

CRYOSITE LIMITED

ABN 86 090 919 476

Annual Report

for the year ended 30 June 2005

CRYOSITE LIMITED—ANNUAL FINANCIAL REPORT

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Corporate Directory

Directors

Richard Grellman (Chairman)
Dr Peter French (Non-executive Director)
Theodore Onisforou (Non-executive Director)
Professor Ronald Penny, AO (Non-executive Director)
Gordon Milliken (Managing Director)

Company Secretary

Bryan Dulhunty

Registered Office

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Lane Cove, New South Wales, 2066
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Fax: (02) 9420 1414
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Share Register

ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000
Tel: (02) 8280 7111

Auditors

Ernst & Young
680 George Street
Sydney NSW 2000
Tel: (02) 9248 5555
Fax: (02) 9248 5959

Internet Address

www.cryosite.com

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report

Your directors submit their report for the year ended 30 June 2005.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year and until the date of this report.

Names, qualifications, experience and special responsibilities

Richard Grellman FCA - Non-Executive Chairman

Richard Grellman is Chairman of the Motor Accidents Authority of New South Wales, President and Chairman of the Board of Mission Australia and Chairman of the Association of Surfing Professionals (International) Limited. In addition, he is a Non-Executive Director of AMP Limited, Trafalgar Corporate Group Limited and also Atlas Group Holdings Limited. Mr Grellman has no directorships other than those listed above. Mr Grellman was appointed to the Board in November 2002.

Dr Peter French, BSc, MSc, PhD, MBA – Non-Executive Director

Dr Peter French is the Innovation and Business Development Manager of ASX listed biotechnology company Probiomics Ltd (formerly VRI BioMedical). Dr French holds a PhD. in cell biology, and an MBA in Technology Management. Dr. French is a Past President of the Australia and New Zealand Society for Cell and Developmental Biology and is a board member of the International Society of Differentiation. From 1998 to 2001, he served as a member of the Board of FASTS - the Federation of Australian Science and Technology Societies, representing the biological sciences sector. Dr French was the author of the first FASTS Occasional Paper - "Biotechnology in Australia" - in 1999. Dr French has no directorships other than those listed above. He is a founding member of Cryosite and was appointed to the board in December 1999.

Theodore Onisforou, BCom, LLB – Non-Executive Director

Mr Onisforou has extensive commercial experience initially as a Tax Accountant with Peat, Marwick Mitchell, as a lawyer with Allen Allen and Hemsley and then as a Barrister at Law. He was Investment Manager at Consolidated Press Holdings and currently is a full time professional investor. He has completed a Masters Degree in Agricultural Science from Sydney University. Mr. Onisforou is not a director of any other listed public company. Mr. Onisforou joined the Board in March 2000 and was Chairman from May 2001 until December 2002.

Professor Ronald Penny, AO, DSc, MD, FRACP, FRCPA – Non-Executive Director

Professor Penny established the Department of Immunology at St Vincent's Hospital and the University of New South Wales, Sydney in 1969 and was appointed Director of the Centre for Immunology in 1982. He was awarded an MD (University of Sydney) in 1970 and a DSc (UNSW) in 1979. In 1993 he was appointed an Officer of the Order of Australia "for service to medical research and education particularly in the field of clinical immunology". As one of Australia's leading immunologists, Professor Penny serves as Honorary Consultant at several Sydney Hospitals and serves on the Editorial Board of six international medical and scientific journals. Over the past fourteen years, he has held senior positions on Federal and NSW Government HIV/AIDS Health Services Committees and currently, is the Chairman of the NSW Government's Justice Health Board. Professor Penny was appointed to the Board in December 1999. Recently he resigned after 33 years as Director of the Centre for Immunology to accept the position of Senior Medical Advisor to the NSW Department of Health and Medical Director of Good Health Solutions, a workplace health management company. Professor Penny has no directorships other than those listed above. He was appointed to the board of Cryosite in December 1999.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

Gordon Leonard Milliken, Dip. Med. Tech. Grad. Dip. Ops. Mgt - Managing Director

Mr Milliken has extensive experience in a variety of positions in the commercial medical and veterinary technology fields. These include the position of Manager, Animal Health Laboratory for the Ingham's Enterprises group, research scientist at Australian Monoclonal Developments and Senior Manager at Macquarie Pathology Services and Operations Manager, Hanly Moir Pathology. Mr Milliken is one of the founding members of Cryosite and has been instrumental in setting up the operational core of the company. He has been involved with the company on a full-time basis since it was established in 1999, and assumed the position of Managing Director in February 2002. Mr Milliken has a Diploma of Medical Technology and a Graduate Diploma in Operations Management. Mr Milliken has no listed directorships other than Cryosite Limited. Mr Milliken was appointed to the board of Cryosite in March 2002.

COMPANY SECRETARY

Bryan Dulhunty, BEc, CA

Company Secretarial Services for Cryosite Limited are provided by CoSA Pty Limited, an independent Company Secretarial firm specialising in the biotechnology industry.

Mr Bryan Dulhunty founded CoSA Pty Limited in 2001 after extensive experience in a major international accounting firm and both large and small publicly listed entities. Mr Dulhunty is both a director and company secretary of a number of listed and unlisted biotechnology companies.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report the interests of the directors in the shares and options of Cryosite Limited were:

Director	Ordinary Shares	Options over Ordinary Shares
Richard Grellman	62,500	500,000
Theodore Onisforou	9,966,342	-
Professor Ronald Penny	847,657	-
Dr Peter French	788,648	-
Gordon Milliken	963,490	312,500

EARNINGS PER SHARE

Basic earnings per share	(1.4) cents	(2004:(2.6) cents)
Diluted earnings per share	(1.4) cents	(2004:(2.6) cents)

DIVIDENDS

There were no dividends declared or paid during the course of the financial year and no dividend is recommended (2004:Nil).

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

CORPORATE INFORMATION

Corporate structure

Cryosite Limited is a company limited by shares that is incorporated and domiciled in Australia. Cryosite Limited is the ultimate parent company. Cryosite Limited has prepared a consolidated financial report incorporating Cryosite Distribution Pty Limited, a company incorporated and domiciled in Australia that it controlled during the financial year.

Nature of operations and principal activities

The principal activities during the year of entities within the consolidated entity were:

- Private collection and storage of umbilical cord blood stem cells;
- Distribution of temperature-critical biological products;
- Clinical trial logistics service; and
- Archival storage of biological samples.

Employees

The consolidated entity has 14 full-time equivalent employees as at 30 June 2005 (2004:10 employees).

OPERATING RESULTS FOR THE YEAR

It is pleasing to be able to report to shareholders that 2004/2005 has been a year of significant growth for Cryosite. The consolidated entity experienced a continued improvement in sales and a reduction in operating losses in this financial year. Total revenue increased from \$2,164,448 to \$3,060,554, an improvement of 41.4%. The loss from ordinary activities was \$620,311, a reduction of 34.7% from last year.

Overheads have been contained during the year showing a 17% reduction as a percentage of revenue.

