

24

CONSOLIDATED
FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2024



PACIFIC EDGE 
CANCER DIAGNOSTICS COMPANY

Consolidated Financial Statements	
Consolidated Statement of Comprehensive Income	3
Consolidated Statement of Changes in Equity	4
Consolidated Balance Sheet	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7
Independent Auditor's Report	37
Company Directory	42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Notes	2024 (\$'000)	2023 (\$'000)
REVENUE			
Operating Revenue	5	23,907	19,616
Total Operating Revenue		23,907	19,616
Other Income	5	1,322	1,417
Interest Income	9	3,433	2,761
Foreign Exchange Gain		631	2,330
Total Revenue and Other Income		29,293	26,124
OPERATING EXPENSES			
Laboratory Operations		11,751	9,349
Research	6	12,089	8,484
Sales and Marketing		25,590	25,123
General and Administration	7	9,398	10,133
Total Operating Expenses		58,828	53,089
NET LOSS BEFORE TAX		(29,535)	(26,965)
Income Tax Expense	16	-	-
LOSS FOR THE YEAR AFTER TAX		(29,535)	(26,965)
Items that may be reclassified to profit or loss:			
Translation of Foreign Operations		142	(99)
Disposal of Foreign Operation		(20)	-
TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company		(29,413)	(27,064)
Earnings per share for loss attributable to the equity holders of the Company during the year			
Basic and Diluted Earnings per share	3	(0.036)	(0.033)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Notes	Share Capital (\$000)	Accumulated Losses (\$000)	Share Based Payments Reserve (\$000)	Foreign Currency Translation Reserve (\$000)	Total Equity (\$000)
Balance as at 31 March 2022		294,139	(189,849)	3,145	941	108,376
Loss after tax		-	(26,965)	-	-	(26,965)
Other Comprehensive Income		-	-	-	(99)	(99)
TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company		-	(26,965)	-	(99)	(27,064)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	18	(4)	-	-	-	(4)
Share Based Payments- Employee Remuneration	8	182	-	-	-	182
Share Based Payment- Employee Share Options	8	-	-	1,273	-	1,273
Balance as at 31 March 2023		294,317	(216,814)	4,418	842	82,763
Balance as at 31 March 2023		294,317	(216,814)	4,418	842	82,763
Loss after tax		-	(29,535)	-	-	(29,535)
Other Comprehensive Income		-	-	-	122	122
TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company		-	(29,535)	-	122	(29,413)
<i>Transactions with owners in their capacity as owners:</i>						
Share Based Payments- Employee Remuneration	8	83	-	-	-	83
Share Based Payment- Employee Share Options	8	-	-	1,189	-	1,189
Balance as at 31 March 2024		294,400	(246,349)	5,607	964	54,622

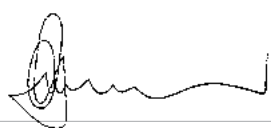
Note: These Consolidated Financial Statements are to be read in conjunction with the Notes to the Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

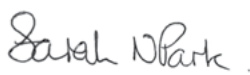
As at 31 March 2024

	Notes	2024 (\$'000)	2023 (\$'000)
CURRENT ASSETS			
Cash and Cash Equivalents	9	29,261	33,229
Short Term Deposits	9	21,000	44,562
Receivables	10	4,698	5,493
Inventory	11	1,688	1,287
Other Assets	12	1,228	1,400
Total Current Assets		57,875	85,971
NON-CURRENT ASSETS			
Property, Plant and Equipment	13	2,925	2,768
Right of Use Assets	23	3,698	1,143
Intangible Assets	14	950	1,031
Total Non-Current Assets		7,573	4,942
TOTAL ASSETS		65,448	90,913
CURRENT LIABILITIES			
Payables and Accruals	17	6,753	6,928
Borrowings		300	-
Lease Liabilities	23	1,264	811
Total Current Liabilities		8,317	7,739
NON-CURRENT LIABILITIES			
Lease Liabilities	23	2,509	411
Total Non-Current Liabilities		2,509	411
TOTAL LIABILITIES		10,826	8,150
NET ASSETS		54,622	82,763
Represented by:			
EQUITY			
Share Capital	18	294,400	294,317
Accumulated Losses		(246,349)	(216,814)
Share Based Payments Reserve		5,607	4,418
Foreign Translation Reserve		964	842
TOTAL EQUITY		54,622	82,763
FURTHER INFORMATION			
Net Tangible Assets per share (\$)		0.066	0.101

For and on behalf of the Board of Directors dated the 20th day of May 2024:



Director



Director

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	Notes	2024 (\$'000)	2023 (\$'000)
CASH FLOWS TO OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		24,137	18,468
Receipts from Grant Providers		1,856	1,066
Interest Received		3,441	2,716
		29,434	22,250
Cash was disbursed to:			
Payments to Suppliers and Employees		55,196	47,869
Net GST (inflow)		(12)	(44)
		55,184	47,825
Net Cash Flows To Operating Activities	20	(25,750)	(25,575)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash was provided from:			
Proceeds from Short Term Deposits		83,084	143,490
		83,084	143,490
Cash was disbursed to:			
Purchase of Short Term Deposits		59,523	118,107
Capital Expenditure on Plant and Equipment		832	1,870
Capital Expenditure on Intangible Assets		540	1,039
		60,895	121,016
Net Cash Flows From Investing Activities		22,189	22,474
CASH FLOWS TO FINANCING ACTIVITIES:			
Cash was provided from:			
Proceeds from Borrowings		300	-
Ordinary Shares Issued	18	-	(4)
		300	(4)
Cash was disbursed to:			
Repayment of Leases- Principal	23	1,268	1,195
Repayment of Leases- Interest	23	138	83
		1,406	1,278
Net Cash Flows To Financing Activities		(1,106)	(1,282)
Net (Decrease) in Cash Held		(4,667)	(4,383)
Add Opening Cash Brought Forward		33,229	35,412
Effect of exchange rate changes on net cash		699	2,200
Ending Cash Carried Forward	9	29,261	33,229

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1. MATERIAL ACCOUNTING POLICY INFORMATION

Reporting Entity

The consolidated financial statements (hereafter referred to as the 'financial statements') presented for the year ended 31 March 2024 are for Pacific Edge Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group'). The Group's purpose is to research, develop and commercialise new diagnostic and prognostic tools for the early detection and management of cancers.

