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# CRYOSITE LIMITED

ABN 86 090 919 476

## Annual Report

for the year ended 30 June 2002

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# CRYOSITE LIMITED—ANNUAL REPORT

## TABLE OF CONTENTS

Corporate Directory	1
Letter to Shareholders	2-3
Directors' Report	4-8
Corporate Governance	9
Directors' Declaration	10
Statement of Financial Performance	11
Statement of Financial Position	12
Statement of Cash Flows	13
Notes to the Financial Statements	14-33
Independent Audit Report	34
ASX Additional Information	35-36

## Corporate Directory

### Directors

Theodore Onisforou (Chairman)  
Gordon Milliken (Managing Director)  
Professor Ronald Penny, AO  
Dr Peter French

### Company Secretary

Bryan Dulhunty

### Registered Office

9 Sirius Road  
Lane Cove, NSW, 2066  
Tel: (02) 9420 1400  
Fax: (02) 9420 1414

### Share Register

ASX Perpetual Registrars Limited  
Level 8, 580 George Street  
Sydney NSW 2000

### Auditors

Ernst & Young

### Internet Address

[www.cryosite.com](http://www.cryosite.com)

## **LETTER TO SHAREHOLDERS**

This year has been one of significant progress for Cryosite. The successful launch of the Cord Blood Service and the distribution agreement with the ATCC provided a firm foundation for the successful IPO in May.

Cryosite was established to provide a range of specialised support services to the Australian biotechnology, research and clinical trials market. These services are based on a core model of ultra-low and cryogenic storage and shipping of a wide range of biological materials integrated with a proprietary internet based data management and sample inventory application, Cryobyte.

The company commissioned its Lane Cove facility in March 2001 and commenced the specialist storage services shortly afterwards. In June the company recognised that there was an exciting business opportunity to utilise the expertise of the staff and capitalise on the state-of-the-art facilities to establish Australia's first private service for the collection and storage of umbilical cord blood that is rich in adult stem cells.

With the assistance of the Mater Hospital in Sydney we successfully undertook a pilot study to validate the collection, processing, testing and storage systems. The study commenced in September and was successfully completed in November. Approval to commence the service was received from the Therapeutic Goods Administration in early December and the service launched a week later.

A broadly based marketing campaign commenced in March 2002 and after a short lag period has resulted in a very pleasing acceptance of the service. Cord blood samples have been successfully collected and shipped from capital cities and regional areas from all states of Australia as well as from New Zealand and one from Japan. Midwife representatives have been appointed in Melbourne, Brisbane, Adelaide and Perth. The local representatives have the task of promoting the awareness of the service to expectant parents and liaising with obstetricians and hospitals in the collection and logistics requirements.

In January we executed an agreement with the American Type Culture Collection to become their exclusive representative for Australia and New Zealand. We are extremely pleased to have been appointed by such a world-renowned organisation to distribute their extensive range of products. This agreement has helped to underpin the growing distribution division that also works with contract research organisation to store and distribute temperature sensitive drugs used in clinical trials.

The archival storage division has not yet performed up to our expectations, however there has been an increase in interest in this service recently and a number of contracts have been signed. We are in discussions with a number of organisations about projects of significant size.

Having achieved ISO/IEC 17025 accreditation from the National Association of Testing Authorities we can now promote a range of logistics and data management services to organisations involved in clinical trials, which represents a potentially significant market for our services. We recently signed an agreement to provide both archival storage and logistics services to the local branch of a large worldwide contract research organisation and are actively pursuing more opportunities in this area.

Development has continued of Cryobyte, our proprietary web-based software for the management of client's sample data and inventory control. We have received favourable reports from the patent inspectors and are perusing our PCT patent application. We believe that as well as its use in the integrated storage service. Cryobyte may eventually be marketed as a stand-alone software package.

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## CRYOSITE LIMITED—ANNUAL REPORT

The rapid growth that the company has experienced since the commencement of the cord blood service and the IPO have led to great demands on both the Board and management. It has only been the unstinting commitment to the company by all of those involved that has allowed us to reach the present position. We are confident that the team will continue to work together in the coming year to continue to create a truly unique business in Australia that is able to take maximum advantage of the increasing research and biotechnology activities and to expand the cord blood and distribution businesses.

We would like to thank our shareholders for their past support and hope that they continue to remain as investors. We can assure all investors that the Cryosite team will continue to work together to build a world-class company that is able to take advantage of its opportunities to the maximum benefit of all stakeholders.