Cryosite achieved a record number of cord blood customers in the 2004/2005 financial year. This result was achieved despite a slow start to the year, with a strong performance during calendar 2005. The growth in cord blood contracts is 42% over the previous year. The annuity income from samples stored in prior years continues to grow. The compound effect of the annuity income will become an increasingly valuable asset for the company. To date over 450 obstetricians have collected cord blood for Cryosite from more than 240 public and private hospitals. This is estimated to be well over 50% of active obstetricians in Australia.

We are further encouraged by improved success in converting requests for information into contracts. We believe this result comes from a number of factors including a refinement in our marketing strategy and the recognition by prospective customers of the value and security in dealing with the only TGA licensed cord blood service in Australia. It is expected that this recognition will be further enhanced when we successfully extend the terms of our licence to include allogenic use of stored cord blood by other biologically related family members.

The clinical trials logistics service also continues to grow at a satisfactory rate. The successful signing of the world's largest pharmaceutical company, Pfizer, was undoubtedly the highlight of the year. Other important pharmaceutical and Contract Research Organisation customers include,

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

Boehringer-Ingelheim, Bristol-Myer Squibb, Omnicare, Icon Clinical Research, Johnson & Johnson Research, Kendle, Novotech and Triton Clinical Research. We believe that having a customer list which includes many of the best known pharmaceutical companies and Contract Research Organisations confirms that the company is a quality partner in global drug trial operations.

The company is now into the second year of the new 5 year exclusive distribution agreement with the American Type Culture Collection. The ATCC agreement is one of our most valuable assets and continues to provide good cash flow and excellent margins. During the last quarter the business exceeded the contract minimum sales by 67% and was 70% above the corresponding period in 2004. The ATCC is currently launching a new range of products for the Cell Immortalisation field and we will commence promoting these products in the near future.

In order to service the growing needs of the clients, we developed a new state-of-the art drug storage area which provides approximately 50% more income generating space than the conventional type of construction. The increasing trend towards the development of biological based therapies rather than chemical drugs has resulted in the need for more controlled handling of drugs. Cryosite has considerable experience and expertise in this area.

The company has signed a Memorandum of Understanding for our first overseas licence agreement for the use of our proprietary sample inventory and data management software application, Cryobyte. CoreCryolabs is a newly established Biorepository in Toronto, Canada. CoreCryolabs will use Cryobyte to manage their customers' samples and to monitor the storage conditions. The CoreCryolabs facility is a state-of-the-art biorepository that will initially service four hospitals and two research institutions connected by an underground road system. As part of the agreement with CoreCryolabs, the facility will be used as a reference site for the North American market as we develop plans to exploit licensing opportunities in this large market. Both CoreCryolabs and Cryosite are working toward signing a licence agreement in the near future.

BUSINESS GROWTH AND OUTLOOK

Cryosite is the pioneer of private cord blood collection in Australia. Since we commenced the service in December 2001 the profile and public awareness of the value and potential uses of cord blood stem cells has increased considerably. The company believes this is due to both a targeted marketing plan developed by Cryosite and recognition by our clients and their medical consultants of the quality of service provided by Cryosite.

2004/2005 resulted in a significant increase in the number of cord blood contracts and an encouraging improvement in the conversion of enquiries to contracts.

The outlook for the cord blood service is positive with significant growth in contracts and expected income. With the number of cords already stored, the company expects to see continued growth in income from annual storage fees.

Clinical trial services revenue continued to grow throughout the year and we expect that this trend will continue for the foreseeable future. Cryosite has positioned itself as a top-end supplier in the clinical trial market by offering highly customised services that leverage the experience and special skills of our staff. Independent sources continue to report that Australia is an increasingly popular country in which to conduct trials with a conservative estimate reporting that there are over 600 trials being conducted in Australia at any one time.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

On a broader scale it is estimated that approximately 42% of worldwide drug development is now outsourced compared to only about 4% in the early 1990s and that drug development times are reduced by 33% through effective outsourcing strategies. It is also estimated that clinical trial costs are 35% more economical to manage in Australia compared to the USA and Europe. The company believes that it is well positioned to take advantage of these opportunities.

The general outlook for the archival storage service is positive with Cryosite currently being involved in negotiations with a number of customers for medium and large long-term contracts. In last year's report we were pleased to confirm that we had entered into an agreement with the Peter MacCallum Cancer Institute. Following an extensive process of system development required to set up, test and audit all stages of the process, we received approval from the TGA to receive the samples. The first patient samples were received in July 2005 and the company expects to receive a steady stream of samples going forward.

The Cryobyte sample inventory and data management software application was developed with the primary objective of being a critical part of our integrated sample management service. In previous reports we have indicated that we also believe that Cryobyte has a future as a separate product that could be licensed to clients both in Australia and overseas. We retain this belief.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after balance date that will have a material effect on the operations of the consolidated entity.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board is confident that, subject to any unforeseen circumstances, the benefits of its common infrastructure and operations systems to support the business units will allow it to increase revenue, improve margins and overall financial performance of the Company during the next financial year.

REGULATORY ENVIRONMENT

The company provides a range of services that require compliance to a variety of regulatory and statutory bodies, such as the Therapeutic Goods Administration (TGA), the National Association of Testing Authorities (NATA), the Australian Quarantine Inspection Service (AQIS) and the NSW Department of Health, as well as Quality System requirements of customers. The company has concentrated a significant amount of its resources in instituting and managing a Quality System to meet these needs. To ensure continued development of our skills in this area, the company has recently appointed a full-time Quality Manager. This is a significant step for a company of our size and is a further demonstration of our total commitment to the recognition of quality as a key driver in attracting and retaining clients who view quality as primary consideration in choosing commercial partners.

As a further commitment to the recognition of the importance of maintaining an appropriately qualified, trained and motivated workforce, the company has entered into a long-term relationship with a human resources consultant to assist in the management of our human resources needs.

The company, to the best of its knowledge, is not subject to any specific environmental regulations.

Directors' Report continued

BUSINESS RISKS

There is a great deal of research activity being undertaken in the stem cell area, both embryonic and adult. It is possible that research may uncover new therapies to supersede the current established uses of cord blood stem cells thus reducing the number of parents who consider the expense involved in private storage not justifiable.

Most of the services that Cryosite provide to generate income require some form of statutory licensing or compliance authority. The failure by Cryosite to attain and maintain such licenses and approvals would have a significant negative effect on the company's ability to continue to provide such services and to maintain its viability. As referred to in other parts of this report, Cryosite is committed to obviating risks in this area by the implementation and maintenance of a company-wide Quality Management System.

Our exclusive distribution agreement with the ATCC is an important source of income for the company and any breach of the agreement by Cryosite could result in termination of the agreement with a resulting loss of income.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium in respect of a contract, insuring all the Directors and Officers against liability, except wilful breach of duty, of a nature that is required to be disclosed under section 300 (8) of the Corporations Act 2001. In accordance with commercial practice, further details of the nature of the liabilities insured against and the amount of the premium have not been disclosed.

REMUNERATION REPORT

This report confirms the policy and approach adopted by the company in relation to remuneration for the directors and executives.

