

20

ANNUAL REPORT

FOR THE
YEAR ENDED
31 MARCH 2020



PACIFIC EDGE 
CANCER DIAGNOSTICS COMPANY

WE'RE ON A JOURNEY TO BENEFIT GLOBAL COMMUNITIES THROUGH THE DELIVERY OF INNOVATIVE SOLUTIONS FOR THE EARLY DIAGNOSIS AND BETTER MANAGEMENT OF CANCER.



The Board of Directors of Pacific Edge Limited is pleased to present the Annual Report for the year ended 31 March 2020. This provides a review of our performance in the last year and our focus for the financial year ahead.

Digital versions of this report, and of our previous shareholder reports, are available at www.pacifedgedx.com/investors/shareholder-reports/. We are constantly looking for improvement opportunities and would welcome feedback on this report. Please address any questions, comments or suggestions to investors@pacifedge.co.nz.

Chris Gallaher
Chairman

David Darling
Chief Executive Officer

CONTENTS

Our Business at a Glance	4
Progress in FY20	8
Key Metrics	9
Report from the Chair	10
Our Plan	12
Report from the Chief Executive Officer	14
Financial Commentary	20
Board Profiles	24
Executive Team	26
Advisory Boards	27
Consolidated Financial Statements	28
Notes to the Consolidated Financial Statements	33
Independent Auditors' Report	63
Corporate Governance	67
Remuneration	74
Risk Analysis	77
Statutory Information	78
Glossary	83
Company Directory	84

FY21 KEY DATES

2020 Annual Meeting	5 August 2020
End of FY21 Half Year	30 September 2020
FY21 Interim Results Announced	By 30 November 2020
End of FY21 Financial Year	31 March 2021

OUR BUSINESS AT A GLANCE



OUR PEOPLE

We have a team of passionate and committed people with proven performance delivering products that are creating a dramatic and positive impact on the detection and management of bladder cancer.



OUR PRODUCTS

Our suite of four Cxbladder tests span the urothelial cancer pathway and offer better care for patients, better utility for urologists and savings for the payers. Our Cxbladder tests remain the only new, commercially available, molecular test for bladder cancer for more than 18 years.



OUR CLINICAL EVIDENCE

Our portfolio of peer-reviewed, published, clinical evidence drives positive reimbursement decisions, inclusion in guidelines and wide adoption by physicians.



OUR CUSTOMERS

We work with hundreds of urologists and healthcare payers in our markets, enabling them to deliver better care for their patients, more efficiently and more effectively.



OUR MARKETS

We have commercial operations in NZ, Australia, Singapore and the USA. The USA provides us with an annual addressable market of US\$1.2 billion*.



OUR SUPPLY CHAIN

We own and operate two dedicated, accredited diagnostic laboratories – in New Zealand and in the USA – and have networks of sales people in our markets. Our test kits are manufactured and delivered directly to urologist customers on an as needed basis.



* E Y Parthenon Report 2018



Our suite of four Cxbladder tests span the bladder cancer pathway and are providing better clinical solutions for both patients and physicians alike – they are non-invasive, highly accurate and validated by world-leading physicians and healthcare providers.

PROGRESS IN FY20

COMMERCIAL GROWTH: Increasing number of customers and urologists adopting and using Cxbladder; 14% increase in Operating Revenue and 7% increase in Total Laboratory Throughput.

PUBLICATION OF FURTHER PEER-REVIEWED PAPERS highlighting Cxbladder's outperformance and adding significant additional clinical utility evidence in support of Cxbladder.

INCLUSION IN USA'S NATIONAL COMPREHENSIVE CANCER NETWORK (NCCN) GUIDELINES as an approved clinical intervention for patients being monitored for recurrence of urothelial cancer (UC).

USA: Growing recognition and adoption by the targeted large healthcare institutions in the USA.

LCD PROGRESS: Updated dossier of clinical evidence accepted for formal review by the Centers for Medicare and Medicaid Services (CMS) in the USA, as part of the process for inclusion in the Local Coverage Determination (LCD).

NEW ZEALAND: Continuing adoption and increasing commercial use of Cxbladder by New Zealand public healthcare providers (DHBs), consolidating New Zealand's world leading position.

SOUTH EAST ASIA: Continued progress in Southeast Asia with the five largest hospitals concluding their User Programmes. Analysis to be completed in FY21.

FUNDING: Successfully raised \$20.1m from existing and new investors through a fully underwritten placement and rights issue.

POST-PERIOD END

Leading non-profit US healthcare provider, Kaiser Permanente, approved the commercial use of Cxbladder by their urologists for patients being evaluated for bladder cancer.

We made good commercial progress in FY20 and all our key performance metrics increased year on year, with increased revenue and Laboratory Throughput and a growing number of urologists using our Cxbladder tests.

KEY METRICS

FY20 TOTAL LABORATORY TEST THROUGHPUT (COMMERCIAL TESTS AND USER PROGRAMMES)

TOTAL LABORATORY THROUGHPUT

+7% vs FY19 to 16,861 tests
5-year CAGR of 34%

UNITED STATES

+6% vs FY19
Strong 14% year on year increase in Q420
78% of Total Laboratory Throughput

REST OF WORLD

+12% vs FY19

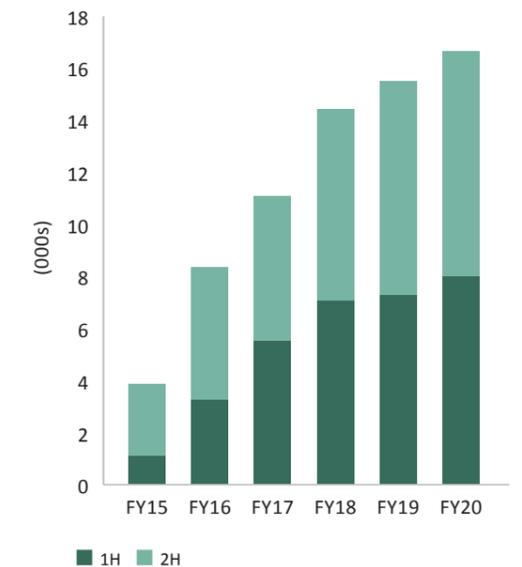
CMS-RELATED TESTS

Accounted for approximately 43% of US Commercial Tests in FY20 (45% in FY19)

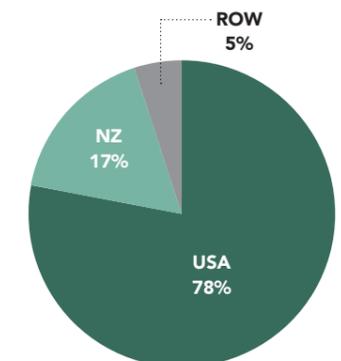
COMMERCIAL TESTS

+6% vs FY19
Comprise 81% of Total Laboratory Throughput

TOTAL LABORATORY THROUGHPUT



TOTAL LABORATORY THROUGHPUT BY REGION



FY20 FINANCIAL SNAPSHOT

Revenue from test sales \$4.4m, up 14% year on year

Total Revenue \$5.2m

Operating Expenses \$24.1m, up 5% on prior year

Net Operating Cashflow Improved 12% on prior year to \$(15.4)m

Net Loss After Tax \$(18.9)m

Cash, cash equivalents and short term deposits of \$14.8m as at 31 March 2020



Highlights for the period include the publication of three additional peer reviewed papers in support of Cxbladder; inclusion in the National Comprehensive Cancer Network (NCCN) guidelines in the US; increased adoption and commercial use by New Zealand's public healthcare providers and growing recognition and adoption by urologists in the US and New Zealand.

REPORT FROM THE CHAIR

Chris Gallaher

The multiple benefits of Cxbladder became more apparent during the Covid-19 period, and were reflected in the recent agreement with leading US healthcare provider, Kaiser Permanente, which has approved the commercial use of Cxbladder by their urologists for patients being evaluated for bladder cancer. This is a significant milestone achievement for Pacific Edge.

The past few months have been an extraordinary time for countries and businesses around the globe, as together we have faced the challenges of Covid-19. We have seen an acceleration of trends that have been progressing slowly for many years, such as the move to telehealth, and new ways of doing things are quickly becoming the norm.

For Pacific Edge, these circumstances have highlighted the benefits of our Cxbladder tests, providing assurance to patients, simplifying the diagnostic process and allowing for easy, non-invasive in-home sample collection, all while providing high quality results for clinicians. The benefits of this additional utility was reflected in the recent agreement with Kaiser Permanente and we are delighted to be extending our relationship with this recognised industry leader.

We continue to make progress in our journey to commercialise our Cxbladder tests in the global market. Operating Revenue, Laboratory Throughput and Commercial Test volumes all increased year on year as adoption and use of our Cxbladder tests grows.

Our largest market opportunity, and the largest investment of our capital and resources, remains the USA. The pace at which we have been able to achieve some of our key milestones in this highly regulated market has taken longer than we planned, a feature common to most who commercialise medtech products here. To the extent that we can control the pace of progress, we are doing all that we can to achieve our reimbursement and product goals in the USA.

In all our markets, our commercial focus remains on the large scale, blue chip healthcare organisations which can benefit from adopting Cxbladder and which will also deliver greater scale and volumes over the long term.

Multiple institutions in both the USA and our other markets are currently using or evaluating Cxbladder, including some of the most highly recognised healthcare organisations in the world, such as Johns Hopkins Medicine.

New Zealand is again a showcase for the world, leading the way in the adoption of Cxbladder. The majority of New Zealand's public healthcare providers are now using Cxbladder and many have adopted it into their guidelines for both the evaluation of haematuria and in the monitoring for recurrence of urothelial cancer.

Our financial results reflect our passage of growth, with increasing revenue and cash receipts from customers and an improved Net Operating Cashflow. Expenses were slightly up on the prior year as we expanded our sales team in the USA to take advantage of the market opportunity and continued to invest in our commercialisation journey. The reported Net Loss After Tax of \$18.9m was slightly up on the prior year but in line with our expectations.

I would like to thank shareholders for their continued support and patience as we draw nearer to achieving our goals. The capital raising in late-2019 has provided the financial resources for our continued momentum, and we remain focused on moving to a cashflow positive situation as soon as possible.

We remain committed to realising the opportunity that exists for Cxbladder, and we are progressing in a number of areas which will help us achieve our goals of growing our global reach, building and strengthening our customer base and increasing sales and adoption, all of which will drive greater cash revenue.

On behalf of the Board, I would like to thank the passionate and experienced people who work for Pacific Edge in our markets around the world. It is their expertise and commitment that have helped us come this far in our journey. The milestones they are helping us achieve are significant, and their passion for our product and our company is admirable.

We are confident we have the right team, the insights and the strategy to achieve commercial success, and we are proud of our growing contribution to enabling better care, better diagnosis and better health outcomes for patients being evaluated for bladder cancer.

We look forward to providing a further update at our annual meeting in August. Details of this will be sent to shareholders in the near future.