Pacific Edge Limited is registered in New Zealand under the Companies Act 1993 and is a Financial Markets Conduct (FMC) reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the NZX Listing Rules. The financial statements presented are those of the Group, consisting of the Parent entity, Pacific Edge Limited and its subsidiaries. The Company is dual listed, with its primary listing of ordinary shares quoted in New Zealand on the NZX Main Board, and a secondary listing in Australia as a Foreign Exempt Entity on the ASX.

These financial statements have been approved for issue by the Board of Directors on the 20th May 2024.

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 Accounting Standards ("IFRS Accounting Standards") as issued by the IASB.

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

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

Management of Capital

The capital structure of the Group consists of equity raised by the issue of ordinary shares in the Company. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, provide benefit for other stakeholders and to maintain an optimal capital structure to support the development of its business. The Company meets these objectives through closely managing revenue and expenditure, and where required issues new shares.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 2024 %	31 March 2023 %
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge (Australia) Pty Limited	Australia	Commercial Sales and Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Limited	USA	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge Diagnostics Singapore Pte Limited	Singapore	Commercial Sales and Biotechnology Research & Development. In the process of being dissolved as at 31 March 2024	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 2024 and for the year then ended. All subsidiaries have the same balance date as the Company of 31 March.

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

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

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

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

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

Critical Accounting Estimates and Assumptions

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

The Group has performed an assessment of potential climate related risks and considered the location of laboratories and other key operations in each region that it operates in and concluded that there is no material impact on the current financial statements.

All other material accounting policy information has been applied on a basis consistent with those used in the audited financial statements of Pacific Edge Limited for the year ended 31 March 2023.

2. NEW STANDARDS

NEW DISCLOSURE REQUIREMENTS AND CHANGES IN ACCOUNTING STANDARDS ADOPTED BY THE GROUP

On 14 December 2022 the External Reporting Board (XRB) published its climate-related disclosure standard. The mandatory reporting regime is for reporting periods beginning after 1 January 2023. Climate-related disclosures will be reported at the time of issuance of the Annual Report.

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

The following new accounting standards and interpretations have been published that are not mandatory for 31 March 2024 reporting periods and have not been early adopted by the Group.

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18)

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) was issued in April 2024 as replacement for IAS 1 Presentation of Financial Statements (IAS 1). Most of the presentation and disclosure requirements would largely remain unchanged together with other disclosures carried forward from IAS 1 IFRS 18 primarily introduces the following:

- a defined structure for the consolidated statement of comprehensive income by classifying items into one of the five categories: operating, investing, financing, income taxes and discontinued operations. Entities will also present expenses in the operating category by nature, function, or a mix of both, based on facts and circumstances
- disclosure of management-defined performance measures non-GAAP measures in a single note together with reconciliation requirements, and
- additional guidance on aggregation and disaggregation principles (applied to all primary financial statements and notes).

IFRS 18 also made limited change to certain presentation and disclosure requirements in the financial statements; as well as consequential changes to various IFRS Accounting Standards.

IFRS 18 will be effective for annual reporting periods beginning on or after 1 January 2027 and entities could early adopt this accounting standard. The Group expects to adopt IFRS 18 and relevant consequential changes of other accounting standards in the 2028 financial statements. The Group is currently assessing the impact and will disclose more detailed assessments in the future.

Disclosure of Fees for Audit Firms' Services (Amendments to FRS-44)

The amendments to FRS-44 aim to address concerns about the quality and consistency of disclosures an entity provides about fees paid to its audit firm for different type of services.

Application of this amendment is required for accounting periods beginning on or after 1 January 2024. The Group expects to adopt amendments to FRS-44 in the 2025 financial statements. The Group is currently assessing the impact and will disclose more detailed assessment in the future.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. EARNINGS PER SHARE

(a) Basic

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

	GROUP	
	2024 (\$000)	2023 (\$000)
Loss attributable to equity holders of the Company	(29,535)	(26,965)
Weighted average number of ordinary shares on issue	810,727	810,226
Earnings per share	(0.036)	(0.033)

(b) Diluted

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

4. LABORATORY THROUGHPUT AND COMMERCIAL TESTS - NON-GAAP REPORTING

Laboratory Throughput is a key metric for the Group: Laboratory Throughput provides evidence of the usage of Cxbladder products globally and the rates of adoption between different customer segments. The inclusion of this non-GAAP reporting is considered helpful to readers of these financial statements, as it allows readers to compare the current period to prior periods and assess usage trends on a consistent basis. Total laboratory throughput includes commercial tests, which are invoiced to customers (including tests for patients covered by the US government's medical program through the Centers for Medicare and Medicaid Services (CMS)), and tests which are not considered to be commercial as these tests relate to Research Tests or other non-chargeable 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 financial statements as it allows readers to compare the current period to prior periods and assess trends on a consistent basis.

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

	FY24	FY23
Total Laboratory Throughput (tests)	32,633	31,565
Increase in Total Laboratory Throughput (%)	3%	37%
Increase in Throughput from previous year (tests)	1,068	8,479
Total Commercial Tests (tests)	27,347	26,691
Increase in Commercial Tests from previous year (%)	2%	39%
Increase in Commercial Tests from previous year (tests)	656	7,495
Commercial Tests as a percentage of Total Laboratory Throughput (%)	84%	85%

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

5. REVENUE

Background information on US customers and the payment process

A physician orders a Cxbladder test when a patient presents to their clinic with symptoms that indicate the possibility of bladder cancer. The most common and significant symptom is haematuria or blood in their urine. A urine sample is collected from the patient and sent in the Cxbladder Urine Sampling System to the Group's laboratory in the US or in New Zealand. The Group receives and processes the urine sample and returns the results of the test back to the ordering physician. The individual patient is the Group's customer, however typically in the US market, the patient's insurer may pay the Group for some or all of the cost of the test.