Remuneration philosophy

The company recognises the importance of structuring the remuneration packages of its directors' and executives so as to attract and retain people with the qualifications, skills and experience to help the company achieve the required objectives. However, the company understands that whilst it is still in the development phase of its growth, a prudent position must be observed in the total remuneration expense.

Senior Management and executive director remuneration

A fixed remuneration package is determined by the Board for the Managing Director. Any additional remuneration is determined by the Board as deemed appropriate.

Following a recent review of human resources management within the company all employees were classified into categories with each category having a remuneration band. An annual review procedure which includes both qualitative and quantitative key performance indicators will be used as the basis for changes in category or remuneration packages.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

Non-Executive Directors

The total amount paid to non-executive directors is determined by the board from time to time for presentation to and resolution by shareholders at the Annual General Meeting. The current maximum aggregate remuneration paid to non-executive directors is \$200,000 per year.

The directors are paid a set amount per year and apart from reimbursement of expenses incurred on the company's behalf, are not eligible for any additional payments.

Due to the size of the company, a Remuneration Committee has not been established. The company does compare remuneration paid to directors and senior executives with other similar companies to ensure consistency.

Director Emoluments

Details of the nature and amount of each element of the emolument of each director of the company, each of the executive officers of the company and the consolidated entity receiving the highest emolument for the financial year, are as follows:-

Details of Specified Directors and Specified Executives

(i) *Specified directors*

Richard Grellman	Chairman (Non-executive)
Dr Peter French	Director (Non-executive)
Theodore Onisforou	Director (Non-executive)
Prof Ronald Penny	Director (Non-executive)
Gordon Milliken	Managing Director

(ii) *Specified executives*

Due to the relatively small number of employees, apart from the Managing Director, there are no other executives with management authority.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report *continued*

Director remuneration

Specified director		Primary benefits		Post employment	Equity	
		Salary & Fees	Other cash benefits	Super-annuation	Options	Total
		\$	\$	\$	\$	\$
Richard Grellman	2005	45,871	-	4,129	35,000	85,000
	2004	45,871	-	4,129	35,000	85,000
Gordon Milliken	2005	57,645	19,000	53,346	5,628	135,619
	2004	53,135	19,000	52,865	5,628	130,628
Theodore Onisforou	2005	18,349	-	1,651	-	20,000
	2004	18,349	-	1,651	-	20,000
Prof Ronald Penny	2005	18,349	-	1,651	-	20,000
	2004	18,349	-	1,651	-	20,000
Dr Peter French	2005	18,349	-	1,651	-	20,000
	2004	18,349	-	1,651	-	20,000
Total Remuneration : Specified Directors						
	2005	158,563	19,000	62,428	40,628	280,619
	2004	154,053	19,000	61,947	40,628	275,628

The information included in the above table has been audited.

No performance based cash remuneration payments were made to Directors during the year.

Remuneration of the named executives who receive the highest remuneration for the year ended 30 June 2005

No executive remuneration has been disclosed as the Company does not have any executives that are not directors.

Options granted as part of remuneration for the year ended 30 June 2005

There were no options granted during the year.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

Option holdings of specified directors

	Richard Grellman	Dr Peter French	Theodore Onisforou	Prof. Ronald Penny	Gordon Milliken *	Total
Balance held at 1 July 2004	500,000	-	-	-	312,500	812,500
Balance held at 30 June 2005	500,000	-	-	-	312,500	812,500

Options Vested of specified directors

	Richard Grellman	Dr Peter French	Theodore Onisforou	Prof. Ronald Penny	Gordon Milliken *	Total
Balance vested at 1 July 2004	165,000	-	-	-	125,000	290,000
Vested during the year	165,000	-	-	-	62,500	227,500
Balance vested at 30 June 2005	330,000	-	-	-	187,500	517,500
Not exercisable	-	-	-	-	-	-
Exercisable	330,000	-	-	-	187,500	517,500

* Options issued under the employee share scheme.

Shareholdings of specified directors

Shares held in Cryosite Limited	Balance as at 1 July 2004 Ord.	Granted as remuneration Ord.	On exercise of options Ord.	On market purchases Ord.	Balance as at 30 June 2005 Ord.
Richard Grellman	62,500	-	-	-	62,500
Dr Peter French	788,648	-	-	-	788,648
Theodore Onisforou	9,531,342	-	-	435,000	9,966,342
Prof. Ronald Penny	847,657	-	-	-	847,657
Gordon Milliken	963,490	-	-	-	963,490
Total	12,193,637	-	-	435,000	12,628,637

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Directors' Report continued

Loans to specified directors

There were no loans to specified directors, at the beginning of the year, during the year, or at the end of the year.

Other transactions and balances with specified directors

There were no other transactions during year with the specified directors or with any director related entities.

DIRECTORS' MEETINGS

During the financial year, 6 meetings of directors were held. Attendances were as follows:

Directors	Directors Meetings Eligible to attend	Directors Meetings Attended
Richard Grellman	6	6
Theodore Onisforou	6	5
Prof. Ronald Penny	6	6
Dr Peter French	6	6
Gordon Milliken	6	6

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received the auditors' independence declaration which is included on Page 12 of this report

No director of Cryosite is currently or was formerly a partner of Ernst & Young.

Non-audit services were provided by the entity's auditor, Ernst & Young during the financial year. Details of the services provided are disclosed in Note 26 of the Financial Statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support the principles of corporate governance. The company's corporate governance statement is included on Pages 13 to 15 of this annual report.

Signed in accordance with a resolution of the directors.

Richard Grellman
Chairman

Date 9 September 2005

Auditor's Independence Declaration to the Directors of Cryosite Limited

In relation to our audit of the financial report of Cryosite Limited for the year ended 30 June 2005, 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
Sydney

9 September 2005

Corporate Governance Statement

Unless described below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2005.

Board Role:

The Board is responsible for the oversight of the Company, including its control and accountability systems, input and approval of corporate strategy and performance objectives, reviewing and approving systems of risk management, internal compliance and control and ensuring appropriate resources are available, monitoring senior management performance and implementation of strategy and approving and monitoring financial and other reporting.

Board Composition:

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the director's report

The Board has determined that the Chairman, Mr Richard Grellman, is the only independent director.

Mr Gordon Milliken (Managing Director) is deemed not to be independent due to his executive role. In addition, Mr Gordon Milliken, Professor Ron Penny AO and Dr Peter French are founding directors of the Company and the board has therefore deemed that this may be perceived to create a non-independent relationship.

The remaining director, Mr Theodore Onisforou is also deemed not to be independent due his 22.1% relevant interest in the company.

When determining whether a non-executive-director is independent, the director must not fail any of the following materiality thresholds:

- Less than 10% of the Company's shares are held by the director and any entity or individual directly or indirectly associated with the director;
- No purchases are made from any entity or individual directly or indirectly associated with the director;
- None of the directors income or the income of an individual or entity or individual directly or indirectly associated with the director is derived from a contract with any member of the Company other than income derived as a director of the Company;
- There may be a perception of non-independence due to a long-term association with the Company and other directors of the Company.

All directors have the right to seek their own professional advice at the Company's expense in the furtherance of their duties as directors. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the Company.