Yours faithfully

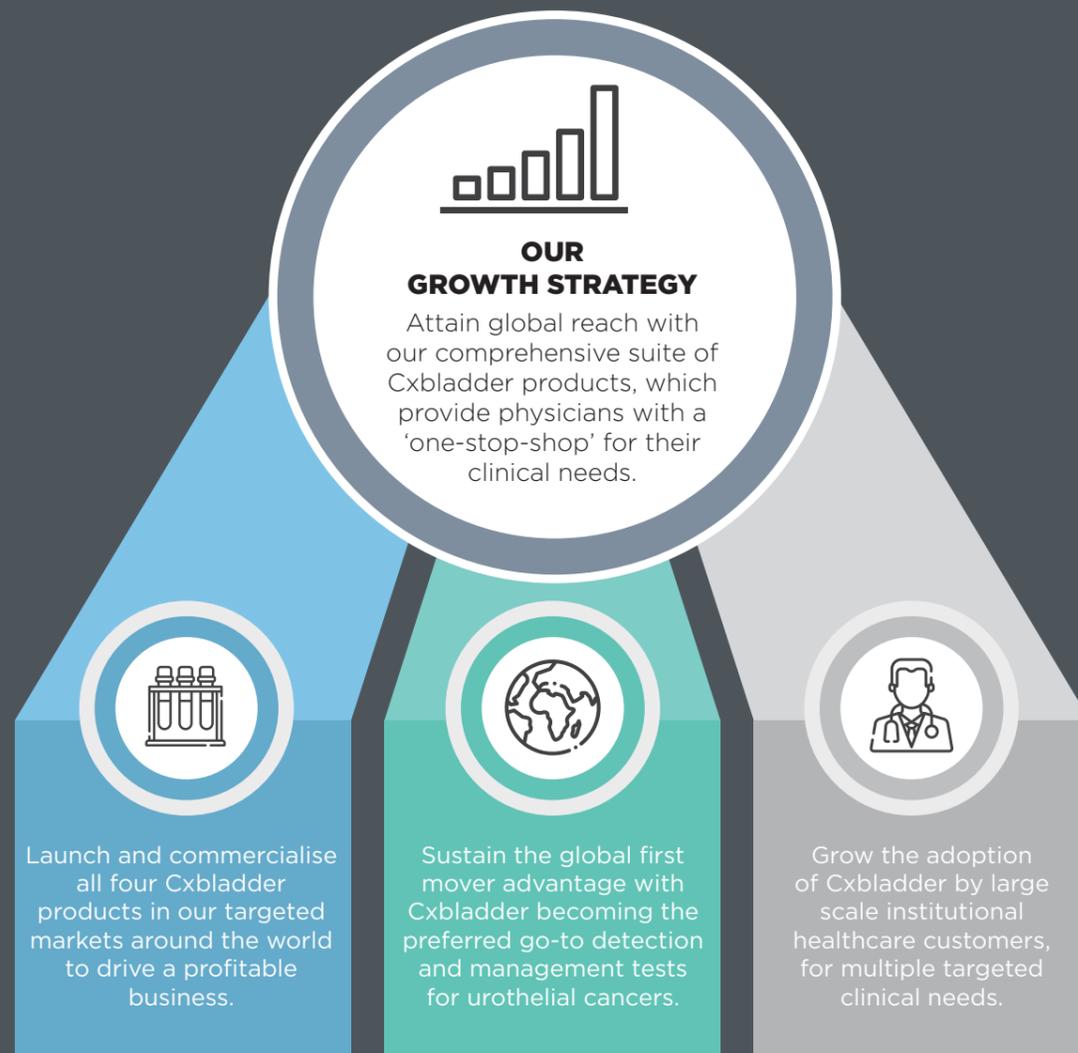
Chris Gallaher
Chairman

OUR PURPOSE: WHY WE EXIST

To enable better care, better clinical decision making and better use of healthcare resources by providing faster, more accurate and less invasive diagnosis and management of cancer.

OUR VISION: WHO DO WE WANT TO BE

The most trusted and preferred solution for urothelial cancer detection and management.



SUCCESS IS DELIVERING SUPERIOR VALUE WITH CXBLADDER FOR PATIENTS, HEALTHCARE PROVIDERS AND STAKEHOLDERS ALIKE.

OUR NEAR TERM GOALS

USA

Bring the USA business to a cash-flow positive position

- To conclude the national reimbursement process for CMS patients, enabling an increase in cash contribution of more than 40%
- Grow the number of tests used by existing customers
- Build on the recent commercial adoption of Cxbladder by Kaiser Permanente to add other scale customers and targeted institutions.
- Progress the adoption of Cxbladder across the more than 300 VA (Veterans Affairs) healthcare centers

NEW ZEALAND

Bring the New Zealand business to a cash-flow positive position

- Extend the commercial coverage by public healthcare providers in New Zealand from 65% to 100%
- Grow out the number of Cxbladder products in use with each of the existing public healthcare customers

AUSTRALIA AND SOUTH EAST ASIA

- Transition the Australia and Singapore public health care providers from their clinical studies to a commercial customer model
- Facilitate commercial discussions with large scale South East Asia (SEA) healthcare provider partners to grow Pacific Edge's SEA business



REPORT FROM THE CHIEF EXECUTIVE OFFICER

David Darling

Our actions remain focused on building a strong and profitable business through the delivery of innovative solutions for the early diagnosis and better management of cancer.

We are making good progress on our strategic goals, although the pace of this in some areas continues to challenge us. The progress we have made with clinical evidence development, reimbursement and regulatory approvals cannot be underestimated. These underpin any successful commercialisation of medtech products but are also challenging and time consuming to achieve. We would like to thank shareholders for your patience and on-going support as we continue to progress towards realising our full commercial potential.

Our stated financial goal for FY20 was to continue our commercial growth with a similar net investment to the previous year, and we achieved this goal.

Operating revenue from test sales for the year was \$4.4m, up 14% on the prior year, with cash receipts from customers up 19%. Laboratory Throughput¹ increased 7% to 16,861 tests, with 81% of those being commercial tests. Operating expenses were \$24.1m, up 5% on the prior year, primarily due to the foreign exchange impact of a softer NZD compared to USD and the increased sales team in the US.

As at 31 March 2020, Pacific Edge had \$14.8m in cash, cash equivalents and short term deposits, following a successful \$20.1m capital raising completed during the year. Net Operating Cashflow was \$(15.4)m, a 12% improvement on the prior comparative period. The company reported a Net Loss After Tax of \$(18.9)m, up 5% on prior year.

Further details of our financial performance can be read in the Financial Commentary section on pages 20 to 21 of this report.

¹ Laboratory Throughput: Total commercial and non-commercial tests processed through Pacific Edge's laboratories in the USA and New Zealand, including tests for User Programmes.

Our business continues to progress, with particularly strong growth in our domestic market. We have achieved some significant milestones that drive reimbursement and, combined with the strong clinical evidence portfolio underpinning the commercialisation of Cxbladder, we are seeing increased adoption and commercial use of our tests.

Growing Support for Cxbladder

Endorsement for our Cxbladder tests, through inclusion in guidelines and adoption by reputable healthcare organisations, is ahead of our expectations. Inclusion in guidelines follows significant adoption, and further empowers urologists and organisations to adopt and use our products. Published clinical evidence is the trading currency for positive reimbursement decisions and recognition in disease specific guidelines.

We have generated in excess of 10 years of accumulated evidence showing the outperformance of Cxbladder. This has been a significant and time consuming investment for the company and we are now seeing the fruits of this investment in the reimbursement milestones in the USA, increasing adoption in all our markets, and inclusion in NZ and USA guidelines.

Our portfolio of peer reviewed published papers continues to grow with three additional peer reviewed papers published during the year, further supporting Cxbladder's outperformance and clinical utility.

Another particularly important achievement for us in FY20 was inclusion in the USA's National Comprehensive Cancer Network bladder cancer guidelines for patients being monitored for recurrence of urothelial cancer. This is a pivotal commercial outcome with the NCCN guidelines widely recognised and used as the standard for clinical policy and practice in oncology by clinicians and payers in the USA. To be considered for review and inclusion requires an extensive portfolio of clinical evidence, a track record of clinical use, and broad adoption by physicians.

Most recently, we were very pleased to be approved for commercial use by Kaiser Permanente. This is a fantastic outcome after a long period of consultation and working closely with Kaiser Permanente to ascertain the best use of Cxbladder in their particular healthcare setting.

Connecting with our Customers

We are taking advantage of multiple different platforms to connect with our customers. These include such things as our attendance at the South East Asian Urofair conference, the premier annual scientific conference organised by the Singapore Urological Association which was attended by more than 500 Urologists and medical practitioners from across Asia and further afield. The conference featured two presentations on Cxbladder from internationally recognized urologists and was another successful step in further raising the profile of both Pacific Edge and Cxbladder in South East Asia.

Key opinion leaders are often the early adopters of our Cxbladder products and they help to build awareness of Cxbladder. Recently we have seen a number of video interviews, panel discussions and presentations delivered by leading urologists on some of the major urology media platforms, providing in depth coverage of the compelling evidence and findings in recent studies and their conclusions and recommendations.

The US Market Opportunity

The USA remains our primary commercial focus with an estimated annual market opportunity for our Cxbladder products of approximately US\$1.2b.²

Our tests can be used for the more than 3.4 million people in the USA who present to the physician with blood in their urine and are required to be evaluated for bladder cancer each year. There are also more than 800,000 who are living with the disease and who require regular monitoring for recurrence, up to 4x per year for up to five years, giving rise to an approximate 3.2 million further clinic visits. Approximately 4 million cystoscopies were performed in 2018, many of which have now been shown to be able to be safely replaced with Cxbladder.

It was fantastic to be able to announce post year-end, the commercial agreement reached with Kaiser Permanente. Kaiser is the largest single validation customer in the US and, apart from the direct commercial sales, will also help us capture other large healthcare institutions and convert them to commercial customers.

We increased the number of US sales reps to our planned number of 16 at year end to help drive growth in this market, with a consequential growing number of healthcare organisations and urologists now using Cxbladder. We have a targeted list of institutions in the US that are currently using or evaluating Cxbladder, which includes some of the most highly recognised healthcare organisations in the world, such as Johns Hopkins Medicine and Kaiser Permanente.

We remain very focused on concluding the process to gain reimbursement for the many patients insured by the Centers for Medicare and Medicaid Services (the CMS) who use our Cxbladder tests. To achieve reimbursement for these CMS patients, we require three things - product specific codes, a national price and coverage under the CMS's Local Coverage Determination (LCD). We completed the first two in 2018 and we now have inclusion in the LCD left to complete.

To achieve the reimbursement goal of inclusion in the CMS's LCD requires sign-off on three levels of peer reviewed published evidence covering analytical validity, clinical validity and clinical utility. The first two have been successfully signed off and we have the clinical utility component to complete. To that end, we submitted an updated dossier of peer reviewed published evidence for Cxbladder's clinical utility to the CMS's contractor, Novitas, for formal review in August 2019; and in February this year, we were able to add our latest compelling clinical evidence into the dossier, portraying the significant gains in clinical utility from the commercial adoption of Cxbladder Monitor by three different public healthcare providers in NZ.

A successful LCD decision would result in reimbursement for all CMS patients treated or managed using our Cxbladder tests at the already determined national CMS price for Cxbladder of US\$760 per test. Currently 43% of our US Commercial Tests are for CMS patients. At the time of LCD inclusion, we will also seek reimbursement for the 21,789 Cxbladder tests that have been completed and invoiced to the CMS as at 31 March 2020.



² 2018 Report by E Y Parthenon

Continuing Success in the New Zealand Market

While the New Zealand market is small relative to the US, it remains very active and continues to grow. New Zealand's public healthcare providers (DHBs) continue to lead the global adoption of Cxbladder and the majority have now added Cxbladder into their standard of care, and in some cases, into clinical guidelines, replacing the gold standard cystoscopy in both the evaluation of haematuria and in the monitoring for recurrence of urothelial cancer. In Q420 and Q121, two of New Zealand's public healthcare providers added an additional Cxbladder product to their mainstream commercial use.

New Zealand is a great example of what our tests can achieve in terms of better patient care, better outcomes and better use of limited healthcare resources. The addition of Cxbladder to mainstream clinical use has been disruptive to healthcare protocols and today, with these changes, most urologists in New Zealand no longer practice urology as they did 18 months earlier.

The actions being taken here and their demonstrable benefits are being watched carefully by large healthcare institutions and leading urologists around the world, and are another step towards gaining wider adoption for Cxbladder.

Rest of World

The clinical trials in Singapore are nearing completion and the results from these will form the basis for a proposed Singapore-wide commercial programme.

In Australia, we are focusing on the large public healthcare providers, replicating our New Zealand-proven sales and marketing model to drive sales.

Changing Clinical Practice

Helping to improve outcomes and reduce costs by contributing to changing clinical practice takes time. Clinical validation from research, trials and studies is a key component to this. These range from short term User Programmes through to longer-term studies and commercial look-backs which demonstrate the clinical utility and effectiveness of our tests.

At any one time, we will have a variety of User Programmes and commercial trials underway as healthcare organisations determine how Cxbladder can be best used in their particular healthcare setting.

Responding to Covid-19

We continued to operate as an essential business during the Covid-19 restrictions in both New Zealand and the USA.

