

Cryosite Limited

ABN 86 090 919 476

Appendix 4D

Half year report

Six months ended 31 December 2008 ('current period')
and 31 December 2007 ('previous corresponding period')

Results for announcement to the market

				\$A'000
Revenue from ordinary activities:	Down	13.7%	to	3,291
Profit from ordinary activities after tax attributable to members:	Down	47.4%	to	225
Net profit for the period attributable to members:	Down	47.4%	to	225

NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	9.2 cents	8.4 cents

An explanation of the result of the current period is set out in the Directors Report contained in the attached audit reviewed half-year Financial Report.

Full Financial details of the Company are also contained in the attached audit reviewed half-year Financial Report

Dividends: It is not proposed that any dividend will be paid. No dividends were paid in the previous corresponding period.

This information should be read in conjunction with the annual financial report of Cryosite Limited as at 30 June 2008.

CRYOSITE LIMITED

ABN 86 090 919 476

Half-Year Financial Report

31 December 2008

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2008.

Directors

The directors of Cryosite Limited (the “company”) in office during the half year, and until the date of this Report are set out below. Directors were in office for this entire period unless otherwise stated.

Theodore Onisforou – Chairman

Professor Ronald Penny AO – Director (Non-executive)

Gordon Leonard Milliken – Managing Director

Graeme Allen Moore – Executive Director (Appointed 22 September 2008)

Catherine Brenner – Director (Non-executive) (Resigned 29 October 2008)

Review of Operations

Group revenue decreased during the half-year by 13.7% over the corresponding period last year to \$3,290,977 (2007: \$3,811,867).

The consolidated net profit for the period was \$225,447 (2007: \$428,855) a decrease of 47.4%.

The results for the half-year report a reduction in both the revenue and operating profit. The lower revenue is due primarily to the reduced level of activity required by Cryosite as part of Animal Health Australia's equine vaccination programme. The other services continue to perform satisfactorily. The construction and fit-out of the new premises has been completed and we are now awaiting regulatory approval and licensing before we can commence operation at the new site and vacate Lane Cove. The extra rent and other operating expenses for the Granville site for the reporting period was \$233,000.

Auditor's Independence Declaration

A statement of independence has been provided by our auditors, Ernst & Young, and follows this Director's Report on page 4.

Signed in accordance with a resolution of the directors.

Theo Onisforou
Chairman

Date: 18 February 2009

Auditor's Independence Declaration to the Directors of Cryosite Limited

In relation to our review of the financial report of Cryosite Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Douglas Bain
Partner

18 February 2009

Directors' Declaration

In accordance with a resolution of the directors of Cryosite Limited, I state that:

(1) In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 “Interim Financial Reporting” and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made in accordance with a resolution of directors.

On behalf of the Board

Theo Onisforou
Chairman

Date: 18 February 2009

Condensed Income Statement

For The Half-Year Ended 31 December 2008

	Notes	Consolidated	
		2008	2007
		\$	\$
Revenues	2	3,290,977	3,811,867
Expenses	2		
Costs of providing services		(1,796,396)	(2,150,435)
Finance costs		(5,457)	(4,141)
Marketing expenses		(84,761)	(163,070)
Occupancy expenses		(426,984)	(229,662)
Administration expenses		(751,932)	(836,189)
Profit from operations before tax		225,447	428,855
Income tax expense	3	-	-
Profit after tax from operations		225,447	428,855
Net Profit attributable to members of the parent		225,447	428,855
Earnings per share (cents per share)			
Basic EPS for the half-year	4	0.48	0.92
Diluted EPS for the half-year	4	0.47	0.90

Condensed Balance Sheet

As at 31 December 2008

	Consolidated	
	as at 31 December 2008 \$	as at 30 June 2008 \$
ASSETS		
Current Assets		
Cash and cash equivalents	1,335,576	1,975,278
Trade and other receivables	1,656,650	1,677,770
Inventories	48,955	48,955
Prepayments	308,917	127,805
Total Current Assets	3,350,098	3,829,808
Non-current Assets		
Trade and other receivables	1,590,034	1,655,650
Prepayments	79,701	-
Deferred income tax asset	547,480	547,480
Plant and equipment	1,944,337	937,027
Intangible assets	249,774	278,553
Total Non-current Assets	4,411,326	3,418,710
TOTAL ASSETS	7,761,424	7,248,518
LIABILITIES		
Current Liabilities		
Trade and other payables	1,370,940	1,133,388
Unearned income	288,587	276,969
Total Current Liabilities	1,659,527	1,410,357
Non-current Liabilities		
Unearned income	1,493,115	1,473,223
Provisions	56,044	43,850
Total Non-current Liabilities	1,549,159	1,517,073
TOTAL LIABILITIES	3,208,686	2,927,430
NET ASSETS	4,552,738	4,321,088
EQUITY		
Contributed capital	8,138,766	8,138,766
Share option reserve	221,192	214,989
Accumulated losses	(3,807,220)	(4,032,667)
TOTAL EQUITY	4,552,738	4,321,088