The Board has not established a nomination committee. The Board has formed the view that given its size and structure, it is appropriate for the board as a whole to deal with matters that would otherwise be dealt with by a nomination committee.

Trading policy:

The Company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities price.

Corporate Governance Statement continued

The detailed policy is set out below.

Directors and employees are permitted to trade in company shares for a 30-day period, after a 24-hour period, following the release of the Annual and Half-year reports and the release of any price sensitive information. Employees may not trade in shares of the company whilst in possession of price sensitive information (Price sensitive information is information that a reasonable person would expect to have a material effect on the price of the Company's securities.) and/or if trading for short term gain. As a matter of courtesy, Directors who intend to trade in Company shares should advise the Chairman of their intentions prior to initiating the transaction.

Audit Committee:

The Board has not established an audit committee. The Board has formed the view that given its size and structure the board as a whole should be responsible for matters that would otherwise be dealt with by an audit committee. The Board has however taken steps to safeguard the integrity of its financial reports.

- The board reviews regular periodic management reports and has the opportunity to discuss these reports at regular board meetings,
- The Chairman discusses the half-yearly and annual financial reports with the auditors to provide an open and frank discussion of any issue or concern the auditors may have.

Risk oversight and management:

The Company is a small biotechnology entity at the initial stages of intellectual property development. The investment risk profile of the Company is high and investments in this Company are considered speculative.

The board is responsible for risk oversight and management. Day to day responsibility is delegated to the Managing Director.

The Managing Director is responsible for:

- Identification of risk;
- Monitoring risk;
- Communication of risk events to the board; and
- Responding to risk events, with board authority.

The Board defines risk to be any event that, if it occurs, will have a material impact on the ability of the Company to achieve its objectives. Risk is considered across the financial, operational and organisational aspects of the Company's affairs.

Given its early stage of development, the financial and organisational risks are considered low, as there are simple financial and organisational structures in place.

Performance Evaluation:

The Board is aware that the success of the Company is dependent on the performance of the board and key executives.

The Chairman has regular contact with directors on an individual and group basis to discuss and revise goals and objectives of the Company. The structure and the skills of the Board are reviewed regularly to ensure the needs of the Company are being met. Executives and employees have been set Key Performance Indicators which they report against on a regular basis.

Corporate Governance Statement continued

Remuneration Policies:

The Board has not established a remuneration committee due to its size and structure. The Board, as a whole, assumes responsibility for matters that would otherwise be dealt with by a remuneration committee.

The amount of remuneration paid to directors and executives, including all monetary and non-monetary components, is detailed in the Remuneration Report section of the Directors Report.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives. The company granted all directors options on the original quotation of the Company and provided the Chairman with options on his commencement as a director and Chairman of the Company.

The Employee Share Option Scheme established to cover nominated executives at the time of the IPO in 2000 remains in force at this time. The scheme has not been extended to employees commencing employment with the company after that date.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

Chief Executive Officer and Chief Financial Officer Signoff:

The Managing Director and Financial Controller have provided a sign off to the Board that states:

- Cryosite's Financial Report presents a true and fair view, in all material respects, of Cryosite's financial position and operational results in accordance with relevant Accounting Standards;
- The above statement is made based on a sound system of risk management and internal compliance which implements the policies of the Board; and
- Cryosite's risk management, internal compliance and control systems operated efficiently and effectively during the year.

Other information:

Further information relating to the company's corporate governance practices and policies has been made available on the company's website (www.cryosite.com).

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, notes and additional disclosures in the Directors' Report designated as audited of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards 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 after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2005.

On behalf of the Board

Richard Grellman
Chairman

Date 9 September 2005

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Statement of Financial Performance

YEAR ENDED 30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenue from ordinary activities	2	3,060,549	2,164,448	3,064,039	1,332,923
Expenses from ordinary activities	3				
Borrowing costs expense		(9,655)	(5,014)	(9,655)	(5,014)
Costs of providing services		(1,718,442)	(1,240,513)	(1,342,190)	(847,422)
Marketing expenses		(360,267)	(285,361)	(268,100)	(244,093)
Occupancy expenses		(233,844)	(205,113)	(233,376)	(205,113)
Administration expenses		(1,358,652)	(1,378,485)	(1,354,121)	(1,375,673)
Loss from Ordinary Activities before Income Tax Benefit		(620,311)	(950,038)	(143,403)	(1,344,392)
Income Tax Benefit Relating to Ordinary Activities	4	-	-	-	-
Net Loss from Ordinary Activities after Income Tax Benefit	19	(620,311)	(950,038)	(143,403)	(1,344,392)
Share issue costs	17(b)	-	(198,487)	-	(198,487)
Provision for GST on share issue	17(b)	-	(111,000)	-	(111,000)
Total revenues and expenses attributable to members of Cryosite Limited and recognised directly in equity		-	(309,487)	-	(309,487)
Total Changes in Equity other than those Resulting from Transactions with Owners as Owners Attributable to Members of Cryosite Limited		(620,311)	(1,259,525)	(143,403)	(1,653,879)
Basic (loss) per share (cents per share)	25	(1.4)	(2.6)		
Diluted (loss) per share (cents per share)	25	(1.4)	(2.6)		

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Statement of Financial Position

AT 30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
Current Assets					
Cash assets	20(b)	1,348,427	2,076,369	1,348,427	2,076,369
Receivables	6	774,179	566,826	544,717	431,654
Inventories	7	23,827	17,274	23,827	17,274
Other	8	135,660	150,702	130,224	145,192
Total Current Assets		2,282,093	2,811,171	2,047,195	2,670,489
Non-Current Assets					
Receivables	9	1,183,452	541,275	1,183,452	541,275
Other financial assets	10	-	-	20	20
Plant and equipment	12	1,195,543	1,050,412	1,192,334	1,046,735
Total Non-Current Assets		2,378,995	1,591,687	2,375,806	1,588,030
TOTAL ASSETS		4,661,088	4,402,858	4,423,001	4,258,519
Current Liabilities					
Payables	13	749,442	608,989	719,476	1,149,679
Unearned income	14	190,733	113,961	190,733	113,961
Provisions	15	54,105	36,646	54,105	36,646
Total Current Liabilities		994,280	759,596	964,314	1,300,286
Non-Current Liabilities					
Unearned income	16	1,188,936	604,372	1,188,936	604,372
Total Non-Current Liabilities		1,188,936	604,372	1,188,936	604,372
TOTAL LIABILITIES		2,183,216	1,363,968	2,153,250	1,904,658
NET ASSETS		2,477,872	3,038,890	2,269,751	2,353,861
EQUITY					
Contributed equity	17(a)	7,815,715	7,815,715	7,815,715	7,815,715
Reserves	18	143,305	84,012	143,305	84,012
Accumulated losses	19	(5,481,148)	(4,860,837)	(5,689,269)	(5,545,866)
TOTAL EQUITY		2,477,872	3,038,890	2,269,751	2,353,861