While March test numbers remained strong across our markets, we felt the impact of Covid-19 in the first two weeks of April (post-period end) with urologists struggling with the conflicting demands of Covid-19 restrictions and managing bladder cancer patients, all of whom are deemed at-risk patients. This led initially to lower test numbers as patient visits were deferred and clinicians moved to telehealth options, with test numbers approx. 51% of the prior year in April for both New Zealand and the USA. An uplift was seen in the second half of April in New Zealand following the easing of Covid-19 related restrictions and we are starting to see a similar trend in the US as restrictions eased in May.

We were able to reduce costs to offset income reductions and also received financial support in the form of Covid-19 relief packages from Governments in New Zealand, Australia and the US.

During this period, we have seen an increase in telehealth with some organisations reporting up to 90% of the consultations being tele-consultations, up from around 30% prior to Covid-19.

Cxbladder's unique sample collection device was recognised by physicians in both the US and New Zealand as an enabling device that would help drive and sustain their shift to telehealth for bladder cancer patients. The Cxbladder sample collection system is being sent to patients at home for an in-home sample collection, and then collected by courier, for delivery to a Pacific Edge laboratory, providing diagnosis and assurance even when face to face consultations are not possible.

Given that many urology patients are in the +65 years age bracket and therefore at higher risk from Covid-19, it also helps to maintain social distancing, removing the need to visit busy medical centres or collection points.

The precedent has now been set, and with the recent supportive statements by the FDA and CMS, we expect that tele-consultations will become more common practise going forward. In line with this, in-home sampling is also expected to become an accepted option for patients and physicians, even once the Covid-19 restrictions are eased.

Our People

We have a team of passionate, expert and experienced professionals who work collaboratively to help us achieve our goals. Earlier this year, we were pleased to welcome Grant Gibson as our new Chief Financial Officer, and we have also welcomed several new highly experienced sales people to the team in the US. We are proud of our people and the professionalism and expertise they bring to their roles every day. In particular, we recognise and thank them for their efforts during the recent Covid-19 pandemic, during which we continued to operate as an essential business but in a significantly different and challenging environment.

We are working hard to create a workplace where the value and efforts of our people is recognised and rewarded. We recognise that work-life balance is important and the recent Covid-19 environment has demonstrated that different and more flexible forms of working are possible. The safety and wellness of people remains a priority, and we are continually looking for ways to improve and support our teams.

Catalysts to Drive Growth through FY21

We have identified opportunities for growth in all our targeted markets and will be directing our resources towards achieving commercial contracts with large institutional healthcare customers and growing sales to existing customers.

In the US, we continue to work closely with Novitas to gain inclusion in the LCD. A successful outcome will unlock access to the CMS revenue which currently represents approximately 40% of Pacific Edge's current commercial sales in the US and is expected to positively impact on demand from other healthcare organisations as well.

In New Zealand, we are looking to bring the remaining public healthcare providers into contract and expand the use of Cxbladder tests by existing customers.

The focus for South East Asia is to complete the User Programmes in Singapore and transition these institutions into commercial customers, as well as progress discussions with potential strategic partners in the region.

Clinical evidence remains key and we will continue to build out the evidence portfolio to drive further positive reimbursement decisions.

Cash management remains a priority and we expect FY21 total operating expenses to remain in line with FY20.

Outlook

Pacific Edge is in a unique global position, with a first mover advantage, a large addressable market, a proven model and products with compelling and repeatable performance. Cxbladder provides the only commercially available, non-invasive, accurate, clinically validated diagnostic solution across the bladder cancer pathway. Our tests deliver better care for patients, better utility for urologists and savings for the payers.

We are continuing to build scale in the US, through the signing of commercial agreements with large scale healthcare organisations, as well as achieving inclusion in the CMS's LCD. Upon successful completion, these will provide a significant positive impact on the company's financial position.

We remain focused on achieving our key strategic objectives and commercial momentum is increasing. The benefits and value our Cxbladder tests offer and the opportunities for our company are huge. As we progress with our key objectives, we expect demand and commercial use of our tests to gather pace.



David Darling
Chief Executive Officer

FINANCIAL COMMENTARY

The key metrics used by Pacific Edge to measure our progress are Operating Revenue, Laboratory Throughput and Commercial Tests. These all increased year on year.

LABORATORY THROUGHPUT

Laboratory Throughput is the measure of the overall adoption of the Cxbladder products and includes Commercial Tests as well as User Programmes.

Since commencing commercial sales in 2015, Laboratory Throughput has grown at a compound annual growth rate (CAGR) of 34%.

In FY20, Laboratory Throughput increased 7% year on year.

By Market

The US remains our biggest market and comprised 78% of Total Laboratory Throughput in FY20.

US Throughput increased 6% year on year. Momentum is growing and we saw a strong uplift of 14% in Throughput in the final quarter of this year, compared to the same period last year.

New Zealand has been actively growing and now makes up 17% of Total Laboratory Throughput.

New Zealand Laboratory Throughput increased 12% year on year.

By Test

Cxbladder test usage in the respective markets depends on the length of time a specific product has been available in-market and the specific clinical issue that the urologist or institute is interested in. We have a rollout strategy where new tests are first launched in New Zealand before being progressively rolled out in the USA and other markets. This can sometimes take many months before broad coverage is achieved.

In the US, Cxbladder Detect was the first product launched in 2015, and as expected, it has the highest adoption, followed by Cxbladder Monitor. In New Zealand, Cxbladder Triage test has the highest usage followed by Cxbladder Monitor.

COMMERCIAL TESTS

Commercial Tests are tests that have been analysed by Pacific Edge, for a specific customer, including the User Programmes run by customers as part of their adoption process but excluding any tests run for clinical studies.

Commercial Tests increased 6% and comprised 81% of Total Laboratory Throughput in FY20.

Commercial Tests also include tests for CMS patients, which are all invoiced to CMS but for which revenue is not yet recognised or cash payment received. CMS related tests accounted for approximately 43% of US Commercial Tests in FY20 and as at 31 March 2020, we had cumulatively completed and invoiced a total of 21,789 tests for CMS patients, for which we are yet to be reimbursed.

We will seek reimbursement for these tests when we achieve inclusion in the Local Coverage Determination.

OPERATING REVENUE

Group Operating Revenue (or test sales) increased 14% to \$4.4m in FY20.

US Operating Revenue accounted for 86% of Group Operating Revenue and increased 15% year on year (+9% in USD terms).

Under NZ IFRS 15 revenue in the US is currently recognised on a cash only basis and excludes tests sold in the US for which cash payment has yet to be received, as well as tests completed for patients covered by the CMS.

Rest of the World Operating Revenue increased 14% year on year, mainly driven by the increasing adoption and use by New Zealand's DHBs.

OPERATING CASHFLOW

Our continued focus on disciplined cash management saw Net Operating Cashflow reduce by 12% to \$(15.4)m for the year.

Cash receipts from customers increased 19% year on year to \$4.4m.

The introduction of national product specific CPT codes for Cxbladder Detect and Cxbladder Monitor in the USA from January 2019 has had a positive impact on cash collection rates and US payment terms currently average around 5 months from completion of test to payment by relevant US payer (insurer).

As at 31 March 2020, Pacific Edge had \$14.8m in cash, cash equivalents and short term deposits, following a successful \$20.1m capital raising completed during the year.

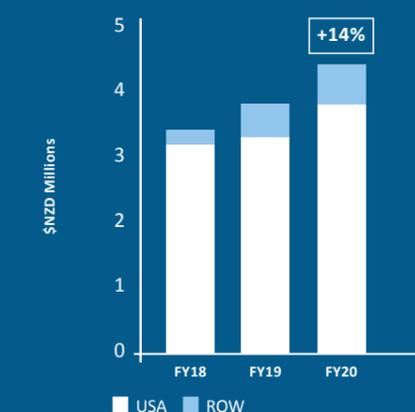
OPERATING EXPENSES

Operating Expenses were \$24.1m, up 5% on the prior year, primarily due to the foreign exchange impact of a weaker NZD compared to USD.

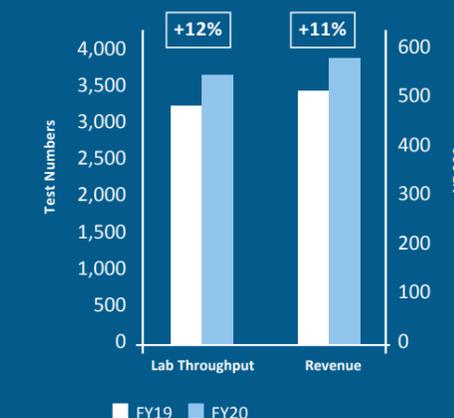
US Operating Expenses account for 60% of the total Operating Expenses and were down 2% in local currency, however, 3% higher when converted to NZD.

In Q420, the US business increased the number of sales representatives selling Cxbladder to 16 individuals, compared to 11 at the start of the financial year.

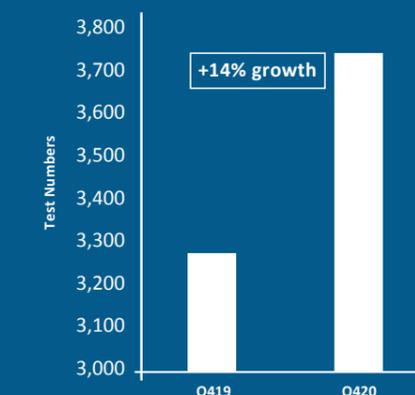
OPERATING REVENUE



NZ GROWTH



USA Q4 LABORATORY THROUGHPUT



CXBLADDER AND TELEHEALTH DELIVERING CARE AND ASSURANCE DURING A PANDEMIC

Telehealth has become a key part of the delivery of life-saving cancer care while protecting vulnerable oncology patients and providers alike. The number of urologists using telehealth has been growing as the world has grappled with the Covid-19 pandemic.

Cxbladder plays an important role in this new environment, allowing patient evaluation and assessment to be managed remotely, with the Cxbladder in-home urine sample process incorporating the delivery and collection of sample kits direct to patients homes, and the delivery to Pacific Edge laboratories for analysis.

In a recent editorial in the American Society of Clinical Oncology journal, Kaiser Permanente commented on their use of telehealth for the management of oncology patients. Excerpts from the editorial are below:

- Kaiser Permanente rapidly expanded its telehealth offer during the Covid-19 pandemic, and believe that the oncology telehealth innovations made during the current crisis could lead to lasting changes in oncology care delivery, entrenching telehealth as an integral component of cancer care.
- In the current landscape of a viral pandemic, coordination of tests, imaging, and virtual visits for patients is more necessary than before, as social distancing may cause additional distress and loss of control for patients.
- Published data on patient satisfaction and recall of recommendations suggest that cancer survivorship visits can be effectively delivered by telehealth. This is particularly relevant in cases where formal assessment, such as scans and/or laboratory results indicate continued remission.
- For many patients, in-person care may not be easily avoided. This includes imaging, procedures, and sample collection for laboratory work. However, technologies for some remote evaluation are emerging and should be considered if available.
- Kaiser's goal is to transition all oncology patients, irrespective of disease site, stage, or phase in their care continuum, to telehealth as much as feasible. In the current environment of the Covid-19 outbreak, with shelter in-place orders and an increasing number of local positive Covid-19 cases, we are finding that the vast majority of patients welcome telehealth options, and many request virtual visits on a daily basis.

“It is almost inevitable that the telehealth utilisation post Covid-19 will settle down at a level higher relative to pre-covid.”

Credit Suisse, Equity Research, United States

REAL-LIFE CASE STUDY

Bladder cancer has a very high rate of recurrence and as such, patients that have been treated are required to return to the clinic for regular evaluations for the recurrence of the disease.

Cxbladder Monitor allows urologists to monitor bladder cancer patients for recurrence of the disease. Compared to invasive and often uncomfortable surveillance tests such as cystoscopy, Cxbladder Monitor can provide accurate results with a single urine sample, and the test is often used to reduce the frequency of cystoscopy.

A US patient presenting to clinic at the University of Florida as part of his regular monitoring for recurrence showed a significant increase in his Cxbladder Monitor Score.

The follow-up investigation by the physician identified an aggressive CIS (Carcinoma In Situ). A confirmatory investigation at Johns Hopkins found an early stage and small tumour and treatment started immediately.

