,001	15,001
November 2026	November 2016	0.48	30,000	50,000 *
November 2026	November 2016	0.60	8,332	14,998
November 2026	November 2016	0.72	83,333	83,333
December 2026	December 2016	0.60	10,832	4,166
January 2027	January 2017	0.72	10,834	10,834
February 2027	February 2017	0.60		10,000
March 2027	March 2017	0.60	4,166	4,166
April 2027	April 2017	0.60	75,000	75,000
April 2027	April 2017	0.69	6,667	6,667
July 2027	July 2017	0.50	4,190	4,190

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

Expiry Month	Vesting Date	Exercise Price $	31 March 21 Options #	31 March 20 Options #
July 2027	July 2017	0.69	343,346	343,346
August 2027	August 2017	0.48	4,166	4,166
August 2027	August 2017	0.50	8,334	8,334
September 2027	September 2017	0.48	6,666	6,666
September 2027	September 2017	0.50	79,168	79,169
September 2027	September 2017	0.69	15,000	15,000
September 2027	September 2017	0.72	10,594	10,594
October 2027	October 2017	0.48	-	20,000
November 2027	November 2017	0.60	8,334	10,252
November 2027	November 2017	0.72	83,334	83,334
December 2027	December 2017	0.60	3,790	1,872
December 2027	December 2017	0.51	4,166	4,166
January 2028	January 2018	0.72	7,473	7,473
January 2028	January 2018	0.51	12,498	12,498
February 2028	February 2018	0.60	-	10,000
March 2028	March 2018	0.60	4,167	4,167
April 2028	April 2018	0.60	75,000	75,000
May 2028	May 2018	0.51	1,319,994	1,587,492
May 2028	May 2018	0.28	6,666	6,666
July 2028	July 2018	0.50	2,671	2,671
August 2028	August 2018	0.48	3,916	3,916
August 2028	August 2018	0.50	4,315	4,315
September 2028	September 2018	0.48	4,128	4,128
September 2028	September 2018	0.50	219	219
October 2028	October 2018	0.48	30,000	30,000
October 2028	October 2018	0.28	8,332	4,166
November 2028	November 2018	0.60	6,816	6,816
December 2028	December 2018	0.51	4,167	4,167
January 2029	January 2019	0.51	6,416	6,416
January 2029	January 2019	0.28	-	16,666
February 2029	February 2019	0.6	-	10,000
February 2029	February 2019	0.28	6,666	6,666
March 2029	March 2019	0.60	68	68
April 2029	April 2019	0.60	75,000	75,000

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

Expiry Month	Vesting Date	Exercise Price $	31 March 21 Options #	31 March 20 Options #
May 2029	May 2019	0.51	1,414,249	1,581,749
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	4,167
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
January 2030	January 2020	0.28	-	16,667
February 2030	February 2020	0.28	6,667	6,667
May 2030	May 2020	0.51	1,322,990	1,490,492
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	1,260,826	2,937,483
October 2030	October 2020	0.28	8,334	4,167
October 2030	October 2020	0.23	4,167	4,167
November 2030	November 2020	0.23	8,334	8,334
January 2031	January 2021	0.28	-	16,667
February 2031	February 2021	0.28	6,667	6,667
June 2031	June 2021	0.22	719,612	-
July 2031	July 2021	0.28	4,167	4,167
August 2031	August 2021	0.23	2,754,172	2,937,506
October 2031	October 2021	0.23	4,167	4,167
November 2031	November 2021	0.23	8,334	8,334
December 2031	December 2021	0.80	335,000	
June 2032	June 2022	0.22	719,612	
August 2032	August 2022	0.23	2,750,009	2,933,345
June 2033	June 2023	0.22	719,612	
			15,952,289	**18,137,598**

** Included within these tranches are 400,000 options (2020: 580,000 options) that vested immediately.*

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

9. CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS

ACCOUNTING POLICY

Cash and cash equivalents includes cash in hand, deposits held on call with banks, and bank overdrafts.