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

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

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

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

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

Refer to note 25 for details on the proposed Local Coverage Determination change that has the potential to negatively impact future revenue.

Rest of World Customers

Revenue from Rest of World customers is primarily from Te Whatu Ora Health 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 regions across New Zealand and revenue is recognised as described on the following pages.

Critical Accounting Estimate

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

The significant judgements adopted by the Group relate to :

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

ACCOUNTING POLICY

Revenue from Cxbladder tests – USA

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. On return of the test result, the Group has determined a contract exists, that the payment terms are identified, that the contract has commercial substance and there has been identification of the rights of each party.

On the 3 July 2020, Pacific Edge received notice of inclusion in the LCD, resulting in the Company receiving reimbursement for Cxbladder Monitor and Detect tests performed after 1 July 2020 for patients covered by the CMS across the US that are deemed medically necessary. Reimbursement for these tests is at the already determined national CMS price for Cxbladder of US\$760 per test, less a 2% sequestration fee.

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

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

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

As a result of the Significant Judgements applied, the Group have determined the criteria under NZ IFRS 15 which allows revenue to be recognised in advance of the receipt of cash have been met, and the Group has recognised revenue for tests which were performed from 1 October 2023 to 31 March 2024 (6 months prior to balance date) for which payment has not been received by 31 March 2024 from CMS and Medicare Advantage. Following a change in commercial agreement, revenue for Kaiser Permanente is recognised in the month the test is performed.

Rest of World revenue recognition from tests performed

There has been no change in accounting policy or estimates for Operating Revenue for the Rest of World. The Group performs Cxbladder tests when requested by a patient's physician in New Zealand, Australia and Southeast Asia. At the point the test results are returned to the physician, the Group has satisfied its performance obligations have been met. At the end of the month an invoice is issued to the customer based on the number of tests performed. Revenue is recognised when the 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 consolidated statement of comprehensive income, on a systematic basis over the periods in which the Group recognises the related costs as expenses for which the grants are intended to compensate.

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

All conditions of the grants have been complied with.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

Research Rebates and Tax Incentives

- New Zealand R&D Tax Incentive (RDTI)

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

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

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

- Australia Cxbladder Research Rebate

A Cxbladder research programme is administered by Pacific Edge (Australia) 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.

For the year ended 31 March 2024, Group revenue is over \$20m Australian Dollars, resulting in research rebates being issued as a tax credit instead of a cash payment as received for the year ended 31 March 2023. As the Group made a loss for period, this change results in the research rebate not being recognised as a tax credit in the financial statements for the year ended 31 March 2024.

REVENUE AND OTHER INCOME

	2024 (\$000)	2023 (\$000)
Cxbladder Sales		
- US - Accrual Accounting	19,288	16,362
- US - Cash Accounting	3,214	2,388
- Total US Sales	22,502	18,750
- Rest Of World	1,405	866
Total Operating Revenue	23,907	19,616
Other Income		
Grant Revenue	24	44
Research Rebates and Tax Incentives	1,298	1,373
Total Other Income	1,322	1,417

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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	GROUP	
		2024 (\$'000)	2023 (\$'000)
Research Expenses		12,089	8,484
Includes:			
Employee Benefits	8	6,571	4,930

7. GENERAL AND ADMINISTRATION EXPENSES

	Notes	GROUP	
		2024 (\$'000)	2023 (\$'000)
Amortisation	14	311	213
Auditors Remuneration: PricewaterhouseCoopers New Zealand			
- Group year end financial statements		194	184
- Half year review of financial statements		34	30
- Singapore Statutory financial statements		-	12
Auditors Remuneration: PricewaterhouseCoopers Singapore			
- Statutory financial statements		-	15
Other services provided by PricewaterhouseCoopers New Zealand			
- Corporate Treasury and Financial Modeling Workshops		2	-
Depreciation	13	358	263
Depreciation on Right of Use Assets	23	195	187
Directors Fees	22	500	495
Employee Benefits	8	3,974	4,990
Insurance		610	501
Interest on Lease Liabilities	23	21	13
Legal Fees		826	692
NZX, ASX and Registry Fees		274	305
Other Operating Expenses		2,099	2,233
		9,398	10,133

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

Other Operating Expenses

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

8. EMPLOYEE BENEFITS

	Notes	GROUP	
		2024 (\$000)	2023 (\$000)
Represented by:			
Employee Benefits:			
Lab Operations		3,119	2,480
Research	6	6,571	4,930
Sales and Marketing		16,697	15,155
General and Administration	7	3,974	4,990
Total Employee Benefits		30,361	27,555

Employee Share Scheme

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

The issuance of ordinary shares to employees is treated as equity settled share-based payments. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date based on the market price at the time of issuance. The fair value of shares granted is recognised as an employee expense in the Consolidated Statement of Comprehensive Income when the shares are issued. During the 2024 financial year, 906,000 (2023: 278,000) ordinary shares were issued to employees as part of the Employee Share Scheme. The associated non-cash cost of these shares was \$83,000 (2023: \$182,000). Refer to Note 18 for further details on the shares issued during the financial year.

Attract and Retain Options

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.

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

The exercise price of the granted options is determined using the fair value of the Company's share price at the time of the options being granted.

Incentive Options issued prior to 31 March 2022 generally vest over three years and contain the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

Options issued after 1 April 2022 generally vest equally in three tranches over a four year period, with 1/3 on the second, third and fourth anniversary of the issue. The Options are exercisable up to four years after vesting date. Option holders are required to remain as an employee of the Company in order for options to vest. No options can be exercised later than the fourth anniversary of the final vesting date. The exercise price increases annually for each vested tranche at the equity cost of capital.

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 in cash. The fair value of all options granted is recognised as an expense in the Consolidated Statement of Comprehensive Income over their vesting period, with a corresponding increase in the employee share option reserve. The options expense for the year ended 31 March 2024 was \$1,189,000 (2023: \$1,273,000).

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

During the financial year ended 31 March 2024, there were no share options exercised (2023: Nil). There was no resulting increase in share capital (2023: Nil).