The patient wrote to Pacific Edge and stated: “Cxbladder Monitor has been life changing for me. While diagnosis of a tumour wasn't news I was hoping to get, I am happy that Cxbladder Monitor aided in the early detection and allowed me to get treatment quickly.”

“Without Cxbladder Monitor, we may not have found this right away.”

BOARD PROFILES



From L to R: David Levison, Chris Gallaher, Sarah Park, Bryan Williams, David Darling, Anatole Masfen

Pacific Edge is led by an experienced and knowledgeable Board of Directors who offer a range of complementary skills and expertise.

Chris Gallaher, Chairman and Independent Director (Appointed 2016)

Chris joined the Board in 2016 and was appointed as Chairman in August 2016. A New Zealand citizen resident in Melbourne, Chris has held senior positions in both CEO and CFO roles with a number of large international companies and was a partner in Arthur Young, Chartered Accountants. Prior to retiring from full time corporate life, he was CFO of Fulton Hogan, a large NZ resources based civil contractor. Chris holds a BCom from Otago University and is a Chartered Accountant and a member of the Australian Institute of Company Directors.

David Darling, Executive Director and CEO (Appointed 2014)

Dave has over 30 years' business experience in life sciences and biotechnology and was appointed to the Board as Executive Director in 2014. In his capacity as Chief Executive Officer he has led Pacific Edge from its early inception, and has significant executive and leadership experience in the development and international commercialisation of biomedical and biotechnology businesses and products. During his career, Dave has held a number of positions in governance, executive and senior management, joining Pacific Edge from Fletcher Challenge.

David Levison, Independent Director (Appointed 2016)

David has spent 25 years in the healthcare industry, working across a range of sectors from pharmaceuticals to services to diagnostics. He has been the founder and CEO of a number of high growth medical and medical technology businesses in the USA as well as working in private equity. David received his MBA from Stanford University and BS from Williams College.

Anatole Masfen, Independent Director (Appointed 2008)

Anatole is the co-founder of Artemis Capital, a private equity investment firm based in Auckland. He graduated from the University of Auckland with an MCom (Hons) in Finance and Economics. Following that he spent eight years with Air New Zealand / Ansett, holding senior positions in Pricing, Revenue Management and Systems implementation. He holds directorships in numerous private companies and has significant knowledge of financial capital markets.

Sarah Park, Independent Director (Appointed 2018)

Sarah brings international corporate finance experience to Pacific Edge after a professional career with PricewaterhouseCoopers in New Zealand and HSBC Investment Bank in London. During her executive career, Sarah has worked in mergers and acquisitions, equity capital markets and equity research. She also had a lead role in investor relations and venture capital raisings in Asia, the Middle East and Europe for US based biopharmaceutical companies. Sarah has a degree in Economics from the University of Edinburgh.

Bryan Williams, Independent Director (Appointed 2013)

Bryan is an internationally recognised cancer researcher and research administrator, with significant business experience. He has held a number of governance roles, including with a NASDAQ listed biotech company. Bryan was a Director of Cancer Trials Australia, Director of the Monash Institute of Medical Research, and Director and CEO of the Hudson Institute of Medical Research. He is currently Emeritus Director and Distinguished Scientist at the Hudson Institute in Melbourne. He has a BSc (Hons) and PhD in Microbiology from the University of Otago.

EXECUTIVE TEAM

David Darling, Managing Director and CEO

See profile on page 25.

Grant Gibson, Chief Financial Officer, Pacific Edge

Grant is an experienced financial executive and chartered accountant, who brings significant financial experience to the role. Prior to joining Pacific Edge in late 2019, Grant was Chief Financial and Operating Officer for Dunedin-based company, TracMap, where he was responsible for leading the financial management and operations across the company. Prior to that, Grant worked in executive finance roles at Westpac, including as Head of Finance for Westpac New Zealand. During his time with Westpac, he headed the finance team for New Zealand's largest financial transaction, the local incorporation of Westpac New Zealand.

Jimmy Suttie, Senior Vice President Global Operations, Pacific Edge

Jimmy has vast experience, as an executive, with the management of science and technology in New Zealand's primary industry sector, particularly the development and application of science and technology for commercialisation. Jimmy manages the Pacific Edge Operations Group with responsibilities for clinical testing, product improvement, product support and new product development.

Parry Guilford, Chief Scientific Officer, Pacific Edge

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

Tony Lough, Vice President Clinical Science & Product Performance, Pacific Edge

Tony joined Pacific Edge in 2016 and brings research management experience to the senior management team. His most recent role was Chief Executive of a government-university funded project to provide a national genomics infrastructure to the research sector. Prior to that he was a team leader at the Auckland-based biotechnology company, Genesis Research and Development Corporation, leading projects in the commercialisation of macromolecular signaling.

Brent Pownall, Vice President Commercial & Franchise, Pacific Edge

Brent brings significant strategic marketing, business development and commercialisation experience, including sales and marketing of biologics and biomedical products in New Zealand, Australia, Asia and the United States. Brent joined Pacific Edge in 2013 to lead the commercial and business development activities of the Pacific Edge franchise and its commercial arm, Pacific Edge Diagnostics New Zealand, serving the New Zealand, Singapore and Australian markets.

Jackie Walker, Chief Executive Officer, Pacific Edge Diagnostics USA

Jackie brings to the company over 25 years of extensive leadership experience in commercialising medical technologies in the US and a strong general management background. Prior to joining Pacific Edge Diagnostics USA, Jackie held senior executive positions at OSspray Ltd, Ondine Biomedical, Dentsply Sirona, a NASDAQ-100 company, and Ohmeda Medical. Jackie has led the establishment and growth of the USA subsidiary since 2012.

Jack Atchason, Senior Vice President of Sales & Customer Service, Pacific Edge Diagnostics USA

Jack brings over 25 years of successful experience in sales, sales leadership, and commercial operations, with large and small pharmaceutical organisations in the US. A proven leader in start-up organisations and product launches, Jack held roles of increasing responsibility for Abbott Laboratories, Amgen, Cytogen, Idenix, Millenium, and Targanta. Jack has led the growth of US sales and customer acquisition since 2013.

ADVISORY BOARDS

SCIENTIFIC ADVISORY BOARD

Name	Position	Organisation	Country
M. Brennan	Oncologic Surgeon Scientist Senior Vice President for International Programs Professor Chair in Clinical Oncology	Memorial Sloan Kettering Cancer Center	USA
P. Guilford	Chief Scientific Officer Professor	Pacific Edge Limited University of Otago	New Zealand New Zealand
N. Kasabov	Director Professor Computer Science	Knowledge Engineering & Discovery Research Institute (KEDRI) Auckland University of Technology	New Zealand New Zealand
O. Ogawa	Professor and Chairman	Department of Urology, Kyoto School of Medicine	Japan
P. Spence	Managing Director	Paul Spence Consultants	United Kingdom
M. Sullivan	Professor Consultant Paediatric Oncologist	The University of Melbourne Royal Children's Hospital	Australia
B. Williams	Emeritus Director and Distinguished Scientist Director	Hudson Institute of Medical Research Pacific Edge Limited	Australia New Zealand

CINICAL ADVISORY BOARD

Name	Position	Organisation	Country
P. Cozzi	Associate Professor Urologist	University of Notre Dame VMO at St George Public and Private, Mater Private, Sutherland, Kareena, Prince of Wales and Hurstville Private Hospitals	Australia Australia
M. Fraundorfer	Consultant Urologist	Tauranga Hospital Urology BOP Ltd	New Zealand
R. Getzenberg	Executive Associate Dean of Research, Professor/Medicine	Nova Southeastern University – College of Allopathic Medicine (NSU – MD)	USA
P. Gilling	Consultant Urologist Head of Urology Department Professor of Surgery	Tauranga Hospital Urology BOP Ltd University of Auckland School of Medicine	New Zealand New Zealand New Zealand
J. Masters	Urologist	Auckland City Hospital Manukau Superclinic	New Zealand
J. Raman	Professor and Chief of Urology	Penn State Hershey Surgical Specialties, Milton S. Hershey Medical Center, Hershey, Pennsylvania	USA
S. Shariat	Professor and Chairman Adjunct Professor Adjunct Professor	Medical University of Vienna, Vienna General Hospital Weill Cornell Medical Center, New York University of Texas Southwestern Medical Center	Austria USA USA

20 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020



Statement of Comprehensive Income

For the year ended 31 March 2020

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

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

Statement of Changes in Equity

For the year ended 31 March 2020

	Notes	Share Capital (\$000)	Retained Earnings (\$000)	Share Based Payments Reserve (\$000)	Foreign Currency Translation Reserve (\$000)	Total Equity (\$000)
Balance as at 31 March 2018		131,824	(120,119)	4,055	880	16,640
(Loss) after tax		-	(17,918)	-	-	(17,918)
Other Comprehensive Income		-	-	-	(3)	(3)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		-	(17,918)	-	(3)	(17,921)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	18	14,391	-	-	-	14,391
Share Based Payments - Employee Remuneration	8	188	-	-	-	188
Share Based Payment - Employee Share Options	8	-	160	452	-	612
Balance as at 31 March 2019		146,403	(137,877)	4,507	877	13,910
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)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	18	18,857	-	-	-	18,857
Share Based Payments - Employee Remuneration	8	163	-	-	-	163
Share Based Payment - Employee Share Options	8	-	521	35	-	556
Balance as at 31 March 2020		165,423	(156,242)	4,542	781	14,504

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

Balance Sheet

As at 31 March 2020

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

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



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 2020

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Preparation

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

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

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

Management of Capital

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

Going Concern

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

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

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

Basis of Consolidation

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

Name of Subsidiary	Place of Incorporation (or registration) & Operation	Principal Activity	Ownership Interests & Voting Rights	
			31 March 2020 %	31 March 2019 %
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Laboratory Operation	100	100
Pacific Edge Pty Limited	Australia	Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Limited	USA	Commercial Laboratory Operation	100	100
Pacific Edge Diagnostics Singapore Pte Limited	Singapore	Commercial Sales and Biotechnology Research & Development	100	100
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100

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

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

- Has power to direct the activities of the entity;
- Is exposed, or has rights, to variable returns from involvement with the entity; and
- Has the ability to use its power to affect its returns.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Critical Accounting Estimates and Assumptions

In preparing these financial statements, the Group made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations or future events that are believed to be reasonable under the circumstances.

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

2. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

New Standards

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year excluding ordinary shares purchased by the Company (Note 18).

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

(b) Diluted

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

4. LABORATORY THROUGHPUT AND COMMERCIAL TESTS

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

5. REVENUE

Background information on US customers and the payment process

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

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

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

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

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

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

Rest of World Customers

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

Critical Accounting Estimate

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

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

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

ACCOUNTING POLICY

Revenue from Cxbladder tests

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

US customers – patients covered by CMS

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

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

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

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

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

Rest of World customers

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

OTHER INCOME

Grant Income

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

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

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

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

All conditions of the grants have been complied with.

Cxbladder Research Rebate

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

REVENUE AND OTHER INCOME

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

UNRECOGNISED REVENUE

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

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

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

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

6. RESEARCH AND DEVELOPMENT COSTS

ACCOUNTING POLICY

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

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

When a project reaches the stage where it is probable that future expenditure can be recovered through the process or products produced, expenditure that is directly attributed or reasonably allocated to that project is recognised as a development asset within intangible assets. If the expenditure also benefits processes or products for which it cannot be recovered, it will be expensed. The asset will be amortised from the date of commencement of commercial production of the product to which it relates on a straight-line basis over the period of expected benefit. Development assets are reviewed annually for any impairment in their carrying value.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

7. GENERAL AND ADMINISTRATION EXPENSES

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

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

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

Employee Share Options

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

Other Operating Expenses

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. EMPLOYEE BENEFITS

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

Employee Share Scheme

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

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

Employee Share Option Scheme

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

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

Performance Options

Performance Options are issued to selected employees to recognise performance or a significant contribution to the Company. Performance Options entitle the holder, on payment of the exercise price, to one ordinary share in the capital of the Company. The exercise price of the granted options is determined using the fair value of the Company's share price at the time of the options being granted. Performance Options vest immediately and there is no service requirement linked to the options or any other vesting conditions. The term in which options may be exercised, and ultimately lapse if not exercised, is 10 years.