Short Term Deposits are Term Deposits and other short-term investments with ANZ, BNZ and Heartland Bank, with periods ranging up to 365 days.

	GROUP	
	2021 ($000)	2020 ($000)
Cash and Cash Equivalents	4,129	1,755
Short Term Deposits	19,000	13,029
Total Cash, Cash Equivalents and Short Term Deposits	**23,129**	**14,784**
NZD	22,513	14,525
USD	578	154
AUD	25	94
EUR	1	5
SGD	12	6
Total Cash, Cash Equivalents and Short Term Deposits	**23,129**	**14,784**

INTEREST INCOME

ACCOUNTING POLICY

Interest income is recognised using the effective interest method.

Interest on the bank balances ranges from 0% to 1.70% (2020: 0% to 2.90%) per annum. Funds held on term deposit with ANZ, BNZ and Heartland Bank can be accessed with one month's notice at the request of the authorised bank signatories of Pacific Edge Limited.

10. RECEIVABLES

ACCOUNTING POLICY

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

	GROUP	
	2021 ($000)	2020 ($000)
Trade Receivables	1,016	61
Sundry Debtors	1,655	470
Accrued Interest	152	72
GST Refund Due / (Payable)	43	39
Total Receivables	**2,866**	**642**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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 $29,000.

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.

	2021 ($000)	2020 ($000)
3 to 6 Months	27	-
Over 6 Months	-	-
Total Overdue Trade Receivables	**27**	**-**

The foreign currency split of Receivables is:

	2021 ($000)	2020 ($000)
NZD	1,310	168
USD	935	-
AUD	621	473
SGD	-	1
Total Receivables	**2,866**	**642**

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	
	2021 ($000)	2020 ($000)
Laboratory Supplies	790	796
Total Inventory	**790**	**796**

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

Laboratory supplies used during the year of $1,261,000 (2020: $1,112,000) are included within the Statement of Comprehensive Income in Laboratory Operations and Research.

12. OTHER ASSETS

	GROUP	
	2021 ($000)	2020 ($000)
Prepayments	398	509
Security Deposits	159	185
Total Other Assets	**557**	**694**

Prepayments are largely made up of insurance, events, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

13. PROPERTY, PLANT & EQUIPMENT

ACCOUNTING POLICY

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

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

Depreciation

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

Main rates used are:

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

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

	Plant & Laboratory Equipment ($000)	Computer Equipment ($000)	Leasehold Improvements ($000)	Furniture & Fittings ($000)	Total ($000)
Cost					
Balance at 1 April 2019	2,307	688	277	326	3,598
Additions	44	35	37	-	116
Disposals	(93)	-	-	-	(93)
Translation Difference	127	41	17	22	207
Balance at 31 March 2020	**2,385**	**764**	**331**	**348**	**3,828**
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)
Balance at 31 March 2021	**2,193**	**512**	**337**	**299**	**3,341**
Accumulated Depreciation					
Balance at 1 April 2019	1,883	583	121	242	2,829
Depreciation Expense	79	59	20	15	173
Disposals	(4)	-	-	-	(4)
Translation Difference	103	35	8	20	166
Transfer to/from Right of Use Assets	12	-	-	-	12
Balance at 31 March 2020	**2,073**	**677**	**149**	**277**	**3,176**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

	Plant & Laboratory Equipment ($000)	Computer Equipment ($000)	Leasehold Improvements ($000)	Furniture & Fittings ($000)	Total ($000)
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)
Balance at 31 March 2021	**1,824**	**439**	**155**	**235**	**2,653**
Carrying Amounts					
At 1 April 2019	424	105	156	84	769
At 31 March 2020	312	87	182	71	652
At 31 March 2021	**369**	**73**	**182**	**64**	**688**

14. INTANGIBLE ASSETS

ACCOUNTING POLICY

Intellectual Property

The costs of acquired Intellectual Property are recognised at cost. All Intellectual Property has a finite life. The carrying value of Intellectual Property is reviewed for impairment, where indicators of impairment exist. Amortisation is charged on a diminishing value basis over the estimated useful life of the intangible assets (1-20 years). The estimated useful life and amortisation method is reviewed at the end of each reporting period.