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

	GROUP			
	2024		2023	
	Weighted average exercise price \$	Options #	Weighted average exercise price \$	Options #
Outstanding at 1 April	0.59	17,765,038	0.60	13,861,319
Granted	0.30	14,711,546	0.60	4,293,215
Forfeited	0.59	(584,410)	1.04	(389,496)
Outstanding at 31 March	0.45	31,892,174	0.59	17,765,038
Exercisable at 31 March	0.44	12,635,479	0.40	10,792,501

The Group used the Black-Scholes valuation model to determine the fair value of the equity instruments granted. The Black-Scholes valuation model has been determined as the most appropriate method as it estimates the theoretical value of options taking into account the impact of time and other risk factors. The significant inputs into the Black-Scholes valuation model were the market share price at grant date, the exercise price shown below, the expected annualised volatility of 50-106%, a dividend yield of 0%, an expected option life of between one and ten years and an annual risk-free interest rate of between 0.65% and 5.63%.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

Share options outstanding at the end of the reporting periods have the following expiry dates, vesting dates, exercise prices and movements for the year ended 31 March 2024:

Issued	Expiry	Low Exercise Price (\$)	High Exercise Price (\$)	Weighted Average Exercise Price (\$)	Opening Options as at 1 April 2023	Issued	Forfeited	Exercised	Expired	Closing Options 31 March 2024	Exercisable as at 31 March 2024
Apr 2014 - Mar 2015	Sept 2024 - Jan 2028	0.69	0.72	0.71	528,441	-	-	-	-	528,441	528,441
Apr 2015 - Mar 2016	Sept 2025 - Mar 2029	0.50	0.60	0.51	332,399	-	-	-	-	332,399	332,399
Apr 2016 - Mar 2017	Nov 2026 - Jan 2030	0.48	0.60	0.57	327,607	-	-	-	-	327,607	327,607
Apr 2017 - Mar 2018	May 2028 - Feb 2031	0.28	0.51	0.50	2,770,899	-	-	-	-	2,770,899	2,770,899
Apr 2018 - Mar 2019	Jun 2029 - Nov 2031	0.23	0.28	0.24	69,098	-	-	-	-	69,098	69,098
Apr 2019 - Mar 2020	Aug 2030 - Aug 2032	0.23	0.23	0.23	4,037,267	-	-	-	-	4,037,267	4,037,264
Apr 2020 - Mar 2021	Jun 2031 - Jun 2033	0.22	0.80	0.31	2,142,108	-	-	-	-	2,142,108	2,142,108
Apr 2021 - Mar 2022	Aug 2032 - Aug 2034	1.23	1.23	1.23	353,615	-	(11,211)	-	-	342,404	260,737
Apr 2021 - Mar 2022	Feb 2027 - Feb 2031	1.15	1.25	1.23	3,000,000	-	-	-	-	3,000,000	1,200,000
Apr 2022 - Mar 2023	Dec 2026 - Dec 2030	0.48	0.70	0.60	4,203,604	-	(480,999)	-	-	3,722,605	966,926
Apr 2023 - Mar 2024	Apr 2029 - Oct 2031	0.25	0.64	0.30	-	14,711,546	(92,200)	-	-	14,619,346	-
TOTALS				0.45	17,765,038	14,711,546	(584,410)	-	-	31,892,174	12,635,479

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

9. CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS

ACCOUNTING POLICY

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

Short Term Deposits and Cash Equivalents include investments with ANZ, BNZ, Kiwibank, Westpac and Wells Fargo (2023: ANZ, BNZ, Kiwibank, Westpac and Wells Fargo) with periods ranging up to 365 days. Funds held on term deposit with ANZ, BNZ Westpac and Kiwibank can be accessed with one month's notice at the request of the authorised bank signatories of Pacific Edge Limited, but may incur fees and/or charges for early access.

	GROUP	
	2024 (\$000)	2023 (\$000)
Cash and Cash Equivalents	29,261	33,229
Short Term Deposits	21,000	44,562
Total Cash, Cash Equivalents and Short Term Deposits	50,261	77,791
NZD	42,814	55,954
USD	6,010	20,399
AUD	1,436	1,429
EUR	1	2
SGD	-	7
Total Cash, Cash Equivalents and Short Term Deposits	50,261	77,791

INTEREST INCOME

ACCOUNTING POLICY

Interest income is recognised using the effective interest method.

Interest on the bank balances ranges from 0% to 6.49% (2023: 0% to 5.99%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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	
	2024 (\$000)	2023 (\$000)
Trade Receivables	2,551	2,780
Sundry Debtors	1,722	2,257
Accrued Interest	375	383
GST Refund Due	50	73
Total Receivables	4,698	5,493

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

US Trade Receivables includes a provision for future refunds of \$83,000 (2023: \$271,000).

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

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

	GROUP	
	2024 (\$000)	2023 (\$000)
3 to 6 Months	75	436
Over 6 Months	267	-
Total Overdue Trade Receivables	342	436

The foreign currency split of Receivables is:

	GROUP	
	2024 (\$000)	2023 (\$000)
NZD	2,355	2,375
USD	2,334	2,685
AUD	9	433
Total Receivables	4,698	5,493

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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	
	2024 (\$000)	2023 (\$000)
Laboratory Supplies	1,688	1,287
Total Inventory	1,688	1,287

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

Laboratory supplies used during the year of \$2,769,000 (2023: \$2,540,000) are included within the Consolidated Statement of Comprehensive Income in Laboratory Operations and Research.

12. OTHER ASSETS

	GROUP	
	2024 (\$000)	2023 (\$000)
Prepayments	979	1,156
Security Deposits	249	244
Total Other Assets	1,228	1,400

Prepayments are largely made up of insurance, industry conferences and subscriptions. Security deposits are paid to secure properties for lease in the US and to secure credit cards in the US.

13. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

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

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

Depreciation

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

Main rates used are:

Plant and Laboratory Equipment	5% to 40%	DV
Computer Equipment	5% to 67%	DV
Leasehold Improvements	6% to 10%	SL
Furniture and Fittings	5% to 25%	DV

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

	Plant & Laboratory Equipment (\$000)	Computer Equipment (\$000)	Leasehold Improvements (\$000)	Furniture & Fittings (\$000)	Total (\$000)
Cost					
Balance at 1 April 2022	1,917	384	392	326	3,019
Additions	1,535	259	12	67	1,873
Disposals	(48)	(64)	(23)	(123)	(258)
Translation difference	37	18	15	1	71
Balance at 31 March 2023	3,441	597	396	271	4,705
Balance at 1 April 2023	3,441	597	396	271	4,705
Additions	731	89	1	11	832
Disposals	(213)	(29)	(1)	(11)	(254)
Translation difference	71	11	7	-	89
Balance at 31 March 2024	4,030	668	403	271	5,372
Accumulated Depreciation					
Balance at 1 April 2022	1,189	174	98	154	1,615
Depreciation expense	332	136	33	26	527
Disposals	(177)	(69)	57	(58)	(247)
Translation difference	23	8	9	2	42
Balance at 31 March 2023	1,367	249	197	124	1,937
Balance at 1 April 2023	1,367	249	197	124	1,937
Depreciation expense	498	155	35	28	716
Disposals	(211)	(19)	-	(9)	(239)
Translation difference	23	5	5	-	33
Balance at 31 March 2024	1,677	390	237	143	2,447
Carrying Amounts					
At 1 April 2022	728	210	294	172	1,404
At 31 March 2023	2,074	348	199	147	2,768
At 31 March 2024	2,353	278	166	128	2,925

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 have been removed as an Intangible Asset during the previous financial year with the \$13,000 remaining value expensed in the Consolidated Statement of Comprehensive Income for the year ended 31 March 2023.

	Software Development Costs (\$'000)	Patents (\$'000)	Cxbladder Development Costs (\$'000)	Total (\$'000)
Cost				
Balance at 1 April 2022	1,199	550	33	1,782
Additions	977	73	-	1,050
Disposals	(12)	-	(33)	(45)
Foreign Translation Difference	4	-	-	4
Balance at 31 March 2023	2,168	623	-	2,791
Balance at 1 April 2023	2,168	623	-	2,791
Additions	533	7	-	540
Foreign Translation Difference	3	-	-	3
Balance at 31 March 2024	2,704	630	-	3,334
Accumulated Amortisation				
Balance at 1 April 2022	933	395	20	1,348
Amortisation expense	359	68	-	427
Disposals	-	-	(20)	(20)
Foreign Translation difference	5	-	-	5
Balance at 31 March 2023	1,297	463	-	1,760
Balance at 1 April 2023	1,297	463	-	1,760
Amortisation expense	567	54	-	621
Foreign Translation difference	3	-	-	3
Balance at 31 March 2024	1,867	517	-	2,384
Carrying Amounts				
At 1 April 2022	266	155	13	434
At 31 March 2023	871	160	-	1,031
At 31 March 2024	837	113	-	950

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

15. SEGMENT INFORMATION

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 their 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 2024, is shown below.

2024	Commercial (\$000)	Research (\$000)	Less: Eliminations (\$000)	Total External Income (\$000)
Income				
Operating Revenue - External	23,871	-	36	23,907
Other Income	489	4,400	(3,567)	1,322
Interest Income	21	3,412	-	3,433
Foreign Exchange Gain	1	666	(36)	631
Total Income	24,382	8,478	(3,567)	29,293
Expenses				
Expenses	40,008	19,781	(3,567)	56,222
Depreciation & Amortisation	1,629	977	-	2,606
Total Operating Expenses	41,637	20,758	(3,567)	58,828
Loss Before Tax	(17,255)	(12,280)	-	(29,535)
Income Tax Expense	-	-	-	-
Loss After Tax	(17,255)	(12,280)	-	(29,535)
Net Cash Flow to Operating Activities	(14,447)	(11,303)	-	(25,750)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2023	Commercial (\$000)	Research (\$000)	Less: Eliminations (\$000)	Total External Income (\$000)
Income				
Operating Revenue - External	19,616	-	-	19,616
Other Income	467	2,245	(1,295)	1,417
Interest Income	18	2,743	-	2,761
Foreign Exchange Gain	5	2,325	-	2,330
Total Income	20,106	7,313	(1,295)	26,124
Expenses				
Expenses	35,891	16,360	(1,295)	50,956
Depreciation and Amortisation	1,311	822	-	2,133
Total Operating Expenses	37,202	17,182	(1,295)	53,089
Loss Before Tax	(17,096)	(9,869)	-	(26,965)
Income Tax Expense	-	-	-	-
Loss After Tax	(17,096)	(9,869)	-	(26,965)
Net Cash Flow to Operating Activities	(15,908)	(9,667)	-	(25,575)

Eliminations

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

Segment Assets and Liabilities Information

2024	Commercial (\$000)	Research (\$000)	Total (\$000)
Total Assets	11,443	54,005	65,448
Total Liabilities	6,871	3,955	10,826

2023	Commercial (\$000)	Research (\$000)	Total (\$000)
Total Assets	9,375	81,538	90,913
Total Liabilities	5,853	2,297	8,150

Additions to Non Current Assets for the period include:

	Commercial (\$000)	Research (\$000)	Total (\$000)
Property, Plant and Equipment	790	42	832
Right of Use Assets	3,608	215	3,823
Intangible Assets	533	7	540
Total Additions to Non Current Assets	4,931	264	5,195

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 Southeast Asia.