Theodore Onisforou  
Chairman

Gordon Milliken  
Managing Director

## **Directors' Report**

Your directors submit their report for the year ended 30 June 2002.

### **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 this entire period unless otherwise stated.

#### **Names, qualifications, experience and special responsibilities**

##### **Theodore Onisforou, B.Com, L.L.B** (Non-executive Chairman)

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 for the past five years he has been involved full time as a professional investor. Recently he successfully completed course work at Sydney University for a Masters in Agricultural Science Degree.

Mr. Onisforou joined the Board in March 2000 and was appointed Chairman in May 2001.

##### **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, he is the Chairman of the NSW Government's Corrections Health Services 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.

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

Dr Peter French is the Principal Scientific Officer and Manager of the Centre for Immunology, St Vincent's Hospital, and Sydney. Dr. French holds a Ph.D. in cell biology, and an MBA in Technology Management. He has the honorary positions of conjoint Senior Lecturer in the School of Medicine at UNSW, and of Research Associate in the School of Physics at the University of Sydney.

Dr. French is a member and a Past President of the Australia and New Zealand Society for Cell and Developmental Biology, and is a member of board 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. In 2001 he was appointed the Secretary of FASTS.

Dr. French was the co-convenor of the International Congress on Differentiation and Cell Biology in September 2000. This was a joint meeting of the International federation for Cell Biology, the International Society for Differentiation, and the Australia and New Zealand Society for Cell and Developmental Biology. He is also a founding member of the annual Hunter Cellular Biology Meeting.

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## CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

### Directors' Report continued

Dr. French is an assessor of medical testing laboratories for NATA. Dr. French is one of the founders of Cryosite Ltd, and was appointed to the Board of Cryosite Ltd in December 1999.

#### **Gordon Leonard Milliken, Dip. Med. Tech. Grad. Dip. Ops. Mgt** (Managing Director)

Mr. Milliken has over 35 years experience in a variety of research and development and operational positions in the veterinary and medical fields. These include as Manager, Animal Health Laboratory for the Inghams Enterprises group, research scientist at Australian Monoclonal Developments and more recently as Senior Manager. Laboratory Operations, Macquarie Pathology Services and Operations Manager, Hanly Moir Pathology.

Mr. Milliken is one of the founders of the company and has been instrumental in setting up the operational core of the company. Mr. Milliken was appointed to the Board in February 2002.

#### **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:

	<b>Ordinary Shares</b>	<b>Options over Ordinary Shares</b>
T.Onisforou	8,215,061	250,000
Prof.R.Penny AO	780,990	250,000
Dr. P French	721,982	250,000
G. Milliken	780,990	312,500

#### **CORPORATE STRUCTURE**

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

#### **PRINCIPAL ACTIVITIES**

The company utilises its core platform of ultra-low and cryogenic storage of biological materials to operate three different business units:

- private collection and storage of umbilical cord blood stem cells:
- distribution of temperature critical biological material, and,
- archival storage of biological material

#### **REVIEW OF OPERATIONS**

During the year the company undertook a number of developments that will have a significant positive effect on the company. The establishment of Australia's only private service for the collection and storage of cord blood was successfully launched in December 2001 and is now operating smoothly and is the major source of revenue.

The operations of the Lane Cove facility were complimented by the preparation of a comprehensive set of Standard Operating Procedures to provide the basis for a service level quality that would meet the needs of our clients and the requirements of external quality assurance organisations.

In January we signed an exclusive distribution agreement for Australia and New Zealand with the American Type Culture Collection. The ATCC is the world's largest source of bioresource material

## **Directors' Report** continued

for a number of types of clients, including universities, industry and biotechnology organisations. A new distribution subsidiary was established to manage the ATCC business, and other clients who require specialist storage and distribution services, such as the pharmaceutical industry and clinical trial market.

The archival storage division has been slower than expected to attract large clients, however, several large projects are being pursued and we are hopeful of success with some of these. The development of the Cryobite sample data management and inventory system is continuing with Version 2.0 scheduled to be completed in December 2002. We believe that there are a number of potential opportunities to market the software as a stand-alone product as well as utilising it as part of our integrated sample storage and data management system.

### **Competitive Environment**

Cryosite is in a very good competitive position with a number of its services. It is the only company in Australia that is approved by the TGA to operate a private cord blood service. The probability of competitors entering the market cannot be discounted, however, our objective is to capitalise on our first starters advantage and established relationships with obstetricians' and hospitals to maintain a dominant market position.