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

Software Development Costs

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

Cxblader Development Costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

	Software Development Costs ($000)	Patents ($000)	Cxbladder Development Costs ($000)	Total ($000)
Cost				
Balance at 1 April 2019	865	294	33	1,192
Additions	15	53	-	68
Foreign Translation Difference	7	-	-	7
Balance at 31 March 2020	**887**	**347**	**33**	**1,267**
Balance at 1 April 2020	887	347	33	1,267
Additions	40	68	-	108
Foreign Translation Difference	(6)	-	-	(6)
Balance at 31 March 2021	**921**	**415**	**33**	**1,369**
Accumulated Amortisation				
Balance at 1 April 2019	719	226	14	959
Amortisation Expense	74	47	2	123
Foreign Translation Difference	6	-	-	6
Balance at 31 March 2020	**799**	**273**	**16**	**1,088**
Balance at 1 April 2020	799	273	16	1,088
Amortisation Expense	53	55	2	110
Foreign Translation Difference	(6)	-	-	(6)
Balance at 31 March 2021	**846**	**328**	**18**	**1,192**
Carrying Amounts				
At 1 April 2019	146	68	19	233
At 31 March 2020	88	74	17	179
At 31 March 2021	**75**	**87**	**15**	**177**

15. SEGMENT INFORMATION

ACCOUNTING POLICY

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

There are two operating segments at balance date:

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

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

Segment income, expenses and profitability are presented on a gross basis excluding inter-segment eliminations to best represent the performance of each segment operating as independent business units. The segment information provided to the Chief Executive Officer for the reportable segment described above for the year ended 31 March 2021 is shown on the next page.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2021		Commercial ($000)	Research ($000)	Less: Eliminations ($000)	Total ($000)
Income					
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 / (Loss)		3	(2)	-	1
Total Income		**8,929**	**2,478**	**(968)**	**10,439**
Expenses					
Expenses		14,529	9,730	(968)	23,291
Depreciation and Amortisation		934	437	-	1,371
Total Operating Expenses		**15,463**	**10,167**	**(968)**	**24,662**
Loss Before Tax		**(6,534)**	**(7,689)**	-	**(14,223)**
Income Tax Expense		-	-	-	-
Loss After Tax		**(6,534)**	**(7,689)**	-	**(14,223)**
Net Cash Flows to Operating Activities		**(6,438)**	**(7,132)**	-	**(13,570)**

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

Eliminations

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

Segment Assets and Liabilities Information

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

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

Additions to Non Current Assets for the period include:

	Commercial ($000)	**Research ($000)**	**Total ($000)**
Property, Plant & Equipment	190	80	270
Right-of-Use Assets	2,586	1	2,587
Intangible Assets	40	68	108
Total Additions to Non Current Assets	**2,816**	**149**	**2,965**

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 the US, Australia, Singapore and New Zealand. Rest of World consists of Revenue from Australia and Singapore.

	2021 ($000)	**2020 ($000)**
Operating and Grant Revenue		
US	7,677	3,778
New Zealand	2,133	675
Rest of World	277	501
Total Operating and Grant Revenue	**10,087**	**4,954**

The US accounted for 57% of non-current assets (2020: 37%). Non-current assets located in New Zealand accounted for 42% of the Group's total (2020: 61%), with Rest of World consisting of non-current assets in Australia and Singapore, holding 1% of the Group's total (2020: 2%).