Incentive Options

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

ACCOUNTING POLICY

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

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

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

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

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

The significant inputs into the Black-Scholes valuation model were the market share price at grant date, the exercise price shown below, the expected annualised volatility of 50-60%, a dividend yield of 0%, an expected option life of between one and ten years and an annual risk-free interest rate of between 1.1% and 4.71%.

The volatility measured is the standard deviation of continuously compounded share returns and is based on a statistical analysis of daily share prices in the past one to 10 years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

9. CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS

ACCOUNTING POLICY

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

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

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

INTEREST INCOME

ACCOUNTING POLICY

Interest income is recognised using the effective interest method.

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

10. RECEIVABLES

ACCOUNTING POLICY

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

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

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

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

The foreign currency split of Receivables is:

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

11. INVENTORY

ACCOUNTING POLICY

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

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

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

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

12. OTHER ASSETS

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

13. PROPERTY, PLANT & EQUIPMENT

ACCOUNTING POLICY

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

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

Depreciation

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

Main rates used are:

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

14. INTANGIBLE ASSETS

ACCOUNTING POLICY

Intellectual Property

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

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

Software Development Costs

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

Cxbladder Development Costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

15. SEGMENT INFORMATION

ACCOUNTING POLICY

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

There are two operating segments at balance date:

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

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

Segment income, expenses and profitability are presented on a gross basis excluding inter-segment eliminations to best represent the performance of each segment operating as independent business units. The segment information provided to the Chief Executive Officer for the reportable segment described above for the year ended 31 March 2020 is shown on the next page.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

	Commercial (\$'000)	Research (\$'000)	Less: Eliminations (\$'000)	Total (\$'000)
2020				
Income				
Operating Revenue - External	4,370	-	-	4,370
- Internal	-	-	-	-
Other Income	376	1,381	(1,173)	584
Interest Income	6	245	(2)	249
Foreign Exchange Gain	-	(5)	-	(5)
Total Income	4,752	1,621	(1,175)	5,198
Expenses				
Expenses	15,093	8,740	(1,175)	22,658
Depreciation and Amortisation	1,015	411	-	1,426
Total Operating Expenses	16,108	9,151	(1,175)	24,084
Loss Before Tax	(11,356)	(7,530)	-	(18,886)
Income Tax Expense	-	-	-	-
Loss After Tax	(11,356)	(7,530)	-	(18,886)
Net Cash Flows to Operating Activities	(9,910)	(5,475)	-	(15,385)
2019				
Income				
Operating Revenue - External	3,817	-	-	3,817
- Internal	199	-	(199)	-
Other Income	213	1,669	(892)	990
Interest Income	4	368	(49)	323
Foreign Exchange Gain	(1)	1	(1)	(1)
Total Income	4,232	2,038	(1,141)	5,129
Expenses				
Expenses	15,625	8,163	(1,141)	22,647
Depreciation and Amortisation	135	256	-	391
Total Operating Expenses	15,760	8,419	(1,141)	23,038
Loss Before Tax	(11,528)	(6,381)	-	(17,909)
Income Tax Expense	9	-	-	9
Loss After Tax	(11,537)	(6,381)	-	(17,918)
Net Cash Flows to Operating Activities	(11,709)	(5,798)	-	(17,507)

Eliminations

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Segment Assets and Liabilities Information

	Commercial (\$000)	Research (\$000)	Total (\$000)
2020			
Total Assets	2,374	16,954	19,328
Total Liabilities	2,842	1,982	4,824
2019			
Total Assets	2,028	14,538	16,566
Total Liabilities	1,768	888	2,656

Additions to Non Current Assets for the period include:

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

The amounts provided to the Chief Executive Officer with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operation of the segment and the physical location of the asset.

There are no unallocated assets or liabilities.

Geographic Split of Revenue and Non-Current Assets

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

16. INCOME TAX

ACCOUNTING POLICY

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Tax Losses

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

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

Tax losses are available to be carried forward and offset against future taxable income subject to the various conditions required by income tax legislation being complied with.

Deferred Research and Development Tax Expenditure

The Group also has deferred research and development tax expenditure of \$39,600,000 (2019: \$38,200,000) to carry forward and claim for income tax purposes in New Zealand in the future. This has a tax effect of \$11,100,000 (2019: \$10,800,000). The deferred research and development tax expenditure can either be carried forward and offset against future income arising from the research and development, or subject to meeting the shareholder continuity requirements can be offset against future other taxable income.

Deferred Tax Assets

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

Imputation Credit Account

The Group has imputation credits of Nil (2019: Nil).

17. PAYABLES AND ACCRUALS

ACCOUNTING POLICY

Trade and Other Payables Due Within One Year

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

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

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

The foreign currency split for Payables and Accruals is:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Employee Entitlements

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

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

18. SHARE CAPITAL

ACCOUNTING POLICY

Ordinary shares are described as equity.

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

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

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

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

Share Capital Group

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

- 1) During the period 178,026,769 shares were issued under private placements and a rights issue at an average price of \$0.11 per share. (2019: 43,988,000, \$0.34)
- 2) During the period 753,994 shares were issued as part of employees remuneration in lieu of cash payments at an average price of \$0.22 per share. (2019: 561,000, \$0.34)
- 3) No shares were issued to suppliers during the year. In 2019 \$475,000 of issue expenses are non cash, suppliers were instead issued 1,359,000 shares in the Company. This forms part of the total detailed within (1).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

19. FOREIGN CURRENCY

ACCOUNTING POLICIES

Foreign Currency Transactions

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

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

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

Foreign Operations

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

Foreign Currency Translation Reserve

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

21. FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Foreign Currency Transactions

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

Managing Financial Risk

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

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

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

(i) Foreign Currency Risk

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

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

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

(ii) Interest Rate Risk

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

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

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

Credit Risk

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

The Group incurs credit risk from:

- Cash and short term deposits;
- Receivables in the normal course of its business; and
- Other assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

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

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

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

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

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

Liquidity Risk

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

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

Fair Values

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

22. RELATED PARTIES

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

Key Management Compensation

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

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

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

Directors' Fees

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

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

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

23. FINANCE AND OPERATING LEASE COMMITMENTS

ACCOUNTING POLICY

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

(i) Measurement basis

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

(ii) Accounting policies applied until 31 March 2019

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

Right-of-Use Assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

24. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

a) Contingent Liabilities

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

b) Capital Commitments

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

25. SUBSEQUENT EVENT - COVID-19

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

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

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

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

26. OTHER SUBSEQUENT EVENTS

There are no other subsequent events.



Independent auditor's report

To the Shareholders of Pacific Edge Limited

We have audited the consolidated financial statements which comprise:

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

Our opinion

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

Basis for opinion

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

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

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

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

Material uncertainty related to going concern

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

PricewaterhouseCoopers, Westpac Building, 106 George Street, PO Box 5848, Dunedin 9058, New Zealand
T: +64 3 470 3600, F: +64 3 470 3601, pwc.co.nz



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
US Revenue Recognition	
<p>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.</p> <p>The Company has two material United States (US) revenue streams:</p> <ol style="list-style-type: none"> Coverage via Centers for Medicare and Medicaid Services (CMS), and Private Insurance. <p>The significant judgements adopted by the Directors in applying NZ IFRS 15 criteria include:</p> <ul style="list-style-type: none"> Determining if a contract with the customer exists; Determining if the entity can identify the payment terms for the services; and Determining whether it is probable that the entity will collect the consideration to which it is entitled. <p>Based on management’s assessment, US derived revenue is accounted for on a cash receipts basis as disclosed in Note 5.</p> <p>Due to the significant audit effort required to understand the revenue recognition process and considering the significance of the judgements applied by the Directors, we determined this area to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <p>We obtained an understanding of management’s analysis of the CMS and Private Insurance US revenue streams to identify the significant judgements.</p> <p>We evaluated management’s determination of whether a contract with customers existed by:</p> <ul style="list-style-type: none"> Inspecting documentation supporting the contractual process and basis for engagement of patients (customers) in the US; and Discussing the process for engaging patients with New Zealand and US based management to reconfirm the facts that support a cash based revenue recognition conclusion. <p>Assessing the supporting documentation provided by management to illustrate the variation in payment terms by customer.</p> <p>Considering the payment terms and the probability of recovery of outstanding balances based on the history of past collections. This included assessing management’s conclusions on whether it is probable that the entity will collect the consideration. We normally visit the Group’s external billing reimbursement agent to confirm our understanding of the process and monthly report. Due to COVID-19 we were unable to perform this visit physically. However, we held video conference meetings to obtain this understanding.</p> <p>We have no matters to report from the procedures performed above.</p>



Our audit approach

Overview



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

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

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

We have determined that there is one key audit matter:

- US Revenue Recognition.

Materiality

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

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

Audit scope

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

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

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

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

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



Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

Chartered Accountants
28 May 2020

Dunedin

CORPORATE GOVERNANCE

OVERVIEW

Strong corporate governance is fundamental to the performance of Pacific Edge Limited (the Company or Pacific Edge) and the Board is ultimately responsible for ensuring that the Company and its subsidiaries (the Group) maintain high ethical standards and corporate governance practices. Pacific Edge is committed to ensuring that its corporate governance practices are in line with best practice and the NZX Corporate Governance Code (NZX Code). The Board believes that during FY20, Pacific Edge's governance practices are appropriately aligned with the NZX Code. Any exceptions are identified where appropriate under Principles 1 to 8 below.

The key corporate governance documents referred to in this report are available on Pacific Edge's website <https://www.pacificedgedx.com/investors/governance/>.

PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

The Company maintains high standards of ethical behaviour and has both a Directors' Code of Ethics and an Ethical Behaviour Policy for employees of the Company, setting out the standards that each Director or employee must adhere to whilst conducting their duties.

General principles within both Policies include (but are not limited to) requiring all Directors and employees to:

- Act honestly and with personal integrity in all actions;
- In the case of Directors, give proper attention to the matters before them and exercise their powers and duties with a due degree of care and diligence;
- Not make improper use of information acquired as a Director or employee, or of assets or resources of the Company;
- Comply with Company policies at all times.

Processes have been established to ensure all employees are aware of and understand these Policies. A review of the Director's Code of Ethics was completed in June 2020 and a review of the Ethical Behaviour Policy is underway.

Pacific Edge also has a Share Trading Policy, with additional trading restrictions applying to Directors and senior managers. Details of Directors' share dealings are set out on page 79 of this report.

PRINCIPLE 2: BOARD COMPOSITION & PERFORMANCE

"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives."

The Board operates under a formal written Charter which sets out the roles and responsibilities of the Board (and clearly distinguishes and discloses the respective roles and responsibilities of the Board and management). The focus of the Board is the creation of company and shareholder value and ensuring the Company is committed to best practice. Responsibility for the day-to-day management of Pacific Edge has been delegated to the Managing Director (CEO) and other senior management. Management are responsible for implementing the objectives and strategies approved by the Board, within the risk parameters set by the Board.

The primary responsibilities of the Board include:

- Overall governance and providing strategic leadership;
- Ensuring compliance with the Company's constitution;
- Setting clear goals for the Company, ensuring that there are appropriate strategies in place for achieving those goals;
- Monitoring the company's performance against its approved strategic, business and financial plans;
- Appointment of the Chair and CEO;
- Ensuring that the Company follows high standards of ethical and corporate behaviour; and
- Ensuring that the Company has appropriate risk management policies in place.

Newly elected Directors are expected to familiarise themselves with their obligations under the constitution, Board Charter and the NZX Listing Rules. Training is also provided to new and existing Directors where required to enable Directors to understand their obligations.

CORPORATE GOVERNANCE

Board Membership

The Board is selected on individual skills and contribution to the Company. As at 31 March 2020, the Board was comprised of five non-executive independent Directors as well as the CEO.

The Chairman is an independent Director who is elected by the Directors.

The Chairman and the CEO are different people.

While the nomination process for new Director appointments is the responsibility of the Board as a whole, the Nomination Committee is responsible for identifying, reviewing and recommending candidates to the full Board. In doing this, the Committee takes into account the composition of the Board in relation to the Company's needs and operating environment to ensure relevant skills and experience. The Board may engage consultants to assist in the identification, recruitment and appointment of suitable candidates.