The exclusive ATCC distribution agreement places us in a position of being the main supplier of bioresource material used by researchers, testing laboratories and biotechnology companies involved in the medical, veterinary, agricultural and horticultural areas. Whilst there are other sources for some of the material supplied by ATCC, it is clearly the preferred source and therefore makes Cryosite the clear market leader in this field. We are also actively engaged in developing cross-marketing opportunities between our ATCC customers and archival storage.

A strong focus is also on expanding our penetration of the drug storage and distribution services to the clinical trial market to take advantage of having our facility having achieved NATA ISO/IEC 17025 accreditation.

### **OPERATING RESULTS FOR THE PERIOD**

Total sales to 30th June were \$460,919, with an accelerated growth rate recorded following the launch of the cord blood service. This compared to the previous year's figures of \$2,427

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The directors and management are focused on building the current businesses and to seek out new opportunities in related areas that can take advantage of our expertise and resources to optimise returns to shareholders.

## CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

### Directors' Report continued

#### REGULATORY ENVIRONMENT

Cryosite's cord blood service is regulated by the TGA and requires a Code of Good Manufacturing Practice licence. Cryosite will remain diligent in observing the current regulations and act on any changes that may affect the company.

#### 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.

#### SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE DATE

The directors are unaware of any event or transaction that has occurred between the balance date 30 June 2002 and the date of this report which had or may have a significant effect on the company.

#### DIVIDENDS

There were no dividends declared or paid during the course of the financial year and no dividend is recommended.

#### DIRECTORS' AND OFFICERS EMOLUMENTS

Details of the nature and amount of each element of the emolument of each director of the company and each of the executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows. Details regarding the issue of share options under this plan are provided in note 32 to the financial statements

	Directors Fees	Emoluments		Total	Options Granted Number
	\$	Salary \$	Super- annuation \$	\$	
T.Onisforou	21,477	—	1,856	23,333	250,000
Prof.R.Penny AO	18,391	—	1,609	20,000	250,000
Dr P French	18,391	—	1,609	20,000	250,000
G. Milliken	-	56,269	69,731	126,000	312,500
K. Frey	12,232		1,101	13,333	-

There are no executive officers other than directors of the company and therefore the emoluments of the five highest paid executives are not separately disclosed.

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**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Directors' Report** continued

**DIRECTORS' MEETINGS**

During the financial year, 23 meetings of directors were held. Attendances were:

	<b>Directors Meetings Eligible to attend</b>	<b>Directors Meetings attended</b>
<b>Current Directors</b>		
T Onisforou	23	23
Prof. R. Penny AO	23	18
Dr P French	23	21
G Milliken	3	3
<b>Retired Directors</b>		
K Frey	20	19

Signed in accordance with a resolution of the directors.

Mr T Onisforou  
Chairman

September 25 September 2002

## Corporate Governance Statement

The Board is responsible for the Corporate Governance of the economic entity including the setting and the monitoring of the objectives, goals and corporate direction. Due to the size of the economic entity, the Board closely interacts with the management of the economic entity and has established adequate systems of internal control, assesses monitors and manages business risk, and ensures adherence to appropriate ethical standards.

### Board of Directors

The constitution requires:

- one third of the directors shall retire from office and be eligible for re-election at every general meeting;
- no share qualifications for a director.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board considers candidates with the appropriate expertise and experience. The Board then appoints the most suitable person who shall hold office until the conclusion of the next following annual general meeting of the company and shall be eligible for election at such annual general meeting.

Each director has the right to seek independent professional advice regarding material matters concerning the Company at the Company's expense after notifying the Chairman.

### Remuneration

The remuneration of the Directors is set and shall not be increased except by the Company in general meeting when notice of the proposed increase shall have been given to members in the notice convening the meeting.

The Board determines the remuneration packages for executive Directors, senior employees. Director's fees for Non-Executive are fixed by the Company at its Annual General Meeting on the recommendation of the chairman. Directors. Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior employees.

### Audit Committee

The Company does not have a formally constituted Audit Committee of the Board of Directors. The Board undertakes the functions of the Audit Committee, such as the establishment and maintenance of the framework of internal control and appropriate ethical standards for the management of the economic entity.