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Statement of Cash Flows

YEAR ENDED 30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Receipts from customers		2,999,247	2,268,290	2,999,247	2,268,290
Payments to suppliers and employees		(3,294,987)	(3,077,601)	(3,294,987)	(3,077,601)
Interest received		105,493	75,606	105,493	75,606
Borrowing costs paid		(9,655)	(5,014)	(9,655)	(5,014)
Net Cash Flows (Used In) Operating Activities	20(a)	(199,902)	(738,719)	(199,902)	(738,719)
Cash Flows from Investing Activities					
Proceeds from sale of plant and equipment		-	1,258	-	1,258
Purchase of plant and equipment		(455,080)	(193,148)	(455,080)	(193,148)
Net Cash Flows (Used In) Investing Activities		(455,080)	(191,890)	(455,080)	(191,890)
Cash Flows from Financing Activities					
Proceeds from share issues		-	1,444,569	-	1,444,569
Share issue costs		(72,960)	(71,913)	(72,960)	(71,913)
Repayment of finance lease principal		-	(1,155)	-	(1,155)
Net Cash Flows From/ (used in) Financing Activities		(72,960)	1,371,501	(72,960)	1,371,501
NET INCREASE/ (DECREASE) IN CASH HELD		(727,942)	440,892	(727,942)	440,892
Add opening cash brought forward		2,076,369	1,635,477	2,076,369	1,635,477
CLOSING CASH CARRIED FORWARD	20(b)	1,348,427	2,076,369	1,348,427	2,076,369

Notes to the Financial Statements

For the Year Ended 30 June 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of accounting**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report is for Cryosite Limited, a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared in accordance with the historical cost convention. Cost is based on the fair values of consideration given in exchange for assets.

The following is a summary of material accounting policies adopted in the preparation of the financial report. The accounting policies are consistent with the prior year unless otherwise stated.

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

b) **Change in accounting policy**

The accounting policies adopted are consistent with those of the previous year.

c) **Principles of consolidation**

The consolidated financial statements are those of the consolidated entity, comprising Cryosite Limited (the parent company) and all entities that Cryosite Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries 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, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

d) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the reporting date and are denominated in foreign currencies are translated at the spot rate at the end of the financial year.

e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and at call deposits with banks or financial institutions.

f) Receivables

Trade receivables (Current) are recognised and carried at original invoice amount less a provision for any uncollectible debts.

Trade receivables (Non-current) 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% (2004 17.5%).

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

g) Investments

All non-current investments are carried at the lower of cost and recoverable amount.

h) 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.

i) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

j) Plant and equipment

Cost and valuation

All classes of plant and equipment are measured at cost.

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment over their useful lives to the company, commencing from the time the asset is first held ready for use on a commercial basis.

Major depreciation rates are:	2005	2004
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
Software development	5 years	5 years
Plant & equipment under lease	8 years	8 years

k) **Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

l) **Payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount and are non-interest bearing.

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

m) **Interest-bearing liabilities**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

n) **Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

o) **Contributed equity**

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.

p) **Revenue recognition**

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 received in advance for provision of services under a long-term contract is recognised at net present value with the balance being treated as unearned income in the statement of financial position.
- 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 statement of financial position.
- Interest revenue is recognised on a proportional basis taking into consideration the interest rates applicable to the financial assets.

q) **Taxes**

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits relating to timing differences are not brought to account unless realisation is assured beyond any reasonable doubt. Future income tax benefits relating to tax losses are not brought to account unless the benefit is virtually certain of being realised.

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Goods and Services Tax (GST)

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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

r) **Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long-service leave

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Employee benefits expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits are recognised against profits on a net basis in their respective categories.

s) **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

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

- 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.

t) Equity Based Compensation

Where equity, including options, forms part of a service contract, director's or employee's remuneration the value of that equity is taken up as an expense in the financial statements by apportioning the expense over the period from grant date to likely exercise date.

Equity based compensation amounts included in director remuneration disclosures differ from those amounts expensed because remuneration disclosures apportion the remuneration over the period from grant date to vesting date.

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Revenue from services		2,955,056	2,092,836	1,858,546	1,261,311
Total revenues from operating activities		2,955,056	2,092,836	1,858,546	1,261,311
Revenues from non-operating activities					
Interest from other persons/corporations		105,493	70,354	105,493	70,354
Proceeds from sale of plant & equipment		-	1,258	-	1,258
Dividend received from wholly-owned subsidiary		-	-	1,100,000	-
Total revenues from non-operating activities		105,493	71,612	1,205,493	71,612
Total revenues from ordinary activities		3,060,549	2,164,448	3,064,039	1,332,923

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

For the Year Ended 30 June 2005

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
3. EXPENSES AND LOSSES/(GAINS)					
(a) Expenses					
Depreciation					
- Software costs		117,017	115,188	117,017	115,188
- Plant and equipment		152,727	126,468	152,259	126,000
- Leased assets		-	1,655	-	1,655
Total depreciation		269,744	243,311	269,276	242,843
Amortisation					
- Leasehold improvements		40,203	40,203	40,203	40,203
Total amortisation		40,203	40,203	40,203	40,203
Total depreciation and amortisation expense		309,947	283,514	309,479	283,046
Borrowing costs expensed					
- other		9,655	5,014	9,655	5,014
Operating lease rental		125,827	114,838	125,827	114,838
Options expense	17(c)	59,293	84,012	59,293	84,012
(b) Losses/ (gains)					
Net loss(gain) on sale of plant & equipment		-	537	-	537

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
4. INCOME TAX					
The prima facie tax at 30% (2004: 30%) on profit differs from the income tax provided in the financial statements as follows:					
Prima facie tax benefit on loss from ordinary activities					
		186,093	285,011	43,021	403,318
Tax effect of permanent differences					
Options expense					
		(17,788)	(25,204)	(17,788)	(25,204)
Capital Raising cost deductions					
		77,858	66,418	77,858	66,418
Other items (net)					
		(10,430)	(7,696)	(10,089)	(7,510)
Rebateable dividends					
		-	-	330,000	-
Tax losses not brought to account					
		(235,733)	(318,529)	(423,002)	(437,022)
Income tax expense attributable to ordinary activities					
		-	-	-	-
(a) Income tax losses					
Future income tax benefit arising from tax losses not brought to account at reporting date as realisation of the benefit is not regarded as virtually certain					
		1,479,136	1,408,416	1,479,136	1,408,416

This future income tax benefit will only be obtained if:

- a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

4. INCOME TAX *continued*

Tax consolidation

Effective from 1 July 2002, Cryosite Limited and its 100% owned subsidiary formed a tax consolidated group. Members of the group entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiary on a pro-rata basis. The head entity of the tax consolidated group is Cryosite Limited.

There was no material effect on the group's tax balances as a result of the group accounting for tax as a tax consolidated group. Cryosite Limited has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been provided for or paid (2004:Nil).