Directors will retire and may stand for re-election by shareholders every three years, in accordance with the NZX Listing Rules. A Director appointed since the previous annual meeting holds office only until the next annual meeting but is eligible for re-election at that meeting.

The Board asks for Director nominations each year prior to the Annual Shareholders Meeting, in accordance with the constitution of the Company and the NZX Listing Rules.

All Directors have written agreements with the Company, setting out the terms of their appointment.

The Company encourages all Directors to undertake appropriate training and education so that they may best perform their duties. This includes attending presentations on changes in governance, legal and regulatory frameworks; attending technical and professional development courses; and attending presentations from industry experts and key advisers. Additional training is provided by Pacific Edge on a regular basis. Specific Health & Safety and Compliance training sessions were held in 2019.

Details of each Director, along with their experience, length of service, independence and ownership interests and attendance at Board meetings is included in the Annual Report and Director Profiles are available on the Company's website.

Board Performance

The performance of the Board is reviewed periodically to assess the performance of each Director, each Committee and the Board as a whole. The most recent evaluation of Board performance was undertaken in March 2019. The Chair of the Board also regularly engages with individual Directors to evaluate and discuss performance and professional development.

Diversity

Pacific Edge is committed to bringing diversity to life in its employment practices and across all aspects of the business.

The Board and Company believe in providing equality of opportunity in employment, irrespective of age, ethnic or national origin, gender, sexual orientation, family circumstances, disability, religious or ethical belief, or economic background.

The Company's Diversity Policy outlines Pacific Edge's approach towards diversity. While no measurable targets have been set for achieving diversity, the Remuneration Committee provides oversight of employment practices and HR processes and practices and is comfortable that these are in line with the intent of the Diversity Policy.

The Officers of the Company (as defined by the NZX Listing Rules) are the CEO and specific direct reports of the CEO having key functional responsibility. As at 31 March 2020, females represented 17% of Directors and Officers of the Company (FY19: 27%).

As at 31 March 2020	FY20 Male	FY20 Female	FY19 Male	FY19 Female
Directors excluding the CEO	4	1	5	1
Officers including the CEO	3	1	3	2

During the FY20 year, Kate Rankin resigned as Chief Financial Officer (CFO) and was replaced by Grant Gibson.

CORPORATE GOVERNANCE

Board Meetings and Attendance

The Board meets as often as it deems appropriate including sessions to consider the strategic direction of Pacific Edge and forward-looking business plans. Video and/or phone conferences are also used as required.

The table below sets out Director attendance at Board and Committee meetings during FY20. No Nomination Committee meetings were held in FY20.

	Board	Audit & Risk Committee	Remuneration Committee	Capital Committee
Total number of meetings held	10	2	1	8
Chris Gallaher	10	2	1	8
Dave Darling	10	2	1	8
David Levison	10	2	-	1
Anatole Masfen	10	2	-	8
Bryan Williams	9	1	1	-
Sarah Park	9	2	1	4
John Duncan*	4	1	-	6

*John Duncan was appointed to the Board on 30 April 2019 and resigned on 2 October 2019.

PRINCIPLE 3: BOARD COMMITTEES

"The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."

The Board has delegated a number of its responsibilities to Committees to assist in the execution of the Board's responsibilities. These Committees review and analyse policies and strategies which are within their terms of reference. Committee members are appointed from members of the Board with membership reviewed on an annual basis.

They examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

Management may only attend committee meetings at the invitation of the Committee.

The current Committees of the Board are the Audit & Risk Committee, Nomination Committee, Remuneration Committee and Capital Committee. A review of the Committee Charters was completed in June 2020.

The Committees have terms of reference (Charters), which are reviewed and approved by the Board. These are available on the Company's website.

Audit & Risk Committee

Members as at 31 March 2020: Sarah Park (Chair), Anatole Masfen, Chris Gallaher, David Levison

The NZX Listing Rules require the Company to have an Audit & Risk Committee comprised solely of Directors of the Company, with the majority of members being independent Directors. There must be at least three members in the Audit & Risk Committee and at least one member must have an accounting or financial background.

As per the Board Charter, the responsibilities of the Audit & Risk Committee include as a minimum:

- Ensuring that management has established a risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key business risks;
- Ensuring that the processes are in place and monitoring of those processes so that the Board is properly and regularly informed and updated on corporate financial matters;
- Recommending the appointment and removal of the independent auditor;
- Monitoring and reviewing the independent and internal auditing practices;
- Having direct communication with and unrestricted access to the independent auditors and any internal auditors or accountants;
- Reviewing the financial reports and advising all Directors whether they comply with the appropriate laws and regulations; and
- Ensuring that the external auditor or lead audit partner is changed at least every five years.

CORPORATE GOVERNANCE

Members of the Audit & Risk Committee are all independent Directors. The Audit & Risk Committee Chair is not the Chair of the Board.

Directors who are not members of the Committee are able to attend Audit & Risk Committee meetings as they wish. Employees may only attend those meetings at the invitation of the Audit & Risk Committee.

Nomination Committee

Members as at 31 March 2020: Chris Gallaher (Chair), Sarah Park, Bryan Williams

The Board has established a Nomination Committee to recommend Director appointments to the Board. The Nomination committee operates under a written Charter. All members of the Nomination Committee are independent Directors.

Remuneration Committee

Members as at 31 March 2020: Bryan Williams (Chair), David Darling, David Levison

The Board has a Remuneration Committee to recommend the remuneration for Directors to the shareholders and to oversee the remuneration of the Officers/senior managers of the Company. The Remuneration Committee operates under a written Charter. A majority of the members of the Remuneration Committee are independent Directors. The CEO does not participate in any discussions concerning the CEO's remuneration.

Capital Committee

Members as at 31 March 2020: Anatole Masfen (Chair), Chris Gallaher, Sarah Park, David Darling

The Board has a Capital Committee to provide direction and oversight, and make recommendations to the Board and act on matters pertaining to the Company's capital position. The Capital Committee operates under a written Charter.

Other Committees

The Board establishes other Committees as required. In the case of a takeover offer, Pacific Edge will form an Independent Takeover Committee to oversee disclosure and response, and engage expert legal and financial advisors to provide advice on procedure. The Board has established appropriate protocols that set out the procedures to be followed if there was to be a takeover of the Company.

PRINCIPLE 4: REPORTING & DISCLOSURE

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

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

The Company has procedures in place to ensure that it complies with its continuous disclosure requirements under the NZX Listing Rules. The Continuous Disclosure Policy governs the release to the market of all material information that may affect the value of the Company.

Copies of the key governance documents, including the Continuous Disclosure Policy, Ethical Behaviour Policy, Share Trading Policy, Board and Committee Charters and Diversity Policy are available on the Company's website.

Financial Reporting

Pacific Edge's management team is responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies, and internal controls. These are designed to ensure compliance with accounting standards and applicable laws and regulations.

The Board's Audit & Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews Pacific Edge's full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit.

All matters required to be addressed, and for which the Committee has responsibility, were addressed during the reporting period. NZ IFRS 16 was adopted in FY20 and does not have a material impact on the Company's financial statements.

For FY20, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

CORPORATE GOVERNANCE

The CEO and CFO have confirmed in writing to the Board that Pacific Edge's external financial reports present a true and fair view in all material aspects. Pacific Edge's full and half year financial statements are available on the Company's website.

Non-Financial Reporting

Non-financial disclosure is provided annually in the Company's Annual Report. The Company's activities are focused on developing cancer diagnostic tests that will benefit patients, physicians and the healthcare ecosystem, in a commercially sound manner.

Pacific Edge discusses its strategic objectives and its progress against these in the Chair and CEO's commentary in shareholder reports. An analysis of key risks is outlined on page 77.

Laboratory Test Throughput and Commercial Tests are key non-financial measures for the Company and are included in the Annual Report.

Health and safety information is also an important metric and is included in the Annual Report. Pacific Edge is committed to adopting sustainable business practices where possible.

All R&D is focussed on developing services that benefit people. R&D takes place to extend the range and application of molecular diagnostic products for cancer detection, to improve the sensitivity and specificity of the products and to improve the analytical precision of the products.

The outcome from the use of Pacific Edge's Cxbladder tests is better clinical decision making, better care for patients and better use of healthcare resources.

PRINCIPLE 5: REMUNERATION

"The remuneration of Directors and Executives should be transparent, fair and reasonable."

The Remuneration Committee is responsible for ensuring that the Company has a sound Remuneration Policy to attract and retain high performing individuals. The Remuneration Policy is available on the Company's website and outlines the relative weightings of remuneration components and relevant performance criteria.

The Committee makes recommendations to the Board on remuneration packages for the CEO. Any recommendations to shareholders regarding Director remuneration are provided for approval in a transparent manner.

Directors' remuneration is also considered by the Remuneration Committee, within the limits that have been approved by the shareholders of the Company. Shareholder approval is sought for any increase in the pool available to pay Directors' fees, and any recommendations to shareholders regarding Director remuneration are provided for approval in a transparent manner.

External advice is sought on a regular basis to ensure remuneration is benchmarked to the market for senior management positions, Directors and Board positions. The last review of Director remuneration was undertaken in July 2018.

Further details on remuneration are included in the Remuneration Section of this Annual Report, including the remuneration arrangements in place for the CEO, on pages 74 to 76.

PRINCIPLE 6: RISK MANAGEMENT

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

The Board is responsible for ensuring that appropriate policies and procedures are in place to identify and manage the key risks of the Company, which is managed through the Audit & Risk Committee. The Audit & Risk Committee operates in line with its Charter, which sets out its responsibilities for identifying, monitoring, treating and reporting on key business risks.

A comprehensive review of the risk register was completed in 2020 and incorporated risk mitigation strategies, processes and policies. Management continue to monitor individual risks, as do the Board. Any changes in risk are brought to the attention of and discussed by the Board.

Further details on risks are set out in the Risk Analysis on page 77.

CORPORATE GOVERNANCE

Health and Safety

The Company takes responsibility, so far as is reasonably practicable, at all its sites to protect the health, safety and welfare of staff and people on site, including contractors; and to act in compliance with all of its legal obligations.

Pacific Edge aims to effectively manage hazards arising from its facilities and activities. The Company's health and safety performance is monitored and reviewed regularly by management and audited externally. The Company maintains a fundamentally safe environment and takes its duty of care to staff, contractors and visitors very seriously.

During the Covid-19 pandemic, Pacific Edge continued to operate as an essential business, with the health and safety of employees a priority during this time. Pacific Edge's laboratories are controlled access, clean molecular-diagnostic environments and additional safety protocols were put in place to enhance the operating environment safety for staff. This included two separate operations teams with only one team on site at a time, safe distancing, extra cleaning and sanitisation. Remote working was enabled for all other employees.

There were no serious harm incidents reported during FY20 and no days lost to work place incidents at any Company site. In addition, there were no serious hazards identified across the Group.

PRINCIPLE 7: AUDITORS

"The Board should ensure the quality and independence of the external audit process."

External Auditors

The Board's relationship with its external auditors is governed by the Audit & Risk Committee Charter. The Charter sets out the Audit & Risk Committee's responsibilities in relation to corporate accounting and reporting practices of the Company, along with the quality and integrity of financial reports. It is the responsibility of the Audit & Risk Committee to maintain free and open communication between the Directors and external auditors and to approve any non-audit engagements performed by the audit firm.

For FY20, PricewaterhouseCoopers (PwC) was the external auditor for Pacific Edge Limited. PwC was re-appointed under the Companies Act 1993 at the 2019 Annual Shareholders Meeting. The last audit partner rotation was in FY16 with rotation due in FY21.

All audit work at Pacific Edge is separated from non-audit services, to ensure that appropriate independence is maintained. PwC only provided audit work in FY20. The amount of fees paid to PwC during FY20 are identified on page 40.

PwC has provided the Audit & Risk Committee with written confirmation that, in their view, they were able to operate independently during the year.

PwC attends each Annual Meeting of the Company, and the lead audit partner is available to answer questions from shareholders at that Meeting. PwC attended the 2019 Annual Meeting.