	2024 (\$000)	2023 (\$000)
Operating and Grant Revenue		
US	22,502	18,750
New Zealand	2,641	1,611
Rest of World	86	672
Total Operating and Grant Revenue	25,229	21,033

	2024 (\$000)	2023 (\$000)
Non-Current Assets		
US	4,343	1,907
New Zealand	3,229	3,035
Rest of World	1	-
Total Non-Current Assets	7,573	4,942

16. INCOME TAX

ACCOUNTING POLICY

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

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

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

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

The Company and Group has incurred an operating loss for the 2024 financial year and no income tax is payable.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

	GROUP	
	2024 (\$'000)	2023 (\$'000)
Income tax recognised in the Consolidated Statement of Comprehensive Income		
Current tax expense	-	-
Deferred Tax in respect of the Current Year	(3,217)	(3,748)
Adjustments to deferred tax in respect to Prior Years	284	137
Deferred Tax Assets not recognised	2,933	3,611
Income tax expense	-	-
The prima facie income tax on Pre-Tax Accounting Profit from operations reconciles to:		
Accounting loss before income tax	(29,535)	(26,965)
At the statutory Income Tax rate of 28%	(8,270)	(7,550)
Non-deductible Expenses	5,959	5,007
Difference in US, Singapore and Australian Income Tax Rates	897	1,211
Prior Period Adjustment	284	138
Tax Losses Utilised	(1,803)	(2,417)
Deferred Tax Assets not recognised	2,933	3,611
Income tax expense reported in the Consolidated Statement of Comprehensive Income	-	-

Tax Losses

The group has losses to carry forward of approximately \$144,471,000 (2023: \$130,444,000) with a potential tax benefit of \$31,554,000 (2023: \$28,913,000). The tax losses are split between the following jurisdictions:

	Tax Losses (\$'000)	Tax Effect (\$'000)	Rate
New Zealand	13,113	3,671	28%
Australia	3,306	992	30%
Singapore	-	-	17%
United States	128,052	26,891	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 \$58,880,000 (2023: \$51,462,000) to carry forward and claim for income tax purposes in New Zealand in the future. This has a tax effect of \$16,486,000 (2023: \$14,409,000). The deferred research and development tax expenditure can either be carried forward and offset against future income arising from the research and development, or subject to meeting the shareholder continuity requirements can be offset against future other taxable income.

Deferred Tax Assets:

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

Imputation Credit Account

The Group has imputation credits of Nil (2023: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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	
	2024 (\$000)	2023 (\$000)
Trade Creditors	2,153	2,178
Accrued Expenses	711	1,087
Employee Entitlements (refer below)	3,889	3,663
Total Payables and Accruals	6,753	6,928

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	
	2024 (\$000)	2023 (\$000)
NZD	2,122	2,067
AUD	202	299
USD	4,423	4,521
SGD	6	41
	6,753	6,928

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	
	2024 (\$000)	2023 (\$000)
Payroll Taxes	264	291
Holiday Pay	606	565
Accrued Wages	3,019	2,807
Total Employee Entitlements	3,889	3,663

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

18. SHARE CAPITAL

ACCOUNTING POLICY

Ordinary shares are described as equity.

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

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

	GROUP	
	2024 (\$000)	2023 (\$000)
Ordinary Shares Authorised	294,400	294,317
Total Share Capital	294,400	294,317

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

Share Capital Group

	2024 Shares (000)	2024 (\$000)	2023 Shares (000)	2023 (\$000)
Opening Balance	810,365	294,317	810,087	294,139
Issue of Ordinary Shares				
- Employee Remuneration ¹	906	83	278	182
Less: Issue Expenses	-	-	-	(4)
Movement	906	83	278	178
Closing Balance	811,271	294,400	810,365	294,317

1) During the period 906,126 shares were issued as part of employees remuneration in lieu of cash payments at an average price of \$0.091 per share. (2023: 277,985 at \$0.65).

There are 811,271,344 (March 2023: 810,365,218) ordinary shares on issue.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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

Foreign Operations

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

Foreign Currency Translation Reserve

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

20. RECONCILIATION OF CASH FLOWS TO OPERATING ACTIVITIES WITH OPERATING NET LOSS

	GROUP	
	2024 (\$000)	2023 \$000
Net Loss for the Period	(29,535)	(26,965)
Add Non Cash Items:		
Depreciation	716	527
Loss on disposal of Property, Plant and Equipment	14	24
Amortisation	621	427
Employee Share options	1,189	1,273
Employee bonuses paid in shares in lieu of cash	83	182
Depreciation on right of use assets	1,267	1,179
Interest on finance leases shown in lease repayments	138	83
Total Non Cash Items	4,028	3,695
Add Movements in Other Working Capital items:		
Decrease (Increase) in Receivables and Other Assets	964	(1,641)
(Increase) in Inventory	(401)	(280)
(Decrease) Increase in Payables and Accruals	(174)	1,946
Effect of exchange rates on net cash	(632)	(2,330)
Total Movement in Other Working Capital	(243)	(2,305)
Net Cash Flows to Operating Activities	(25,750)	(25,575)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 the 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 cash flow interest rate risk
(iii) Credit Risk	Risk of financial loss if counterparty fails to meet contractual obligations
(iv) Liquidity Risk	Risk the Group may not be able to meet its commitments as they fall due
(v) Other Price Risk	Not applicable as no securities are bought, sold or traded

(i) Foreign Currency Risk

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

The Group manages foreign currency risk by purchasing overseas goods only when necessary and in line with the approved treasury policy. It will also purchase foreign currency to fund overseas operations based on cash flow forecasts in line with the approved treasury policy. 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 \$260,000 (2023: \$337,000) 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 \$491,000 and increase/reduce equity by the same amount (2023: \$764,000).

(iii) Credit Risk

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

The Group incurs credit risk from:

- 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 2024

The Group has no significant concentration of credit risk other than bank deposits, with the exposure as at 31 March 2024 expressed as a percentage of total assets: 21.8% at ANZ, 23.3% at BNZ, 7.1% at Westpac, 22.9% at Kiwibank and 1.6% at Wells Fargo. The Group's cash and short term deposits are placed with high credit quality financial institutions including major banks who have at least a A+ credit rating and concentrations are managed within the approved treasury policy.

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 Kaiser Permanente, New Zealand customers, and the New Zealand and Australian Government. Refer to note 10 for further details on expected credit losses for receivables.

The Group continues to invoice for every billable test completed in the US, and the billing and reimbursement process continues to maximise the cash that is received by the Group. The Group has included an accrual for tests performed from 1 April 2023 to 31 March 2024 for which payment has not been received by 31 March 2024.

Regular monitoring of other assets is undertaken to ensure that the credit exposure is limited.