	2021 ($000)	**2020 ($000)**
Non-Current Assets		
US	2,201	885
New Zealand	1,618	1,478
Rest of World	23	49
Total Non-Current Assets	**3,842**	**2,412**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

16. INCOME TAX

ACCOUNTING POLICY

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements in accordance with NZ IAS 12. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

	GROUP	
	2021 ($000)	2020 ($000)
Income Tax recognised in the Statement of Comprehensive Income		
Current Tax Expense	-	-
Deferred Tax in respect of the Current Year	(6,291)	(2,931)
Adjustments to Deferred Tax in respect to Prior Years	512	(451)
Deferred Tax Assets not recognised	5,779	3,382
Income Tax Expense	**-**	**-**
The prima facie Income Tax on Pre-Tax Accounting Profit from operations reconciles to:		
Accounting Loss before Income Tax	(14,223)	(18,887)
At the statutory Income Tax rate of 28%	(3,982)	(5,288)
(Non-assessable Income)/Non-deductible Expenses	(2,760)	2,530
Difference in US, Singapore and Australian Income Tax Rates	451	928
Prior Period Adjustment	512	(451)
Tax Losses Utilised	-	(1,101)
Deferred Tax Assets not recognised	5,779	3,382
Income tax expense reported in Income Statement	**-**	**-**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

Tax Losses

The group has losses to carry forward of approximately $94,400,000 (2020: $84,000,000) with a potential tax benefit of $21,500,000 (2020: $18,000,000). The tax losses are split between the following jurisdictions:

	Tax Losses ($000)	Tax Effect ($000)	Rate
New Zealand	21,800	6,100	28%
Australia	1,800	500	30%
Singapore	1,000	200	17%
United States	69,800	14,700	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 $42,200,000 (2020: $39,600,000) to carry forward and claim for income tax purposes in New Zealand in the future. This has a tax effect of $11,900,000 (2020: $11,100,000). The deferred research and development tax expenditure can either be carried forward and offset against future income arising from the research and development, or subject to meeting the shareholder continuity requirements can be offset against future other taxable income.

Deferred Tax Assets

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

Imputation Credit Account

The Group has imputation credits of Nil (2020: 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	
	2021 ($000)	2020 ($000)
Trade Creditors	818	692
Accrued Expenses	411	380
Revenue Received in Advance	-	168
Employee Entitlements (refer below)	1,968	2,030
Total Payables and Accruals	**3,197**	**3,270**

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	
	2021 ($000)	2020 ($000)
NZD	1,025	1,138
AUD	126	97
USD	2,013	1,981
SGD	33	54
	3,197	**3,270**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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	
	2021 ($000)	**2020 ($000)**
Income Tax	361	237
Holiday Pay	261	563
Accrued Wages	1,346	1,230
Total Employee Entitlements	**1,968**	**2,030**

18. SHARE CAPITAL

ACCOUNTING POLICY

Ordinary shares are described as equity.

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

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

	GROUP	
	2021 ($000)	**2020 ($000)**
Authorised Ordinary Shares	190,305	165,423
Total Share Capital	**190,305**	**165,423**

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

	2021 Shares (000)	**2021 ($000)**	**2020 Shares (000)**	**2020 ($000)**
Opening Balance	689,652	165,423	510,871	146,403
Issue of Ordinary Shares - Rights Issue and Direct Offers[1]	33,846	22,000	178,027	20,136
Issue of Ordinary Shares - Exercise of share options[2]	3,636	2,636	-	-
Issue of Ordinary Shares - Employee Remuneration[3]	645	284	754	163
Less: Issue Expenses	-	(38)	-	(1,279)
Movement	38,127	24,882	178,781	19,020
Closing Balance	**727,779**	**190,305**	**689,652**	**165,423**

1) During the period 33,846,154 shares were issued under private placements at an average price of $0.65 per share. (2020: 178,026,769, $0.11)

2) During the period 3,635,835 share options were exercised at an average price of $0.41 per share (2020: Nil)

3) During the period 645,182 shares were issued as part of employees remuneration in lieu of cash payments at an average price of $0.44 per share. (2020: 753,994, $0.22)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

19. FOREIGN CURRENCY

ACCOUNTING POLICIES

Foreign Currency Transactions
The individual financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of the Group entity are expressed in New Zealand dollars ('NZ$'), which is the functional currency of the Parent and the presentation currency for the Group financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non monetary items denominated in foreign currencies are translated at the rates prevailing on the date the transaction occurs.