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
6. RECEIVABLES (CURRENT)					
Trade debtors	6(a)	612,652	484,757	409,226	358,586
Other receivables	6(b)	161,527	82,069	135,491	73,068
		774,179	566,826	544,717	431,654
(a) Trade debtors:					
Trade debtors - 30 day terms		323,209	193,679	119,783	67,508
Trade debtors - term payment plans (i)		289,443	291,078	289,443	291,078
Total trade debtors		612,652	484,757	409,226	358,586
7. INVENTORIES (CURRENT)					
Raw materials and stores at cost		23,827	17,274	23,827	17,274
Total inventories at cost		23,827	17,274	23,827	17,274
8. OTHER CURRENT ASSETS					
Prepayments		135,660	150,702	130,224	145,192

(i) Term payment plans are offered to customers under cord blood collection contracts. Customers have an option of payment in full, 12 month, 2 year or 18 year plans

(b) Other receivables: Other receivables are non-interest bearing

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
9. RECEIVABLES (NON-CURRENT)					
Trade debtors	9(a)	1,152,575	510,422	1,152,575	510,422
Other receivables - rental bond	9(b)	30,877	30,853	30,877	30,853
		1,183,452	541,275	1,183,452	541,275
(a) Trade debtors					
Trade debtors – term payment plans refer to note 6 (a) (i)		1,152,575	510,422	1,152,575	510,422
(b) Other receivables are non- interest bearing.					
10. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments at cost comprise:					
Controlled entities – unlisted	11	-	-	20	20
11. INTERESTS IN SUBSIDIARIES		Equity interest held by the consolidated entity		Investment	
Name - Cryosite Distribution Pty Limited		2005	2004	2005	2004
		%	%	\$	\$
Country of incorporation – Australia		100	100	20	20
12. PLANT AND EQUIPMENT					
Leasehold improvements					
At cost					
Accumulated amortisation					
	12(a)	201,017	201,017	201,017	201,017
		(165,404)	(125,201)	(165,404)	(125,201)
		35,613	75,816	35,613	75,816

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005 \$	2004 \$	2005 \$	2004 \$
12. PLANT AND EQUIPMENT continued					
Software					
At cost		605,503	583,682	605,503	583,682
Accumulated depreciation		(440,199)	(323,182)	(440,199)	(323,182)
	12(a)	165,304	260,500	165,304	260,500
Plant and equipment owned					
At cost		1,503,112	1,069,855	1,498,382	1,065,125
Accumulated depreciation		(508,486)	(355,759)	(506,965)	(354,706)
	12(a)	994,626	714,096	991,417	710,419
Total Plant and Equipment		1,195,543	1,050,412	1,192,334	1,046,735
(a) Reconciliations					
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.					
<i>Leasehold Improvements</i>					
Carrying amount at beginning		75,816	116,019	75,816	116,019
Additions		-	-	-	-
Amortisation expense		(40,203)	(40,203)	(40,203)	(40,203)
		35,613	75,816	35,613	75,816
<i>Plant and equipment under lease</i>					
Carrying amount at beginning		-	9,380	-	9,380
Transfer to plant & equipment		-	(7,725)	-	(7,725)
Depreciation expense		-	(1,655)	-	(1,655)
		-	-	-	-
<i>Software</i>					
Carrying amount at beginning		260,500	352,488	260,500	352,488
Additions		21,821	23,200	21,821	23,200
Depreciation expense		(117,017)	(115,188)	(117,017)	(115,188)
		165,304	260,500	165,304	260,500

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
12. PLANT AND EQUIPMENT					
continued					
<i>Plant and equipment owned</i>					
Carrying amount at beginning		714,096	664,686	710,419	660,541
Additions		433,257	169,948	433,257	169,948
Transfer from plant under lease		-	7,725	-	7,725
Disposals		-	(1,795)	-	(1,795)
Depreciation expense		(152,727)	(126,468)	(152,259)	(126,000)
		994,626	714,096	991,417	710,419
13. PAYABLES (CURRENT)					
Trade creditors	13(a)(b)	263,534	308,485	182,957	252,768
Other creditors and accruals	13(b)	485,908	300,504	447,795	275,668
		749,442	608,989	630,752	528,436
Aggregate amounts payable to related parties:					
Wholly-owned group – controlled entity		-	-	88,724	621,243
		-	-	88,724	621,243
Total payables		749,442	608,989	719,476	1,149,679

(a) Australian dollar equivalents of amounts payable in foreign currencies not effectively hedged:

– United States dollars	59,864	40,289	-	-
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(b) Terms and conditions:

- (i) Trade creditors are non-interest bearing and are normally settled on 30-day terms
- (ii) Other creditors are non-interest bearing

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005 \$	2004 \$	2005 \$	2004 \$
14. UNEARNED INCOME (CURRENT)					
Unearned service revenue	14(a)	190,733	113,961	190,733	113,961
(a) Represents revenue received in advance for services to be rendered under long-term storage contracts					
15. PROVISIONS (CURRENT)					
Employee benefits	22	54,105	36,646	54,105	36,646
16. UNEARNED INCOME (NON-CURRENT)					
Unearned service revenue	14(a)	1,188,936	604,372	1,188,936	604,372
17. CONTRIBUTED EQUITY					
a) Issued and paid up capital					
Ordinary shares fully paid		7,815,715	7,815,715	7,815,715	7,815,715
b) Movements in shares on issue					
		2005		2004	
		Issued and fully paid ordinary shares		Issued and fully paid ordinary shares	
		Shares	\$	Shares	\$
Beginning of the financial year		45,005,456	7,815,715	35,375,000	6,680,633
Shares issued on 31 May 2004 under a 1 for 4 rights issue at 15 cents per share		-	-	8,843,750	1,326,563
Shares issued on 31 May 2004 under a share placement plan at 15 cents per share		-	-	786,706	118,006
Less: issue costs on rights issue and share placement plan		-	-	-	(198,487)
Less: Provision for GST payable on costs incurred for shares issued under the Initial Public Offer in May 2002(i)		-	-	-	(111,000)
End of the financial year		45,005,456	7,815,715	45,005,456	7,815,715

(i) A provision was made in the previous financial year for \$111,000 to cover GST on costs associated with the Initial Public Offering made on 9 May 2002. The GST claimed as an input tax credit is currently being reviewed to determine the correct status. This provision covers the maximum amount that may be disallowed on review.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

17. CONTRIBUTED EQUITY *continued*

c) Share Options

Options over ordinary shares:

Employee share scheme

At the end of the year there were 550,000 (2004: 550,000) unissued ordinary shares in respect of which options were outstanding under the employee share scheme.

	2005		2004	
	Number of options	Exercise price	Number of options	Exercise price
Balance at beginning of year	550,000	-	1,300,000	-
- forfeited by executive and staff	-	-	(750,000)	-
Balance at end of year	550,000	-	550,000	-
Exercisable at end of year				
- by executive and staff	330,000	0.40	220,000	0.40

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:

- (i) 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”).
- (ii) The Cryosite Board will determine the number of share options granted to each eligible participant.
- (iii) 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.
- (iv) Options will be issued for no consideration.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) 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 8 May 2002.