Internal Audits

Internal audits are used as a tool for the systematic and independent examination of Pacific Edge's operational processes as they relate to product and service provision.

Pacific Edge conducts internal audits at planned intervals to verify that its Quality Management System is effectively implemented and maintained. This ensures compliance with the requirements of its International Standard, ISO9001:2015 certification, which was awarded in November 2017.

CORPORATE GOVERNANCE

PRINCIPLE 8: SHAREHOLDER RIGHTS & RELATIONS

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

The Company is committed to ensuring that its shareholders are kept up to date with key activities and are provided with relevant information about the Company and its performance.

The Company communicates with shareholders during the financial year through shareholder newsletters, annual and half year reports and at the Annual Shareholders Meeting. The Annual Shareholders Meeting is streamed live and is accessible worldwide. All written communications and reports are available on the Company's website, as well as emailed to shareholders who elect to be emailed.

In November/December 2019, Pacific Edge conducted a capital raise through a combination of a placement and subsequent 1 for 4.25 pro-rata renounceable rights offer. The Board felt this was the most efficient way to generate capital while preserving the existing shareholders' opportunity to participate.

In accordance with the NZX Listing Rules, shareholders have the right to vote on major decisions which may change the nature of the Company. Each shareholder has one vote per share and voting is conducted by polls.

The notice of the Annual Meeting is announced on the NZX, sent to shareholders and posted on to the Company's website at least 20 working days prior to the meeting each year.

All shareholders are given the option to elect to receive electronic communications from the Company.

In addition to shareholders, Pacific Edge has a wide range of stakeholders and maintains open channels of communication for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association, as well as its staff, suppliers and customers.

REMUNERATION

The Pacific Edge Limited Remuneration Committee operates as a sub-committee under the guidance of the Board of Directors, to ensure the remuneration framework that is in place is appropriate to attract, retain and reward current and future employees of the Pacific Edge Group. The Remuneration Committee ensures that individual employee performance is aligned to the strategy and performance of the Company along with the interests of the shareholders.

DIRECTORS' REMUNERATION

Remuneration of Directors and senior executives is the key responsibility of the Remuneration Committee.

The maximum total monetary sum payable by the Company by way of non-executive Directors' fees is \$302,000 per annum, as approved by shareholders at the 2018 annual shareholders' meeting. Executive Directors do not receive Directors' fees.

Any proposed increases in non-executive Director fees and remuneration will be put to shareholders for approval at the Annual Shareholders Meeting by way of ordinary resolution. If independent advice is sought by the Board, it will be disclosed to shareholders as part of the approval process.

The standard Directors' fees per annum are as follows:

Board of Directors	FY20
Position	Total Allowable Fees per annum (NZ\$)
Chair	80,000
Deputy Chair	50,000
US Based Director	79,000
Other Directors (x2)	44,000
Chair Audit & Risk Committee	5,000

The Board recognises that there is a disparity between the market rates paid in the US and New Zealand for suitably qualified Directors. Accordingly, in order to attract a suitably qualified US person, the Company needs to pay US market rates. The Board has taken advice and determined that the appropriate fee for a US based Director is NZ\$79,000 per annum. Pacific Edge has one US based Director, David Levison.

Directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in the course of performing their duties. Other than as Chair of the Audit and Risk Committee, Directors do not receive any additional fees for positions on Committees of the Board or subsidiary companies. Directors fees exclude GST, where applicable.

During the year ended 31 March 2020, the number of non-executive Directors of Pacific edge increased by one to six, with the addition of J. Duncan to the Board in April 2019. J. Duncan ceased to be a Director in October 2019. The group relied on NZX Listing Rule 2.11.3 for the period J. Duncan was added to the Board.

Non-executive Directors received the following Directors' fees from the Company in the year ended 31 March 2020:

Directors' Fees	Directors' Fees FY20 (NZ\$000)	Directors' Fees FY19 (NZ\$000)
Pacific Edge Limited Board		
C. Gallaher (Chair)	80	78
D. Levison (USA)	79	78
A. Masfen	44	46
S. Park (appointed 6 Dec 18)	49	15
B. Williams	50	46
D. Band (resigned 16 Aug 18)	-	16
J. Duncan (appointed 30 Apr 19; resigned 2 Oct 19)	19	-
Total	321	279

- D. Levison: David Levison was granted 225,000 share options when he joined the Board in 2016, at an exercise price of \$0.60 per option. The non-cash expense of these share options included within the 2020 financial statements was \$0 (2019: \$12,000).

REMUNERATION

CHIEF EXECUTIVE OFFICER REMUNERATION

The review and approval of the CEO's remuneration is the responsibility of the Board.

The CEO's remuneration comprises:

- A fixed base salary, including Kiwisaver contributions by the Group;
- An at risk short term incentive (STI) payable annually of up to 40% of the base salary subject to agreed upon criteria in the areas of health and safety, staff engagement, profitability and cashflow; and
- A long term incentive (LTI) which includes non-cash share options granted by the Company that will vest, based on vesting criteria, over three years after the grant date.

The remuneration of the Chief Executive Officer (CEO) for the period ended 31 March 2020 has been broken down between cash remuneration and non-cash remuneration, as follows:

	Fixed remuneration (salary and Kiwisaver) (NZ\$000)	STI Cash (NZ\$000)	STI % achieved	Total cash remuneration (NZ\$000)
FY20	393	39*	50%	432
FY19	390	75*	50%	465

*For FY19, it was agreed a STI payment of \$75,000 was payable to the CEO. This was disclosed in the FY19 Annual Report but was not paid in the FY19 year. The payment of the FY19 STI is included in the remuneration totals for FY20, with 50% cash and 50% shares. The STI relating to FY20 is yet to be agreed.

Non-Cash Remuneration

During FY20, the CEO was granted 1,000,000 share options at \$0.23 per share, which vest based on vesting criteria between 2020 and 2022. The non-cash expenditure related to these share options, along with options issued prior to FY19 which are continuing to vest, included in the FY20 financial statements is \$140,000 (2019: \$247,000). In order to convert these options to ordinary shares, the CEO will be required to pay to Pacific Edge the price of \$0.23 per share, totalling \$230,000, if all options are exercised.

During the FY20, the CEO was issued 174,419 ordinary shares for in consideration of performance as an employee of the Company, in lieu of bonus and in addition to salary. These shares had a present value of \$37,500 being \$0.215 per share. These shares relate to 50% of the \$75,000 STI agreed for FY19 that were unpaid at the end of the FY19.

EMPLOYEE REMUNERATION

Employee Remuneration consists of a fixed salary and on an employee by employee basis may also include variable or "at-risk" remuneration.

Fixed remuneration includes: an individual's base salary, for core responsibilities, capability and performance, along with any superannuation scheme contributions by the Group and any other health or disability benefits provided by the Group. The base salary is benchmarked to the market.

Variable remuneration includes:

- short term incentives that are linked directly to the Company's performance and designed to reward permanent employees for Company successes and high performance across any given year. Short term incentives may be paid out in either cash, share options and/or ordinary shares in the Company at the discretion of the Company.
- long term incentives for selected employees consist of share options, allowing the employee to obtain ordinary shares in the Company. 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 vesting date. No options can be exercised later than the tenth anniversary of the final vesting date. Share options are deemed non-cash remuneration and are accounted for accordingly.

The table on page 76 shows the number of employees and former employees of the Group, not being Directors of the Group, who, in their capacity as employees, received remuneration and other benefits during the period ended 31 March 2020 totalling at least NZ\$100,000.

This includes cash remuneration and expenditure related to ordinary shares paid in lieu of cash bonuses and excludes the value of share options that have vested but have not been exercised.

The Group operates in New Zealand, Australia, Singapore and the United States where market remuneration levels differ. Of the employees noted in the table below, 79% are employed by the Group outside New Zealand. The offshore remuneration amounts are converted into New Zealand dollars.

REMUNERATION

During the year, 33 employees or former employees of the Group, not being Directors of the Company, received remuneration and other benefits that exceeded NZ\$100,000 in value as follows:

Employee Remuneration (NZ\$000)	2020	2019
620,000 - 630,000	1	-
590,000 - 600,000	-	1
500,000 - 510,000	1	-
490,000 - 500,000	-	1
460,000 - 470,000	1	-
430,000 - 440,000	1	2
370,000 - 380,000	1	-
360,000 - 370,000	1	-
350,000 - 360,000	-	1
330,000 - 340,000	2	-
320,000 - 330,000	1	2
310,000 - 320,000	2	1
300,000 - 310,000	-	1
290,000 - 300,000	1	-
280,000 - 290,000	1	2
270,000 - 280,000	2	1
260,000 - 270,000	1	1
250,000 - 260,000	1	-
240,000 - 250,000	1	1
230,000 - 240,000	1	-
220,000 - 230,000	2	1
210,000 - 220,000	-	1
200,000 - 210,000	-	1
180,000 - 190,000	1	-
170,000 - 180,000	1	-
160,000 - 170,000	-	1
150,000 - 160,000	-	4
140,000 - 150,000	1	-
130,000 - 140,000	2	3
120,000 - 130,000	3	2
110,000 - 120,000	1	2
100,000 - 110,000	4	1
	34	30

The table above includes both fixed and variable cash remuneration as described above, including base salaries, superannuation contributions, contributions to health and disability plans and cash-based short-term incentives. The table above excludes any non-cash long-term incentives that have vested but have not been exercised.

DIRECTORS AND OFFICERS INSURANCE

In accordance with the Companies Act 1993 and the constitution of the Company, Pacific Edge indemnifies and insures its Directors and Officers, including Directors and Officers of subsidiary companies within the Group, in respect of liability incurred for any act or omission in their capacity as a Director or Officer of the Company. This insurance includes defence costs. If an act or omission was to occur that was covered by this insurance, the Company would pay the liability of the act or omission and be reimbursed by the insurer.

RISK ANALYSIS

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

Risk	Mitigation
Market disruption	We operate in a number of different international markets and as we introduce additional products in new areas, we will limit our exposure to any potential market disruption. Addition of in-home-sampling enables continuation of tests during disruption caused by inability of patients to visit clinics. Dedicated supply chain logistics manager and alternative suppliers validated.
Key person risk	We have current succession plans for key staff. Appropriate remuneration including share options.
Continuation of acceptance of our products by the medical community and funders/third party payers	Clinical studies have validated our test results. Our User Programmes are a key ingredient in driving adoption by clinicians. We have CLIA certified laboratories in USA and New Zealand.
Acceptance of our products by funders and third party payers	We are building strong relationships and have negotiated a number of agreements with third party payers and funders.
Dependence on franchise partners to market and sell our products	Greater control in the key US market through our wholly owned subsidiary, Pacific Edge Diagnostics USA Limited. Close working relationships with franchise partners.
Competitor activity	We have yet to see any commercial competition in the bladder cancer diagnostic field from new molecular diagnostics. We hold the lead in clinical validation which has long lead times. We are focused on building a strong and loyal customer base around a portfolio of interdependent products.
Intellectual property related opportunities and risks	We have made great progress in expanding our intellectual property portfolio and having several key patents granted. In some cases, we have taken forward looking licenses to hedge the event of other's intellectual property impacting on us.
Regulatory risks	We have sought advice from experts in the regulatory landscape. We are aware of the risks and continuously monitor the regulatory environment for changes that may affect our business. We have a successful history of regulatory review and have strong systems and processes that are regularly reviewed and audited in both operating laboratories in New Zealand and the USA.
Reimbursement risks	We have dedicated specialists working in the area of Accounts and Payer Relationships. We have negotiated agreements in place with major payment facilitators. We have negotiated agreements in place with Federal customers.
Financial risks	\$20.1m of capital was raised from New Zealand based investors in FY20. The Company had \$14.8m of cash and cash equivalents as at 31 March 2020. We implement strong controls to ensure prudent cash management.
Revenue generation	We would reasonably expect revenue to grow as we expand our commercial presence in the USA and gain momentum in New Zealand, Australia and Singapore.
Foreign exchange risks on expected royalties	The Board and management monitor these risks regularly and evaluate whether exposure can be reduced by hedging transactions. A natural hedge exists with the USA generated revenue offsetting USA costs.
Other environmental, health and safety, operational and statutory risks	These are monitored continuously. Functions and processes have been implemented at each facility to reduce risks. We consult with external experts in our decision making, policies and processes.
Share registry risks	We are aware of the risks associated with our shares, such as low levels of liquidity, a number of large investors, high volatility in share price and external influences from investor confidence.