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

	Notes	GROUP	
		2024 (\$'000)	2023 (\$'000)
Cash and Cash Equivalents	9	29,261	33,229
Short Term Deposits	9	21,000	44,562
Trade and Other Receivables (excludes GST)	10	4,648	5,420
Other Assets (excludes prepayments)	12	249	244
		55,158	83,455

(iv) Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds at short notice to meet its commitments as they fall due. Management maintains sufficient cash balances and uses cash flow forecasts to determine future cash flow requirements. Liquidity risk is managed within the approved treasury policy. The Group has one external loan for \$300,000 which relates to the New Zealand Research and Development Tax Incentive in-year payment loan scheme. The Group also has three finance leases.

Payables and Accruals totaling \$6,753,000 are due within 3 months of balance date (2023: \$6,928,000).

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 2024

22. RELATED PARTIES

A shareholder, the University of Otago, provided services, including rental space, car parking and use of University Equipment, to the Group to the value of \$493,000 (2023: \$407,000). The Group has commitments totaling \$368,000 (2023: \$344,000) with the University of Otago in the next financial year.

Key Management Compensation

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

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

	GROUP	
	2024 (\$'000)	2023 (\$'000)
Salaries and Other Short Term Employee Benefits	2,147	2,483
Share Options Benefits	646	907
Total Employee Entitlements	2,793	3,390

Directors' Fees

The current total Directors' fee pool for non-executive Directors of Pacific Edge Limited, approved by the shareholders at the Annual Shareholders Meeting on the 29th July 2021 was \$465,000 per annum and was based on six Directors. With the addition of Tony Barclay on 21 March 2022, the number of Directors increased to seven. In accordance with NZX Listing Rule 2.11.3 which permits an issuer to increase the aggregate amount payable to the Directors to take into account an additional Director without shareholder approval, the pool for non-executive Directors of Pacific Edge increased to \$529,000. The total amount of fees paid to Directors for the year ended 31 March 2024 was \$500,000 (2023: \$495,000).

The table below sets out the total fees approved for non-executive Directors of Pacific Edge Limited for the year ended 31 March 2024 based on the positions held:

Position	Quantity 2024	Fee per Director 2024 (\$)	Total Directors Fees Paid 2024 (\$)	Quantity 2023	Fee per Director 2023 (\$)	Total Directors Fees Paid 2023 (\$)
Deputy Chair	1	\$70,000	\$70,000	1	\$70,000	\$70,000
Non-executive Directors	5	\$60,000	\$300,000	5	\$60,000	\$300,000
Chair Audit & Risk Committee	1	\$10,000	\$10,000	1	\$10,000	\$10,000
Special Governance Allocation	-	-	\$5,000	-	-	-
Total Fee Pool			\$500,000			\$495,000

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

23. FINANCE AND OPERATING LEASE COMMITMENTS

ACCOUNTING POLICY

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

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

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

(i) Measurement basis

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

Right-of-Use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the Right-of-Use asset is depreciated over the underlying asset's useful life.

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

Right of Use Assets

	GROUP	
	2024 (\$'000)	2023 (\$'000)
Cost		
Opening Balance	4,191	3,605
Additions	3,823	337
Removals (Leases Completed)	(134)	-
Foreign Currency Translation	117	249
Closing Balance	7,997	4,191
Accumulated Depreciation		
Opening Balance	3,048	1,775
Depreciation	1,296	1,179
Reversal of Accumulated Depreciation (Leases Completed)	(134)	-
Foreign Currency Translation	89	94
Closing Balance	4,299	3,048
Net Right of Use Assets Balance	3,698	1,143
Right of Use Assets Net Book Value		
Buildings	3,638	1,128
Computer Equipment	60	15
	3,698	1,143
Depreciation		
Buildings	1,261	1,152
Computer Equipment	35	27
	1,296	1,179
Expenses relating to Short Term and Low Value Leases	147	115
Total Cash Outflow relating to Leases	1,406	1,278

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

Lease Liability	GROUP	
	2024 (\$000)	2023 (\$000)
Opening Balance	1,222	1,923
Additions	3,823	337
Lease Repayments	(1,406)	(1,286)
Interest Charged	148	83
Foreign Currency Translation	(14)	165
Closing Balance	3,773	1,222
Split by:		
Current Liability	1,264	811
Non-Current Liability	2,509	411
	3,773	1,222
The maturity of the Lease Liabilities is as follows:		
Less than one year	1,264	811
One to two years	1,363	116
Two to three years	1,068	122
More than three years	78	173
	3,773	1,222

24. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

a) Contingent Liabilities

There were no known contingent liabilities at 31 March 2024 (March 2023: 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 2024 (March 2023: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

25. PROPOSED LOCAL COVERAGE DETERMINATION (LCD) AND LOCAL COVERAGE ARTICLE (LCA) CHANGES - POTENTIAL IMPACT ON REVENUE

As described in Note 5, on 3 July 2020* Pacific Edge received notice of inclusion in the LCD resulting in the Company receiving reimbursement for Cxbladder Monitor and Detect test from that date.

On 29 July 2022*, Pacific Edge became aware of proposed changes to the LCD/LCA whereby if the proposed changes were issued as published then Cxbladder would no longer have coverage and the Company would not qualify for reimbursement.

On 2 June 2023* Novitas, the Medicare Administrative Contractor (MAC) with jurisdiction for Pacific Edge's US laboratory issued a final Local Coverage Determination (LCD) L39365 that governs the reimbursement of Cxbladder in the US by the US Centres for Medicare & Medicaid Services (CMS). The LCD determined that Cxbladder would not qualify for coverage from Novitas for tests reimbursed by the CMS from 17 July 2023*. These tests represent a significant portion of current Cxbladder testing revenue. Multiple companies that had existing coverage or are seeking coverage, were similarly impacted by this proposal.

On the 6 July 2023* Pacific Edge received notification that LCD L39365 would not become final and Novitas would propose it again as a draft LCD DL39365. The new draft would be subject to 'notice and comment' for 45 days including an open public meeting and a written comment submission period.

On the 27 July 2023* Pacific Edge became aware that Novitas had republished the LCD (DL39365) without any changes from LCD L39365, which if approved without further changes would mean Cxbladder (and multiple other products from various companies) would not qualify for coverage from Novitas for tests reimbursed by the CMS.