Condensed Cash Flow Statement

For The Half-Year Ended 31 December 2008

	Notes	Consolidated	
		2008	2007
		\$	\$
Cash flows from operating activities			
Receipts from customers		3,534,011	3,930,061
Payments to suppliers and employees		(3,113,822)	(3,574,908)
Finance income		74,626	114,054
Borrowing costs		(5,457)	(4,141)
Net cash flows from operating activities		489,358	465,066
Cash flows from investing activities			
Purchase of plant and equipment		(1,101,055)	(169,626)
Purchase of intangibles		(28,005)	(27,300)
Net cash flows (used in) investing activities		(1,129,060)	(196,926)
Cash flows from financing activities			
Net cash flows from financing activities		-	-
Net (decrease)increase in cash and cash equivalents		(639,702)	268,140
Cash and cash equivalents at beginning of period		1,975,278	1,581,522
Cash and cash equivalents at end of period	10	1,335,576	1,849,662

Condensed Statement of Changes in Equity

For The Half-Year Ended 31 December 2008

CONSOLIDATED	Notes	Attributable to equity holders of the parent			Total equity
		Contributed capital	Accumulated losses	Reserves	
		\$	\$	\$	\$
At 1 July 2008		8,138,766	(4,032,667)	214,989	4,321,088
Profit for the period		-	225,447	-	225,447
Amortisation of employee share based payments	2(ii) & 6	-	-	6,203	6,203
At 31 December 2008		8,138,766	(3,807,220)	221,192	4,552,738
At 1 July 2007		8,035,506	(4,479,726)	180,185	3,735,965
Profit for the period		-	428,855	-	428,855
Write back provision for GST on IPO no longer required		103,260	-	-	103,260
Amortisation of employee share based payments	2(ii) & 6	-	-	6,118	6,118
At 31 December 2007		8,138,766	(4,050,871)	186,303	4,274,198

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Cryosite Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

(b) Changes in Accounting Policies

The same accounting policies and methods of computation are followed in the interim financial statements as were followed in the 30 June 2008 annual financial statements.

(c) Summary of Significant Accounting Policies:

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Cryosite Limited and its subsidiary as at 31 December each year (“the Group”).

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Summary of Significant Accounting Policies (continued)

(ii) Foreign currency translation

Both the functional and presentation currency of Cryosite Limited and its Australian subsidiary is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

(iii) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Major depreciation rates are:	2008	2007
Leasehold improvements:	Lease term	Lease term
Plant and equipment:		
- fixtures and fittings	10 – 20 years	10 – 20 years
- information technology	2.5 – 5 years	2.5 – 5 years
- warehouse equipment	10 years	10 years
- office furniture & equipment	6 – 8 years	6 – 8 years
Plant & equipment under lease	8 years	8 years

Depreciation is commenced after the asset is considered available for use. The new Granville site is not yet considered available for use at 31 December 2008 because the installation is pending TGA approval at 31 December 2008.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(iv) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(v) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'administrative expenses' line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can be reasonably regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less and accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(v) Intangible assets (continued)

A Summary of the policies applied to the Group's intangible assets is as follows:

	<i>Development Costs</i>
Useful lives	Finite – 2.5 years
Method used	Straight line
Internally generated / Acquired	Internally generated
Impairment test / Recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(vi) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(vii) Inventories

Inventories consist of consumables used in the provision of services. Inventories are valued at the lower of cost and net realisable value. Cost is determined by actual purchase price. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(viii) Trade and other receivables

Trade receivables (Current), which generally have 30 day terms, are recognised and carried at original invoice amount less a provision for any uncollectible amounts.

Trade receivables (Non-current), which generally have terms in excess of 12 months, are carried at their net present value. The expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate of 17.5% (2007: 17.5%).