### Risk Identification and Management

The Board meets on a regular basis and as part of the ongoing review of performance, current and possible future business risks are identified. Once a business risk is identified, appropriate action is planned and instigated by the Board. The results of the action plan are constantly reviewed and corrective action is taken as required.

### Ethical Standards

The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics. Directors and officers are expected to act in accordance with the law and with the highest standards of propriety.

## 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 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 2002 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.

Signed in accordance with a resolution of the directors

Director

Sydney, 25 September 2002

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

## Statement of Financial Performance

YEAR ENDED 30 JUNE 2002	Notes	Consolidated		Cryosite Limited	
		2002 \$	2001 \$	2002 \$	2001 \$
<b>Revenue from ordinary activities</b>	2	498,114	81,039	321,474	81,039
<b>Expenses from ordinary activities</b>	3				
Borrowing costs expense		(6,833)	(2,166)	(6,833)	(2,166)
Costs of providing services		(646,515)	(69,958)	(537,868)	(69,958)
Marketing expenses		(269,043)	(114,195)	(258,360)	(114,195)
Occupancy expenses		(197,548)	(161,473)	(197,548)	(161,473)
Administration expenses		(602,500)	(803,604)	(601,206)	(803,604)
<b>Loss from Ordinary Activities before Income Tax Benefit</b>		<b>(1,224,325)</b>	<b>(1,070,357)</b>	<b>(1,280,341)</b>	<b>(1,070,357)</b>
<b>Income Tax Benefit Relating to Ordinary Activities</b>	4	-	-	-	-
<b>Net Loss from Ordinary Activities after Income Tax Benefit</b>		<b>(1,224,325)</b>	<b>(1,070,357)</b>	<b>(1,280,341)</b>	<b>(1,070,357)</b>
Decrease in Accumulated Losses on adoption of UIG 23 "Transaction Costs Arising on the Issue or Intended Issue of Equity Instruments"		-	168,848	-	168,848
<b>Total Changes in Equity other than those Resulting from Transactions with Owners as Owners Attributable to Members of Cryosite Limited</b>		<b>(1,224,325)</b>	<b>(901,509)</b>	<b>(1,280,341)</b>	<b>(901,509)</b>
Basic earnings per share (cents per share)	25	(7.5)	-		
Diluted earnings per share (cents per share)	25	(7.5)	-		

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

## Statement of Financial Position

AT 30 JUNE 2002	Notes	Consolidated		Cryosite Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash assets		2,897,892	492,368	2,897,892	492,368
Receivables	6	280,704	29,127	179,039	29,127
Inventories	7	6,955	23,868	5,551	23,868
Other	8	45,960	24,830	43,960	24,830
<b>Total Current Assets</b>		<b>3,231,511</b>	570,193	<b>3,126,442</b>	570,193
<b>Non-Current Assets</b>					
Receivables	9	30,853	30,879	30,853	30,879
Other financial assets	10	-	-	20	-
Plant and equipment	12	1,096,525	1,125,101	1,091,912	1,125,101
<b>Total Non-Current Assets</b>		<b>1,127,378</b>	1,155,980	<b>1,122,785</b>	1,155,980
<b>TOTAL ASSETS</b>		<b>4,358,889</b>	1,726,173	<b>4,249,227</b>	1,726,173
<b>Current Liabilities</b>					
Payables	13	345,612	389,519	291,966	389,519
Interest-bearing liabilities	14	4,017	3,565	4,017	3,565
Unearned income	15	86,943	314	86,943	314
Provisions	16	31,342	12,959	31,342	12,959
<b>Total Current Liabilities</b>		<b>467,914</b>	406,357	<b>414,268</b>	406,357
<b>Non-Current Liabilities</b>					
Interest-bearing liabilities	17	1,081	5,098	1,081	5,098
<b>Total Non-Current Liabilities</b>		<b>1,081</b>	5,098	<b>1,081</b>	5,098
<b>TOTAL LIABILITIES</b>		<b>468,995</b>	411,455	<b>415,349</b>	411,455
<b>NET ASSETS</b>		<b>3,889,894</b>	1,314,718	<b>3,833,878</b>	1,314,718
<b>EQUITY</b>					
Contributed equity	18	6,630,693	40	6,630,693	40
Convertible notes	18	-	2,831,152	-	2,831,152
Accumulated losses	19	(2,740,799)	(1,516,474)	(2,796,815)	(1,516,474)
<b>TOTAL EQUITY</b>		<b>3,889,894</b>	1,314,718	<b>3,833,878</b>	1,314,718