STATUTORY INFORMATION

For the year ended 31 March 2020

DIRECTORS' INTERESTS

The Company maintains an Interests Register in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

Directors disclosed interests, or cessation of interest, in the following entities pursuant to section 140 of the Companies Act 1993 during the year ended 31 March 2020.

Director/Entity	Relationship
C. Gallaher	
Ashdown Group Pty Ltd	Director
The Good Shepherd New Zealand Limited	Director
The Good Shepherd Australia and New Zealand Limited	Director
The Good Shepherd Microfinance Pty Ltd	Director
Mariposa Ltd	Chairman
D. Levison	
CardioDx	Director & Shareholder
CareDx	Shareholder
Qlarity Imaging	Director & Shareholder
S. Park	
Eurogrow Potatoes Limited	Director
Focus Genetics Limited	Director
Hawkes Bay Airport Limited	Director
Hawkes Bay Airport Construction Limited	Director
National Provident Fund	Director
B. Williams	
BioGrid Australia	Director
Cartherics Pty Ltd	Director & Shareholder
Pacifik Biopharma	Director
Cleveland Clinic	Consultant & Advisor
EngeneIC Pty Ltd	Advisor
A. Masfen	
Albert Nominees Limited	Director
Artemis Capital Limited	Director
Masfen Securities Limited	Director
Mill Creek Limited	Director
Pure Food Limited	Director and Shareholder
TBL Trustees Limited	Director
TBL Holdings Limited	Director
TecTrax Limited	Director
Vesper Marine Limited	Director
Vesper Innovations Limited	Director
Windfarm Group W2 Limited	Director

STATUTORY INFORMATION

For the year ended 31 March 2020

DIRECTOR APPOINTMENT DATES

The dates below are the first appointment dates for all current Directors. Directors have been re-appointed at Annual Shareholder Meetings, when retiring by rotation.

C. Gallaher	1 July 2016
D. Darling	21 August 2014
D. Levison	2 April 2016
A. Masfen	1 April 2008
S. Park	5 December 2018
B. Williams	1 June 2013

DIRECTORS' SECURITY HOLDINGS

Securities in the Company in which each Director and associated person of each Director, has a relevant interest, are specified in the table below as at 31 March 2020.

Number of Equity Securities	2020	2019
D. Darling *	9,609,357	8,954,413
C. Gallaher	547,058	-
D. Levison **	225,000	225,000
S. Park	51,400	-
B. Williams	197,127	37,341

* D. Darling has a current interest in a total of 9,609,357 equity securities, made up of 5,109,357 ordinary shares in the Company and 4,500,000 options to acquire ordinary shares in the Company.

** D. Levison's interest is options to acquire ordinary shares only.

SECURITY DEALINGS OF DIRECTORS

D. Darling received 174,419 shares in lieu of bonus during the year, and purchased 230,525 shares under the rights issue during December 2019. D. Darling sold 895,972 rights to partake in the December 2019 rights issue. D. Darling also received 1,000,000 share options in August 2019, and had 750,000 share options lapse September 2019.

C. Gallaher purchased 200,000 shares on market during the year, purchased 300,000 rights to partake in the December 2019 rights issue, and purchased 347,058 shares under the rights issue during December 2019.

S. Park purchased 45,800 shares on market during the year and purchased 5,600 shares under the rights issue during December 2019.

B. Williams purchased 151,000 shares on market during the year and purchased 8,786 shares under the rights issue during December 2019.

J. Duncan purchased 500,000 shares on market while a Director, and a further 832,324 shares on market and 752,740 shares under the rights issue during December 2019 after his resignation as Director.

INFORMATION USED BY DIRECTORS

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

INDEPENDENCE

The following Directors are considered by the Board to be independent, as defined under the NZX Main Board Listing Rules, as at 31 March 2019: C. Gallaher, B. Williams, A. Masfen, S. Park and D. Levison.

J. Duncan was appointed as a Director on 30 April 2019 and resigned on 2 October 2019 and was also considered to be independent.

The following Director is considered by the Board not to be independent: D. Darling

STATUTORY INFORMATION

For the year ended 31 March 2020

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors, and particulars of entries in the interests registers made during the year ended 31 March 2020.

No subsidiary has Directors who are not Directors of Pacific Edge Limited or employees of the Group. The remuneration and other benefits of such Directors are included in the Directors Remuneration section of this report and the remuneration and other benefits of employees totalling NZ\$100,000 or more during the year ended 31 March 2020 are included in the relevant bandings for remuneration above.

No remuneration is paid to any Director of a subsidiary company for their position as Director of that subsidiary company.

The persons who held office as Directors of subsidiary companies at 31 March 2020 are as follows:

Pacific Edge Diagnostics New Zealand Limited	D. Darling
Pacific Edge Analytical Services Limited	D. Darling
Pacific Edge Diagnostics USA Ltd	D. Darling, C. Gallaher, D. Levison, J. Walker
Pacific Edge Pty Ltd	D. Darling, C. Gallaher, B. Williams
Pacific Edge Diagnostics Singapore Pte Ltd	D. Darling, B. Williams

TWENTY LARGEST EQUITY SECURITY SHAREHOLDERS AS AT 30 APRIL 2020

Rank	Registered Shareholder	Number of Shares	% of Total Shares
1	New Zealand Central Securities Depository Limited	265,896,204	38.56
2	K One W One Limited	31,116,520	4.51
3	Forsyth Barr Custodians Limited	25,014,460	3.63
4	Masfen Securities Limited	23,604,202	3.42
5	Leveraged Equities Finance Limited	15,764,265	2.29
6	FNZ Custodians Limited	12,597,492	1.83
7	JBWERE (NZ) Nominees Limited	7,792,512	1.13
8	Forsyth Barr Custodians Limited	6,451,639	0.94
9	JBWERE (NZ) Nominees Limited	6,314,750	0.92
10	Carol Anne Edwards & Graeme Brent Ramsey	6,171,016	0.89
11	Henry Berry Corporation Limited	5,711,781	0.83
12	Pt Booster Investments Nominees Limited	5,632,461	0.82
13	Custodial Services Limited	5,313,889	0.77
14	David Darling & Yvonne McCallum & Independent Trustees (Tauranga) Limited	4,885,629	0.71
15	Steven Cyril Hancock & Bronwyn Hilda Hancock	3,714,000	0.54
16	Prospect Custodian Limited	3,289,963	0.48
17	Farnworth Ventures Limited	2,738,234	0.40
18	Ballynagarrick Investments Limited	2,578,634	0.37
19	Custodial Services Limited	2,553,742	0.37
20	Hao Zeng & Qunhui Wu	2,125,165	0.31

STATUTORY INFORMATION

For the year ended 31 March 2020

SHAREHOLDERS HELD THROUGH NZCSD AS AT 30 APRIL 2020

New Zealand Central Securities Depository Limited (NZCSD) provides a custodian depository service that allows electronic trading of securities to its members and does not have a beneficial interest in these shares. As at 30 April 2020, the ten largest shareholdings in the Company held through NZCSD were:

Rank	Registered Shareholder	Number of Shares	% of Total Shares in the Company
1	HSBC Nominees (New Zealand)	92,247,190	13.38
2	TEA Custodians Limited	37,126,477	5.38
3	JPMorgan Chase Bank	35,679,269	5.17
4	Citibank Nominees (NZ) Ltd	29,199,822	4.23
5	BNP Paribas Nominees NZ	25,990,395	3.77
6	Accident Compensation	15,710,466	2.28
7	Cogent Nominees (NZ) Limited	9,893,240	1.43
8	Cogent Nominees Limited	9,238,185	1.34
9	National Nominees New Zealand	5,973,801	0.87
10	Public Trust RIF Nominees	4,628,014	0.67

SPREAD OF SECURITY HOLDERS AS AT 30 APRIL 2020

	No. of Ordinary Security Holders	% of Issued Capital
1 – 1,000	422	0.04%
1,001 – 5,000	1,408	0.58%
5,001 – 10,000	943	1.03%
10,001 – 50,000	1,791	6.11%
50,001 – 100,000	409	4.26%
Greater than 100,001	548	87.98%
Total Security Holders	5,521	100%

SUBSTANTIAL PRODUCT HOLDERS

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. These substantial product holders are shareholders who have a relevant interest of 5% or more of a class of quoted voting products of the Company.

As at 31 March 2020, details of the substantial product holders of the Company and their relevant interests in the Company's Shares are as follows:

Name of Substantial Product Holder	Number of Ordinary Voting Securities as at 31 March 2020	% of Issued Capital
Harbour Asset Management Limited (First NZ Capital Limited)	84,152,508	12.20%
Salt Funds Management Ltd	55,758,404	8.09%
Westpac Banking Corporation (Guardian Nominees No.2 Limited and BT Funds Management (NZ) Limited)	48,771,784	7.07%

STATUTORY INFORMATION

For the year ended 31 March 2020

DONATIONS

The Group made no donations during the year.

CREDIT RATING

The Company currently does not have a credit rating.

WAIVERS FROM NZX LISTING RULES

No waivers were granted by NZX during the 12 month period ended 31 March 2020.

EXERCISE OF NZX POWERS (LISTING RULE 5.4.2)

NZX did not exercise its powers during the year under Listing Rule 5.4.2.

GLOSSARY

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

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

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

CMS: Centers for Medicare and Medicaid Services: The Federal program which helps pay health care costs for people 65 and older and for certain people under 65 with long-term disabilities.

Company: Pacific Edge Limited.

CPT Codes: Current Procedural Terminology (CPT) is a medical code, assigned by the American Medical Association, that is used to communicate uniform information about medical, surgical, and diagnostic procedures and services to entities such as physicians, health insurance companies and accreditation organisations.

Cystoscopy: This is the use of a scope (cystoscope) which is inserted through the urethra to examine the bladder.

District Health Boards (DHBs): Government funded, public healthcare providers in New Zealand, responsible for ensuring the provision of health and disability services to populations within a defined geographical area.

Group: The Company together with its subsidiaries.

Haematuria/Hematuria: The presence of red blood cells in the urine and a key indicator of bladder cancer.

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

Listing Rules: NZX Main Board Listing Rules.

Local Coverage Determination (LCD): A decision by a Medicare Administrative Contractor (MAC) whether to cover a particular service on a MAC-wide, basis.

Medicaid: A program administered at the state level, which provides medical assistance to the needy. Families with dependent children, the aged, blind, and disabled who are in financial need are eligible for Medicaid. It may be known by different names in different states.

Molecular Diagnostics: Diagnostics based on genetic and epigenetic information.

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

Recurrence: Disease return following medical intervention.

Reimbursement: To make repayment to for expense or loss incurred.

TRICARE: Healthcare program for the US Armed Forces military personnel, military retirees and their dependents.

Urologist: Specialist physicians for urological diseases and disorders.

Urothelial Cancer/Carcinoma: Urothelial cancer includes bladder cancer and cancers of the upper urinary tract.

USANZ: The Urological Society of Australia and New Zealand

User Programme: Formal evaluation programme that allows a physician, group practice, institution, or healthcare system to evaluate the performance of a new product or technology.

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

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

COMPANY DIRECTORY

Issued Capital

689,652,227 Ordinary Shares

Registered Office

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

Directors

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

Chief Executive Officer

David Darling

Nature of Business

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

Auditors

PricewaterhouseCoopers
Dunedin

Bankers

Bank of New Zealand
Dunedin

ANZ
Dunedin

Heartland Bank
Dunedin

Solicitors

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

Securities Registrar

Link Market Services Limited
138 Tancred Street
Ashburton

Company Number

1119032

Date of Incorporation

27th February 2001

PACIFIC EDGE COMMUNICATIONS

Websites

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

Facebook

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

Twitter

@PacificEdgeLtd
@Cxbladder

LinkedIn

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



PACIFIC EDGE 
CANCER DIAGNOSTICS COMPANY

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

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

www.pacificedgedx.com