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified

(ix) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(x) Provisions

Provisions are recognised when the Group has a present obligation (legal, or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(xi) Share-based payment transactions

The group provides benefits to employees (including directors) of the Group in the form of share based payment transactions, whereby the employees render services in exchange for rights over shares ('equity-settled transactions') under the Employee Share Option Plan (ESOP).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Cryosite Limited ('market conditions').

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xi) Share-based payment transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it was granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(xii) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xii) Leases (continued)

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(xiii) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from the archival storage of biological samples is recognised over the period that storage occurs.
- Revenue from the rendering of non-storage services, such as collection or distribution of biological samples, is recognised upon the delivery of the service to the customers.
- Revenue where services are provided in advance of payment under a long term contract are recognised at net present value with the balance outstanding taken to receivables. A corresponding amount is recognised as unearned income in the balance sheet.
- Interest revenue is recognised on a proportional basis taking into consideration the interest rates applicable to the financial assets.

(xiv) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xiv) Income tax (continued)

business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xv) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xvi) Contributed capital

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders. Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xvii) Share options reserve

The share options reserve captures the equity component of the company's equity settled transactions of the share based payments scheme.

(xviii) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

	Notes	Consolidated	
		2008	2007
		\$	\$
2. REVENUE AND EXPENSES			
Specific items			
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:			
(i) Revenue			
Rendering of services		3,201,399	3,706,154
Interest income		89,578	105,713
		3,290,977	3,811,867
(ii) Expenses			
Included within expenses are the following amounts:			
Depreciation & amortisation		150,530	170,576
Employee benefits		847,722	911,067
Expense of share-based payments			
- employee share scheme	7	6,203	4,299
- other options	7	-	1,819

3. INCOME TAX

The Group has tax losses arising in Australia of \$4,148,182 (30 June 2008: \$4,454,274) that are available for offset against future taxable profits of the company as at 31 December 2008. The tax benefit arising from these losses is \$1,244,455 (30 June 2008: \$1,336,282). A deferred tax asset of \$547,480 has been recognised in the balance sheet comprising losses of \$366,513 (30 June 2008: \$388,848) and temporary differences of \$180,967 (30 June 2008: \$158,632).

As at 31 December 2008, the Group has an unrecognised tax benefit related to tax losses of \$877,942 (30 June 2008: \$947,434).

4. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options)

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

4. EARNINGS PER SHARE continued

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	Consolidated 31 December 2008 \$	Consolidated 30 June 2008 \$
Net profit attributable to equity holders of the parent	<u>225,447</u>	<u>447,059</u>
	No of shares.	No of shares.
Weighted average number of ordinary shares for basic earnings per share	<u>46,639,563</u>	46,639,563
Effect of dilution : Share options	<u>1,736,940</u>	<u>1,368,808</u>
Adjusted weighted average number of ordinary shares for diluted earnings per share	<u>48,376,503</u>	<u>48,008,371</u>

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before completion of these financial statements.

5. DIVIDENDS PAID OR PROPOSED

No dividends have been provided for or paid (2007: Nil).

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

6. EMPLOYEE BENEFITS

a) Share based payments

Share Options

Options over ordinary shares:

Employee share scheme

At the end of the period there were 1,070,000 (30 June 2008: 1,070,000) un-issued ordinary shares in respect of which options were outstanding under the employee share scheme.

	31 December 2008			30 June 2008		Expense for period \$
	No. of Options	Exercise price	Expense for period \$	No. of Options	Exercise price	
Balance at beginning of period	1,070,000	-	-	550,000	-	-
Options granted during the period	-	-	-	520,000	-	34,804
Expense for options outstanding during period	-	-	18,936	-	-	-
Balance at end of period	1,070,000	-	18,936	1,070,000	-	34,804
Exercisable at end of period	550,000	40 cents		550,000	40 cents	
Exercisable at end of period	173,333	20 cents		-	-	

Terms and conditions of options issued under employee share scheme details

On 18 February 2002, Cryosite established an Employee Share Option Plan (“the Plan”). The Plan is designed to assist in the retention and motivation of employees and directors of the Company.

The terms and conditions of the Plan are as follows:

Options may be granted under the Plan to an employee or director of the Company or any of its subsidiaries, or to a person who renders services to the Company, or to any of its subsidiaries and is eligible to be a participant in the Plan under the terms of the Income Tax Assessment Act 1936 and Income Tax Assessment Act 1997 and by any instrument issued by ASIC and applicable to the Company (“eligible participant”).