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

## Statement of Cash Flows

YEAR ENDED 30 JUNE 2002	Notes	Consolidated		Cryosite Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>					
Receipts from customers		349,544	683	325,435	683
Payments to suppliers and employees		(1,564,230)	(1,030,106)	(1,540,109)	(1,030,106)
Interest received		26,420	98,070	26,420	98,070
Borrowing costs paid		(6,833)	(2,166)	(6,833)	(2,166)
<b>Net Cash Flows From/ (Used In) Operating Activities</b>	20(a)	<b>(1,195,099)</b>	<b>(933,519)</b>	<b>(1,195,087)</b>	<b>(933,519)</b>
<b>Cash Flows from Investing Activities</b>					
Purchase of plant and equipment		(195,313)	(1,111,789)	(190,583)	(1,111,789)
Proceeds from redemption of investment		-	2,465,472	-	2,465,472
Advances to related parties		-	-	(4,742)	-
<b>Net Cash Flows From/ (Used In) Investing Activities</b>		<b>(195,313)</b>	<b>1,353,683</b>	<b>(195,325)</b>	<b>1,353,683</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from issue of convertible notes		501,500	-	501,500	-
Payment of convertible note issue costs		(10,000)	-	(10,000)	-
Proceeds from issues of ordinary shares		4,150,000	-	4,150,000	-
Payment of share issue costs		(841,999)	-	(841,999)	-
Repayment of finance lease principal		(3,565)	(5,129)	(3,565)	(5,129)
<b>Net Cash Flows From/ (Used In) Financing Activities</b>		<b>3,795,936</b>	<b>(5,129)</b>	<b>3,795,936</b>	<b>(5,129)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>2,405,524</b>	<b>415,035</b>	<b>2,405,524</b>	<b>415,035</b>
Add opening cash brought forward		492,368	77,333	492,368	77,333
<b>CLOSING CASH CARRIED FORWARD</b>	20(b)	<b>2,897,892</b>	<b>492,368</b>	<b>2,897,892</b>	<b>492,368</b>

## Notes to the Financial Statements

### 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. During the year the company changed its name and type from Australian Biologicals Registry Pty Limited to Cryosite Limited.

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.

In the prior year, the company adopted UIG 23 “Transaction costs arising on the issue or intended issue of equity instruments”. This resulted in an adjustment against opening accumulated losses of \$168,868. This amount represents the transaction costs of the initial issue of convertible notes in the year ended 30 June 2000.

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

#### b) 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 balance 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.

#### c) 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.

## CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

### Notes to the Financial Statements *continued*

Amounts payable to and by the entities within the consolidated entity that are outstanding at the reporting date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

d) **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 at call deposits with banks or financial institutions.

e) **Receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

f) **Investments**

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

g) **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.

h) **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.

i) **Property, plant and equipment**

*Cost and valuation*

All classes of plant and equipment are measured at cost.

*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:	2002	2001
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

## Notes to the Financial Statements *continued*

j) **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 of 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.

k) **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.

l) **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".

m) **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.

n) **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. Convertible notes have been classified as an equity instrument in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments" and are recognised as the fair value of the consideration received by the Company.

## Notes to the Financial Statements *continued*

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) **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 when the storage occurs.
- Revenue from the rendering of services is recognised upon the delivery of the service to the customers.
- Interest revenue is recognised on a proportional basis taking into consideration the interest rates applicable to the financial assets.

p) **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.

*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.

## Notes to the Financial Statements *continued*

q) **Employee entitlements**

Provision is made for employee entitlement 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 entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement 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 interest rates attaching to government guaranteed securities, which have terms to maturity approximating the terms of the related liability, are used.

Employee entitlements 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 entitlements; and
- other types of employee entitlements

are charged against profits on a net basis in their respective categories.

r) **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.