Share based option payments

At the end of the year there were 825,000 (2004: 950,000) unissued ordinary shares in respect of which options were outstanding issued for the provision of services.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements continued

For the Year Ended 30 June 2005

17. CONTRIBUTED EQUITY continued

	2005		2004		
	Number of options	Exercise price \$	Expense for Year \$	Number of options	Expense for Year \$
Balance at beginning of year	950,000		-	-	-
- granted to R Grellman (Chairman) on appointment as non-executive director	-	-	26,256	-	26,256
- granted to M Hale for the provision of marketing services.	-	-	33,037	-	57,756
- options forfeited by M Hale	(125,000)				
Balance	825,000	-	59,293	950,000	84,012
Exercisable at end of year:					
- R Grellman	330,000	0.40		165,000	0.40
- M Hale	325,000	0.40		300,000	0.40

Parties to option agreement	R Grellman – Chairman	M Hale – Advertising and Marketing Consultant
Rights Granted and grant date	500,000 Share options granted on 27 November 02	450,000 Share options granted on 1 July 02
Option exercise price	Fixed at 40 cents per share	Fixed at 40 cents per share
Vesting period	165,000 on 27 November 2003 165,000 on 27 November 2004 170,000 on 27 November 2005 Options must be exercised no later than 5 years from vesting date.	Options vest at the rate of 12,500 per month from grant date. Options will be exercisable within 3 years of vesting in multiples of 10,000
Vesting requirements	No vesting conditions apply, options granted as part of remuneration package as chairman.	Options vest on continued supply of marketing consulting services to the company. The contract for supply of marketing services was cancelled by M Hale, effective 31 August 2004. The Options not vesting by that date were forfeited.
Weighted average fair value of options at grant date	\$105,000	\$173,250
Expense for the year	\$26,256	\$33,037
Prior year's expense taken to account	\$41,864	\$92,088
Value of options forfeited	\$-	\$48,125
Balance at the end of the financial year not yet expensed	\$36,880	\$-

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

17. CONTRIBUTED EQUITY *continued*

Parties to option agreement	R Grellman – Chairman	M Hale – Advertising and Marketing Consultant
Calculation of fair value of option	Valuation was made using the binomial method in accordance with the requirements of financial 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 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	Valuation was made using the binomial method in accordance with the requirements of financial 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 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 64 cents

d) Terms and condition of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
18. RESERVES					
Share options reserve	18(a)	143,305	84,012	143,305	84,012
<hr/>					
(a) Movements in share options reserve					
Balance at the beginning of year		84,012	-	84,012	-
Value of compensation benefit during the year	17(c)	59,293	84,012	59,293	84,012
Balance at end of year		143,305	84,012	143,305	84,012

The purpose of the share options reserve is to record the equity component of the equity based compensation scheme referred to in Note 17.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
19. ACCUMULATED LOSSES					
Accumulated Losses	19(a)	(5,481,148)	(4,860,837)	(5,689,269)	(5,545,866)
(a) Movement in accumulated losses					
Balance at the beginning of year		(4,860,837)	(3,910,799)	(5,545,866)	(4,201,474)
Net loss attributable to members of Cryosite Limited		(620,311)	(950,038)	(143,403)	(1,344,392)
Balance at end of year		(5,481,148)	(4,860,837)	(5,689,269)	(5,545,866)
20. STATEMENT OF CASH FLOWS					
(a) Reconciliation of the net loss after tax to the net cash flows from operations					
Net (loss)		(620,311)	(950,038)	(143,403)	(1,344,392)
Non-Cash Items					
Depreciation and amortisation of non-current assets		309,947	283,514	309,479	283,046
Options expense		59,293	84,012	59,293	84,012
Net loss/(profit) on disposal of plant & equipment		-	537	-	537
Dividend received from wholly-owned subsidiary		-	-	(1,100,000)	-
Changes in assets and liabilities					
(Increase)/decrease in trade and other receivables		(94,644)	(76,393)	(17,389)	(62,993)
(Increase)/decrease in inventory		(6,553)	2,376	(6,553)	2,376
(Increase)/in other assets		(273,590)	(54,273)	(256,629)	(48,763)
Increase/(decrease) in trade and other creditors		171,477	(100,731)	715,430	275,181
Increase in unearned income		237,020	58,540	222,411	58,540
Increase in employee benefits		17,459	13,737	17,459	13,737
Net cash flow (used) in operating activities		(199,902)	(738,719)	(199,902)	(738,719)

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

30 JUNE 2005	Notes	Consolidated		Cryosite Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
(b) Reconciliation of cash					
Cash balance comprises:					
– cash on hand and at bank		232,954	176,369	232,954	176,369
– term deposits		1,115,473	1,900,000	1,115,473	1,900,000
Closing cash balance		1,348,427	2,076,369	1,348,427	2,076,369
21. EXPENDITURE COMMITMENTS					
(a) Lease expenditure commitments					
<i>(i) Operating leases (non-cancellable):</i>					
Minimum lease payments					
– not later than one year		124,692	8,749	124,692	8,749
– aggregate lease expenditure contracted for but not provided at balance date		124,692	8,749	124,692	8,749
(b) Operating expenditure commitments					
Operating expenditure commitments contracted for at balance date but not provided for:					
– not later than one year		-	69,000	-	69,000
		-	69,000	-	69,000

The operating expenditure commitment is in relation to an IT maintenance contract.

22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

The aggregate employee benefit liability is comprised of:

	2005	2004	2005	2004
	\$	\$	\$	\$
Provisions (current)	54,105	36,646	54,105	36,646
	54,105	36,646	54,105	36,646

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS *continued*

The company had an average of 14 (2004: 10) full time equivalent employees during the year. Superannuation contributions by the economic entity of 9% of employees' wages and salaries are legally enforceable in Australia.

23. CONTINGENT LIABILITIES

The Company is not aware of any contingent liabilities neither at the end of the financial year nor at the date of this report.

24. SUBSEQUENT EVENTS

The directors are unaware of any event or transaction that has occurred between the balance date 30 June 2005 and the date of this report, which had or may have a significant effect on the company.

25. EARNINGS PER SHARE

	Consolidated 2005	Consolidated 2004
Basic (loss) per share	(1.4) cents	(2.6) cents
Diluted (loss) per share	(1.4) cents	(2.6) cents
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net loss used in calculating basic and diluted earnings per share	(620,311)	(950,038)
Weighted average number of ordinary shares used in calculating basic earnings per share:	45,005,456	36,980,076
Effect of dilutive securities:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	45,005,456	36,980,076
Number of potential ordinary shares that are non-dilutive.	1,375,000	1,500,000

	Consolidated		Cryosite Limited	
	2005	2004	2005	2004
	\$	\$	\$	\$
26. AUDITOR'S REMUNERATION				
Amounts received or due and receivable by Ernst & Young for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	53,000	50,500	53,000	50,500
- Other assurance services	-	2,350	-	2,350
- Taxation compliance services	17,702	22,141	17,702	22,141
	70,702	74,991	70,702	74,991

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

27. RELATED PARTY DISCLOSURES

Wholly-owned group transactions

Loans

Cryosite Distribution Pty Limited, the wholly-owned subsidiary of Cryosite Limited does not hold any cash in its own right. Therefore, all receipts and payments for this entity are made by Cryosite Limited, with the amounts charged against an intercompany loan account. No interest is payable on this balance.

Ultimate parent

Cryosite Limited is the ultimate parent company.

Director related equity interests and transactions

Options granted as part of remuneration for the year ended 30 June 2005

There were no options granted during the year.