The Cryosite Board will determine the number of share options granted to each eligible participant.

The total number of share options granted under the Plan will be limited to 5% of the total number of issued shares at the time the offer or grant of options is made.

Options will be issued for no consideration.

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

6. EMPLOYEE BENEFITS *continued*

a) Share based payments *continued*

The Board will determine the Option Exercise Price after considering the volume weighted average of the prices at which shares were traded on ASX during the one month period before the date of the offer.

Options will expire at the end of eight years from the option grant date or if the participant ceases to be an employee or director of, or render services to, the Company or any of its Subsidiaries for any reason whatsoever.

The exercise price of each initial option issued under the Plan was the retail offer price included in the prospectus (40 cents) for the Initial Public Offering.

For the initial options granted to employees and the Executive Director under the Plan, 20% will become exercisable after the first anniversary of listing on ASX and an additional 20% will become exercisable each anniversary of listing thereafter. The Company was listed on the ASX on 9 May 2002.

The terms and conditions for options issued that are not exercisable at the date of this report are:

Exercise date	No of options exercisable	Exercise price per option
1 December 2009	173,333	30 cents
1 December 2010	173,334	40 cents
	346,667	

Options will expire 5 years from exercise date

Other options

At the end of the half-year there were 335,000 (30 June 2008: 800,000) unissued ordinary shares in respect of which options were outstanding, issued for the provision of services.

	31 December 2008		30 June 2008	
	No. of Options.	Expense for period \$	Options No.	Expense for year \$
Balance at beginning of year	800,000	-	525,000	-
Options expiring during the period	¹ (165,000)	-	(25,000)	-
Options cancelled as performance conditions not met	² (300,000)	(12,733)	-	-
Granted to Catherine Brenner (Non-executive director)	-	-	300,000	12,733
Balance at end of period	335,000	(12,733)	800,000	12,733

¹ 165,000 options vested to Mr Grellman expired on 1 December 2008.

² 300,000 options issued to Catherine Brenner were cancelled on resignation as a director on 29 October 2008.

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

6. EMPLOYEE BENEFITS continued

a) Share based payments continued

Other options continued

	31 December 2008			30 June 2008		
	No. of Options Exercisable	Exercise price \$	Expense for period \$	No. of Options Exercisable.	Exercise Price \$	Expense for year \$
Exercisable at end of period						
R Grellman	335,000	0.40	-	500,000	0.40	-

Parties to option agreement	R Grellman – Former Chairman (resigned on 4 March 2008)
Rights Granted and grant date	500,000 Share Options granted on 27 November 2002
Option exercise price	Fixed at 40 cents per share
Vesting period	165,000 on 27 November 2004 170,000 on 27 November 2005 Options must be exercised no later than 5 years from vesting date.
Vesting requirements	No vesting conditions apply, options granted as part of remuneration package as Chairman.
Weighted average fair value per option at grant date	\$0.21
Expense for the period	\$-
Prior year's expense taken to account	\$-
Value of options forfeited	\$-
Balance at the end of the financial period not yet expensed	\$-
Calculation of fair value of option	Valuation was made using the binomial method in accordance with the requirements of accounting standards. Calculations were based on the expected contractual life of the options using the average weekly historical share price of the company over the previous 12 months.
Expected volatility	The expected volatility used was 0.708 with an interest-free risk rate of 5.05%. The market share price at date of grant was 38 cents.

Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2008

7. CONTINGENT LIABILITIES

The Group is not aware of any contingent liabilities or contingent assets at reporting date.

8. EVENTS AFTER THE BALANCE SHEET DATE

The directors are unaware of any event or transaction that has occurred between the last annual reporting date and the date of this report that may have a significant effect on the company.

9. SEGMENT INFORMATION

The company operates in one business segment, being biological services, and one geographic segment, being Australia.

10. ADDITIONAL INFORMATION

Reconciliation of cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2008:

	31 December 2008	30 June 2008	31 December 2007
	\$	\$	\$
Cash at bank and in hand	136,540	309,906	357,516
Short-term deposits	1,199,036	1,665,372	1,492,146
	1,335,576	1,975,278	1,849,662

To the members of Cryosite Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cryosite Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cryosite Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Cryosite Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Douglas Bain
Partner
Sydney
18 February 2009