Exchange differences are recognised in the Statement of Comprehensive Income in the period in which they arise.

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

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

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

	GROUP	
	2021 ($000)	**2020 $000**
Net Loss for the Period	(14,223)	(18,886)
Add Non Cash Items:		
Depreciation	189	173
Loss on disposal of Property, Plant and Equipment	13	-
Amortisation	110	123
Employee Share Options	1,035	556
Employee Bonuses paid in shares in lieu of cash	284	163
Depreciation on Right of Use Assets	1,073	1,131
Interest on finance leases shown in lease repayments	103	65
Total Non Cash Items	**2,807**	**2,211**
Add Movements in Other Working Capital items:		
(Increase) in Receivables and Other Assets	(2,088)	539
Decrease in Inventory	6	46
Increase (Decrease) in Payables and Accruals	(71)	698
Effect of exchange rates on net cash	(1)	7
Total Movement in Other Working Capital	**(2,154)**	**1,290**
Net Cash Flows to Operating Activities	**(13,570)**	**(15,385)**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

21. FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Foreign Currency Transactions

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

Managing Financial Risk

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

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

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

(i) Foreign Currency Risk

The Group faces the risk of movements in foreign currency exchange rates in relation to the New Zealand dollar. The Group has significant operations in 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 and when foreign exchanges are favourable. It will also purchase foreign currency to fund overseas operations based on cash flow forecasts where it can maximise value. There are no formal foreign currency hedges entered into.

A 10% increase or decrease in the foreign currency against the NZD will reduce/increase the loss reported by approximately $130,000 (2020: $40,000) 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 $219,000 and increase/reduce equity by the same amount (2020: $131,000).

Credit Risk

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

The Group incurs credit risk from:

a) Cash and short term deposits;

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

c) Other assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

The Group has no significant concentration of credit risk other than bank deposits with 43.7% of total assets at the ANZ, 19.0% at Heartland Bank, 10.3% at Bank of New Zealand , and 2.6% at Wells Fargo. The Group's cash and short term deposits are placed with high credit quality financial institutions including major banks who have at least a BBB credit rating.

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

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 July 2020 (date at which Cxbladder was included within the LCD and reimbursement commenced) to 31 March 2021 for which payment has not been received by 31 March 2020.

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

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

		GROUP	
	Notes	**2021 ($000)**	**2020 ($000)**
Cash and Cash Equivalents	9	4,129	1,755
Short Term Deposits	9	19,000	13,029
Trade and Other Receivables (excludes GST)	10	2,824	603
Other Assets (excludes prepayments)	12	159	185
		26,112	**15,572**

Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds at short notice to meet its commitments as they fall due. Management maintains sufficient cash balances and uses cash flow forecasts to determine future cash flow requirements. The Group does not have any external loans but does have four finance leases.

Payables and Accruals totaling $3,197,000 are due within 3 months of balance date (2020: $3,276,000).

Fair Values

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

22. RELATED PARTIES

A shareholder, the University of Otago, provided services, including rental space and car parking, to the Group to the value of $340,000 (2020: $276,000). The Group has commitments totaling $267,000 (2020: $208,000) with the University of Otago in the next financial year.

Key Management Compensation

Key management personnel comprise of Directors and the Chief Executive Officers of Pacific Edge Limited and Pacific Edge Diagnostics USA Limited. Also included in the 2021 Year is the Executive Chairman of Pacific Edge Diagnostics USA Limited.

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

	GROUP	
	2021 ($000)	2020 ($000)
Salaries and Other Short Term Employee Benefits	1,861	1,332
Share Options Benefits	313	193
Total Employee Entitlements	**2,174**	**1,525**

Directors' Fees

The current total Directors' fee pool for non-executive Directors of Pacific Edge Limited, approved by the shareholders at the Annual Shareholders Meeting on the 16th August 2018 is $302,000 per annum. During the year ended 31 March 2021, David Levison retired from the Board in November 2020, and Anna Stove was appointed to the Board in March 2021. The total amount of fees paid to Directors for the year ended 31 March 2021 was $278,000.