Novitas provided for the statutory requirement for a 45-day notice and comment period commencing 27 July 2023* and finishing 9 September 2023*, during which time all interested stakeholders were able to submit comments to Novitas. Pacific Edge, and a number of impacted parties submitted written submissions that argue Cxbladder Triage, Detect and Monitor tests should retain Medicare coverage based on the clinical value they offer to patients, clinicians, and healthcare payers.

Novitas may take up to 365 days from the original publication date (27 July 2023*) to withdraw or finalize the LCD including a response to those comments. When finalized, Novitas must provide a minimum of 45 days' notice before the LCD becomes effective.

Pacific Edge received payment in line with the existing LCD/LCA (Local Coverage Article) for the twelve months ended 31 March 2024, and to the date of approval of these Consolidated Financial Statements.

In the year to 31 March 2024, tests processed through our laboratory for Medicare and Medicare Advantage patients represented approximately 60% of US commercial test volumes and generated approximately NZ \$17.0m, or 71% of Pacific Edge's total operating revenue.

Whilst the LCD has yet to be finalised and the full impact on the Group is unable to be determined, management and the Board have modelled a number scenarios relating to possible LCD outcomes. Under all modelled scenarios there is sufficient liquidity in the form of cash and short term deposits to meet obligations and continue for the foreseeable future, being at least 12 months from the date of approval of the financial statements. Accordingly, it is the Board's view that there are no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern for the purpose of these financial statements.

*All dates with an Asterix refer to US dates

26. SUBSEQUENT EVENTS

There are no subsequent events.



Independent auditor's report

To the shareholders of Pacific Edge Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Pacific Edge Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2024, 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 Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Group in the areas of half year review procedures and the provision of training workshops. The provision of these other services and relationships have not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Description of the key audit matter	How our audit addressed the key audit matter
<p>Determining the timing of revenue recognition for US revenue</p> <p>As disclosed in Note 5 of the consolidated financial statements, the timing of revenue recognition for US based revenue varies by revenue stream between completion of the Cxbladder test and receipt of cash.</p> <p>The Company has three material United States (US) revenue streams:</p> <ol style="list-style-type: none"> 1. Coverage via Centers for Medicare and Medicaid Services (CMS) and Medicare Advantage; 2. Tests performed for Kaiser Permanente; and 3. Other private insurance. <p>In July 2020, the Company received Local Coverage Determination ("LCD") and Local Coverage Article (LCA) for CMS. This determination created a set price for the Company's tests of US\$760 per test from July 2020, and established a clear transaction price for the tests. This transaction price, along with a history of payment, satisfies the NZ IFRS requirement for revenue recognition. As disclosed in note 25, on 27 July 2023 a draft LCD was published which if approved without any changes would mean that CxBladder tests would not qualify for reimbursement. This has the potential to significantly change the reimbursement of Cxbladder tests in the US as the tests represent a significant portion of current Cxbladder testing revenue. The LCD/LCA is still in place and the Company continues to receive reimbursement in line with the existing LCD/LCA. The uncertainty in respect of future operations is disclosed in Note 25.</p> <p>In the US derived revenue for tests performed for CMS, Medicare Advantage and Kaiser Permanente have been recognised in advance of cash being received. Revenue for these customers is recognised once the test is invoiced.</p> <p>All other US derived revenue is accounted for on a cash receipt basis as disclosed in Note 5.</p> <p>We determined this to be a key audit matter due to the significance of the judgements applied by Directors for revenue recognition and the potential impact of changes in the proposed LCD/LCA.</p>	<p>Our audit procedures included the following:</p> <p>We obtained an understanding of management's processes and controls for the CMS, Medicare Advantage, Kaiser Permanente and Private Insurance US revenue streams, including the relevant controls at the external billing reimbursements service organisation.</p> <p>We obtained the SOC1 System and Organisation Controls Report for the external billing reimbursement service organisation, and evaluated the evidence provided over the design and operating effectiveness of the relevant controls.</p> <p>We evaluated management's determination of the timing of revenue recognition by:</p> <ul style="list-style-type: none"> • Assessing the data supporting revenue recognition for CMS, Medicare Advantage and Kaiser Permanente to confirm that the transaction price can be determined and collectability is probable; • Obtaining management's latest assessment, correspondence and other information in relation to the status of the proposed LCD/LCA; • Assessing the data supporting revenue recognition for other private insurance to confirm that the transaction price and collectability is only probable when cash is received; • Performing subsequent receipt testing to validate the probability of collection of the year end receivables and performing look back procedures over the prior year receivables to test collection rates; and • Evaluated whether revenue has been recognised appropriately in accordance with NZ IFRS 15.

Our audit approach

Overview



Overall group materiality: \$769,000, which represents approximately 2.5% of (loss)/earnings before interest, tax, depreciation and amortisation (EBITDA).

We chose (loss)/earnings before interest, tax, depreciation and amortisation (EBITDA) as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

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.

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

- Determining the timing of revenue recognition for US revenue

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

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

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

How we tailored our group audit scope

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



Other information

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

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

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

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

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS Accounting Standards, 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/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.



Who we report to

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

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

For and on behalf of:

Freewaterhousecoopers

Chartered Accountants
20 May 2024

Christchurch

COMPANY DIRECTORY

As at 31 March 2024

Issued Capital

811,271,344 Ordinary Shares

Registered Office

Level 12, Otago House
Cnr Moray Place and Princes Street
Dunedin

Directors

C. Gallaher – Chairman
B. Williams – Deputy Chairman
A. Masfen
S. Park
A. Stove
M. Green
A. Barclay

Chief Executive Officer

Peter Meintjes

Chief Financial Officer

Grant Gibson

Nature of Business

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

Auditors

PricewaterhouseCoopers
Christchurch

Bankers

Bank of New Zealand
Dunedin

ANZ
Dunedin

Kiwibank
Dunedin

Westpac
Dunedin

Wells Fargo
San Francisco

Solicitors

Anderson Lloyd
Level 12, 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

27 February 2001

PACIFIC EDGE COMMUNICATIONS**Websites**

www.pacificedgedx.com
www.cxbladder.com

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.pacifedge.co.nz