Option holdings of specified directors

	Richard Grellman	Dr Peter French	Theodore Onisforou	Prof. Ronald Penny	Gordon Milliken *	Total
Balance held at 1 July 2004	500,000	-	-	-	312,500	812,500
Balance held at 30 June 2005	500,000	-	-	-	312,500	812,500

Options Vested of specified directors

	Richard Grellman	Dr Peter French	Theodore Onisforou	Prof. Ronald Penny	Gordon Milliken *	Total
Balance held at 1 July 2004	165,000	-	-	-	125,000	290,000
Vested during the year	165,000	-	-	-	62,500	227,500
Balance held at 30 June 2005	330,000	-	-	-	187,500	517,500
Not exercisable	-	-	-	-	-	-
Exercisable	330,000	-	-	-	187,500	517,500

* Options issued under the employee share scheme.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

Shareholdings of specified directors

Shares held in Cryosite Limited	Balance as at 1 July 2004	Granted as remuneration	On exercise of options	On market purchases	Balance as at 30 June 2005
	Ord.	Ord.	Ord.	Ord.	Ord.
Richard Grellman	62,500	-	-	-	62,500
Dr Peter French	788,648	-	-	-	788,648
Theodore Onisforou	9,531,342	-	-	435,000	9,966,342
Prof. Ronald Penny	847,657	-	-	-	847,657
Gordon Milliken	963,490	-	-	-	963,490
Total	12,193,637	-	-	435,000	12,628,637

Loans to specified directors

There were no loans to specified directors, at the beginning of the year, during the year, or at the end of the year.

Other transactions and balances with specified directors

There were no other transactions during year with the specified directors or with any director related entities.

28. SEGMENT INFORMATION

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

29. FINANCIAL INSTRUMENTS

a) Interest rate risk

The floating weighted average interest rate on the Company's at call bank accounts during the year was approximately 5.25% (2004: 4.75%). The fixed weighted average interest rate implicit in the lease liabilities in 2004 was 12%. All other financial assets and liabilities are non-interest bearing.

b) Net fair values

The carrying values in the Statement of Financial Position approximate the fair value of all financial assets and liabilities of the Company.

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

29. FINANCIAL INSTRUMENTS *continued*

c) Credit risk exposure

The Company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Performance. There is no concentration of credit risk.

30. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Cryosite Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ending 30 June 2006. The Company's management, in consultation with its auditors, are assessing the significance of these changes and preparing for their implementation.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken; (b) potential amendments to AIFRSs and interpretations thereof being issued by the standard setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and the UIG Interpretations.

The directors are of the opinion that the proposed changes will affect the financial reports of the Company in the following area;

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Consolidated		Cryosite Limited	
		30 June 2005 \$	1 July 2004 \$	30 June 2005 \$	1 July 2004 \$
Total equity under AGAAP		2,477,872	3,038,890	2,269,751	2,353,861
Adjustments to retained earnings (net of tax)					
Recognition of share-based payment expense	(i)	(8,748)	(13,948)	(8,748)	(13,948)
Adjustments to other reserves (net of tax)					
Recognition of share-based payment expense	(i)	8,748	13,948	8,748	13,948
Total equity under AIFRS		2,477,872	3,038,890	2,269,751	2,353,861

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Notes to the Financial Statements *continued*

For the Year Ended 30 June 2005

30. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS *continued*

(b) Reconciliation of net profit under AGAAP to that under AIFRS

	Notes	Consolidated		Cryosite Limited	
		30 June 2005 \$	1 July 2004 \$	30 June 2005 \$	1 July 2004 \$
Net loss as reported under AGAAP		(620,311)	(950,038)	(143,403)	(1,344,392)
Recognition of share-based payment expense	(i)	(8,748)	(13,948)	(8,748)	(13,948)
Net loss under AIFRS		(629,059)	(963,986)	(152,151)	(1,358,340)

(i) Under AASB 2 *Share based payments*, the company would recognise the fair value of options granted to employees as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payment costs are currently expensed on a pro-rata basis from grant date to likely exercise date.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

(d) Reclassification within the Statement of Financial Position

Under AASB138 Intangible Assets, the Cryobyte Software will be classified as an intangible asset. Currently this asset is included within Property, Plant and Equipment. The 1 July 2004 opening Statement of Financial Position reclassification amount will be \$260,500 and the reclassification amount as at 30 June 2005, will be \$165,304. There will be no impact on retained earnings and no impact on profit for the year ended 30 June 2005 as a result of this re-classification.

Independent audit report to members of Cryosite Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Cryosite Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report and the additional disclosures, "Director Emoluments" included in the directors report designated as audited ('the additional disclosures') that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report and the additional disclosures.

Audit approach

We conducted an independent audit of the financial report and the additional disclosures in order to express an opinion on them to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report and the additional disclosures is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report and the additional disclosures present fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the additional disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the additional disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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 following the Directors' Report. In addition to our audit of the financial report and the additional disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report and the additional disclosures included in the directors' report designated as audited of Cryosite Limited are in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Cryosite Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Douglas Bain
Partner
Sydney

9 September 2005

ASX Additional Shareholder Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 6 September 2005.

a) **Twenty largest shareholders**

The names of the twenty largest holders of quoted shares are:

	Listed ordinary shares	
	Number of shares	% of ordinary shares
Strategic Pooled Development Ltd	8,312,229	18.47
Westpac Custodian Nominees Ltd	4,837,197	10.75
Merrill Lynch (Australia) Nominees Ltd	3,263,132	7.25
Robmar Investments Pty Ltd	2,065,136	4.59
Tonbar Pty Ltd	1,643,168	3.65
All State Secretariat Ltd	1,454,584	3.23
PA Biologicals Limited	1,443,963	3.21
Lost Ark Nominees Pty Ltd	1,399,578	3.11
National Nominees Limited	1,391,250	3.09
Sentra Investments Pty Ltd	1,219,113	2.71
Mrs Deborah Ann Kroger	896,184	1.99
Prof Ronald Penny	847,657	1.88
Dr Peter French	788,648	1.75
Everken Pty Ltd	745,047	1.66
All-States Finance Pty Ltd	723,815	1.61
Mr Gordon Milliken	694,213	1.54
Mrs Julie Nettleton	694,213	1.54
SHR Pty Ltd	515,313	1.15
Laydon Pty Limited	500,000	1.11
Angus Property & Development Pty Ltd	411,370	0.91
Total	33,845,810	75.20

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

ASX Additional Shareholder Information continued

b) Distribution of equity securities

The number of shareholders by size of holding.

		Ordinary Shares	
		Number of	Number of
		Holder	Shares
		s	
		Number of	Number of
		Holder	Shares
		s	
1	1,000	25	18,112
1,001	5,000	269	1,117,691
5,001	10,000	83	659,641
10,001	100,000	161	4,664,490
100,001	and over	52	38,545,522
Total		590	45,005,456

c) Substantial shareholders

The names of any substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Strategic Pooled Developments Limited has a relevant interest in 8,312,229 shares (18.47%) of the issued capital

d) Voting Rights

All ordinary shares carry one vote per share without restriction

e) Number of shareholders holding less than a marketable parcel

The number of shareholdings held in less than marketable parcels is 84.