The table below sets out the total fees approved for non-executive Directors of Pacific Edge Limited for the year ended 31 March 2021 based on the positions held:

Position	Quantity 2021	Total Fees Approved 2021	Quantity 2020	Total Fees Approved 2020
Chair	1	$80,000	1	$80,000
Deputy Chair	1	$50,000	1	$50,000
Non-executive Directors	2	$88,000	2	$88,000
US-based non-executive Director	1	$79,000	1	$79,000
Chair Audit & Risk Committee	1	$5,000	1	$5,000
Total Fee Pool		**$302,000**		**$302,000**

23. FINANCE AND OPERATING LEASE COMMITMENTS

ACCOUNTING POLICY

In 2020, the Group has changed its accounting policy for leases and has adopted NZ IFRS 16 Leases.

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

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is

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For the year ended 31 March 2021

available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(i) Measurement basis

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

Right of Use Assets

	GROUP	
	2021 ($000)	**2020 ($000)**
Cost		
Opening Balance	**2,518**	
Assets recognised on Initial Transition - previously Operating Assets	-	1,598
Assets recognised on Initial Transition - previously under a Finance Lease	-	223
Additions	2,588	1,078
Removals (Leases Completed)	(1,227)	
Transfers to Plant, Property and Equipment	-	(155)
Foreign Currency Translation	35	(226)
Closing Balance	**3,914**	**2,518**
Accumulated Depreciation		
Opening Balance	**937**	**-**
Depreciation	1,083	1,131
Transfers to Plant, Property and Equipment	-	(24)
Reversal of Accumulated Depreciation (Leases Completed)	(1,204)	
Foreign Currency Translation	121	(170)
Closing Balance	**937**	**937**
Net Right-of-Use Assets Balance	**2,977**	**1,581**
Right-of-Use Assets Net Book Value		
Buildings	2,624	1,148
Computer Equipment	62	16
Plant and Equipment	291	417
	2,977	1,581
Depreciation		
Buildings	966	1,009
Computer Equipment	18	28
Plant and Equipment	99	94
	1,083	1,131
Expenses relating to Short Term and Low Value Leases	24	22
Total Cash Outflow relating to Leases	**1,250**	**1,211**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

	GROUP	
Lease Liability	**2021 ($000)**	**2020 ($000)**
Opening Balance	**1,554**	**-**
Liabilities Recognised on Initial Transition	-	1,598
Lease Liabilities previously recognised as Finance Leases	-	84
Additions	2,587	1,078
Lease Terminated - Liability Reversed	(26)	
Lease Repayments	(1,262)	(1,210)
Interest Charged	107	65
Foreign Currency Translation	(82)	(61)
Closing Balance	**2,878**	**1,554**
Split by:		
Current Liability	1,098	983
Non-Current Liability	1,780	571
	2,878	**1,554**
The maturity of the Lease Liabilities is as follows:		
Less than one year	1,103	983
One to two years	999	340
Two to three years	595	200
More than three years	181	31
	2,878	**1,554**

24. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

a) Contingent Liabilities

There were no known contingent liabilities at 31 March 2021 (March 2020: 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 2021 (March 2020: Nil).

25. COVID-19

Covid-19 has had an impact on the throughput, revenue and expenses of the Group.

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 for the occurrence of bladder cancer. This resulted in reduced throughput quantities for the Group for the twelve months ended 31 March 2021 (94% of the prior corresponding twelve months ended 31 March 2020). The most significant reduction in throughput was seen in the six months to 30 September 2020, with throughput 84% of the throughput for the six months to 30 September 2019. The six months to 31 March 2021 has shown an improvement, with throughput numbers 103% of the prior corresponding six months to 31 March 2020.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

26. OTHER SUBSEQUENT EVENTS

There are no other 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 2021, 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 balance sheet as at 31 March 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include 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 area of half year review procedures. 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.

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Description of the key audit matter	How our audit addressed the key audit matter
Determining if a transaction price exists for US revenue recognition	
The application of NZ IFRS 15: Revenue from contracts with customers (NZ IFRS 15) requires the Directors to apply significant judgement in determining whether revenue can be recognised in advance of the receipt of cash. The Company has two material United States (US) revenue streams: 1) Coverage via Centers for Medicare and Medicaid Services (CMS), and 2) Private Insurance. The significant judgements adopted by the Directors in applying NZ IFRS 15 criteria include determining: • if a contract with the customer exists; • the rights of each party; • payment terms; • whether the contract has commercial substance; and • whether it is probable that the entity will collect the consideration to which it is entitled. In 2020 the above criteria were not met in full. The Company has previously experienced significant variability in the price it receives for its tests and has not had sufficient certainty over whether it would be paid for tests performed. Hence US revenue was recognised upon receipt of cash. 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 establishes a clear transaction price for the tests. This transaction price, along with a history of payment, satisfies the NZ IFRS requirements for revenue recognition.	Our audit procedures included the following: We obtained an understanding of management's processes and controls for the CMS and Private Insurance US revenue streams. To assist in our understanding, we obtained the SOC1 System and Organization Controls Report for the external billing reimbursement service organisation. We evaluated management's determination of whether a contract with customers existed by: • Inspecting documentation supporting the contractual process and basis for engagement of patients (customers) in the US; • Discussing the process for engaging patients with New Zealand and US based management to reconfirm the facts that support an accrual or cash-based revenue recognition conclusion; • Assessing the supporting documentation provided by management to illustrate the variation in payment terms by customer; • Assessing the data supporting the change in revenue recognition for CMS and Medicare Advantage to confirm that the transaction price can be determined, and collectability is probable; • Performing subsequent receipt testing to validate the probability of collection; • Considering the payment terms and the probability of recovery of outstanding balances based on the history of past collections. This included assessing management's conclusion on whether it is probable that the entity will collect the consideration; and • Evaluating the application of NZ IFRS 15 against technical guidance and the accounting standards. We have no matters to report from the procedures performed above.

Accordingly, US derived revenue for tests performed from 1 July 2020 to 31 March 2021 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.

All other US derived revenue is accounted for on a cash receipts basis as disclosed in Note 5.

Due to the significance of the judgements applied by the Directors, we determined this area to be a key audit matter.

Our audit approach

Overview

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

We chose total expenses as the benchmark because, in our view, given the losses incurred to date and the current focus on revenue growth, in our judgement, total expenses provides a more stable basis for calculating materiality, and is a generally accepted benchmark.

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.

As reported above, we have one key audit matter, being:

- Determining if a transaction price exists for US revenue recognition.

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.

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.

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.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
Dunedin, New Zealand
26 May 2021

COMPANY DIRECTORY

As at 31 March 2021

Issued Capital
727,779,398 Ordinary Shares

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

Directors
C. Gallaher – Chairman
D. Darling
A. Masfen
S. Park
B. Williams
A. Stove (appointed 15 March 2021)
D. Levison (ceased 19 November 2020)

Chief Executive Officer
David Darling

Nature of Business
Research, develop and commercialise new diagnostic and prognostic tools for the early detection and management of cancers.

Auditors
PricewaterhouseCoopers
Dunedin

Bankers
Bank of New Zealand
Dunedin

ANZ
Dunedin

Heartland Bank
Dunedin

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

Securities Registrar
Link Market Services Limited
138 Tancred Street
Ashburton

Company Number
1119032

Date of Incorporation
27th February 2001

PACIFIC EDGE COMMUNICATIONS

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

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

Twitter
@PacificEdgeLtd
@Cxbladder

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

PACIFIC EDGE LTD
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