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Notes to the Financial Statements** continued

30 JUNE 2002	Notes	Consolidated		Cryosite Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>					
<b>Revenues from operating activities</b>					
Revenue from services		460,919	2,427	284,279	2,427
Total revenues from operating activities		460,919	2,427	284,279	2,427
<b>Revenues from non-operating activities</b>					
Interest from financial institutions		37,195	78,612	37,195	78,612
Total revenues from non-operating activities		37,195	78,612	37,195	78,612
<b>Total revenues from ordinary activities</b>		<b>498,114</b>	81,039	<b>321,474</b>	81,039
<b>3. EXPENSES AND LOSSES/ (GAINS)</b>					
<b>(a) Expenses</b>					
Depreciation					
Software development costs		102,510	-	102,510	-
Plant and equipment		84,460	41,495	84,343	41,495
Leased assets		1,654	1,102	1,654	1,102
Total depreciation		188,624	42,597	188,507	42,597
Amortisation of leasehold improvements		35,266	10,216	35,266	10,216
Borrowing costs expensed		6,833	2,166	6,833	2,166
Decrement in value of inventories		23,773	-	23,773	-
Operating lease rental		107,963	124,450	107,963	124,450
<b>(b) Losses/ (gains)</b>					
Net foreign currency(gains)		(1,137)	-	-	-
<b>(c) Significant items</b>					
Loss from ordinary activities before tax includes the following material revenues and expenses. Reversal of directors' fees accrual (credit)		(184,846)	-	(184,846)	-

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Notes to the Financial Statements** continued

30 JUNE 2002	Notes	Consolidated		Cryosite Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
<b>4. INCOME TAX</b>					
The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:					
Prima facie tax benefit on loss from ordinary activities		367,297	363,921	384,102	363,921
Tax effect of permanent differences					
Amortisation		(10,580)	-	(10,580)	-
Other items (net)		49,370	(794)	49,370	(794)
Change in tax rate		-	(42,721)	-	(42,721)
Tax losses not brought to account		(406,087)	(320,406)	(422,892)	(320,406)
Income tax expense attributable to ordinary activities		-	-	-	-
<b>(a) Income tax losses</b>					
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		790,343	340,121	806,548	340,121

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.

**5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES**

No dividends have been provided for or paid as the company is in an accumulated loss position as at 30 June 2002 (2001: nil).

**6. RECEIVABLES (CURRENT)**

Trade debtors	6(a)	200,337	2,332	47,806	2,332
Other receivables	6(a)	80,367	26,795	86,170	26,795
Amounts other than trade debts receivable from related parties:					
Wholly-owned group – controlled entities	29	-	-	45,063	-
		<b>280,704</b>	<b>29,127</b>	<b>179,039</b>	<b>29,127</b>

**(a) Terms and conditions**

Terms and conditions relating to the above financial instruments

- (i) Trade debtors are non-interest bearing and generally on 30-day terms.
- (ii) Other receivables are non-interest bearing.
- (iii) Details of the terms and conditions of related party receivables are set out in note 29

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Notes to the Financial Statements** *continued*

30 JUNE 2002	Notes	Consolidated		Cryosite Limited	
		2002 \$	2001 \$	2002 \$	2001 \$
<b>7. INVENTORIES (CURRENT)</b>					
Raw materials and stores		6,955	23,868	5,551	23,868
Total inventories at lower of cost and net realisable value		6,955	23,868	5,551	23,868
<b>8. OTHER CURRENT ASSETS</b>					
Prepayments		45,960	24,830	43,960	24,830
<b>9. RECEIVABLES (NON-CURRENT)</b>					
Other receivables – rental bond	9(a)	30,853	30,879	30,853	30,879
(a) Other receivables are non-interest bearing.					
<b>10. OTHER FINANCIAL ASSETS (NON-CURRENT)</b>					
<i>Investments at cost comprise:</i>					
Controlled entities – unlisted	11	-	-	20	-
<b>11. INTERESTS IN SUBSIDIARIES</b>					
<b>Name</b> - Cryosite Distribution Pty Limited		<b>Equity interest held by the consolidated entity</b>		<b>Investment</b>	
<b>Country of incorporation</b> - Australia		2002 %	2001 %	2002 \$	2001 \$
		100	-	20	-
<b>12. PLANT AND EQUIPMENT</b>					
<i>Plant and equipment</i>					
Leasehold improvements					
At cost		195,034	195,034	195,034	195,034
Accumulated amortisation		(45,482)	(10,216)	(45,482)	(10,216)
	12(a)	149,552	184,818	149,552	184,818
Plant and equipment under lease					
At cost		13,791	13,791	13,791	13,791
Accumulated depreciation		(2,756)	(1,102)	(2,756)	(1,102)
	12(a)	11,035	12,689	11,035	12,689
Software					
At cost		512,775	512,775	512,775	512,775
Accumulated depreciation		(102,510)	-	(102,510)	-
	12(a)	410,265	512,775	410,265	512,775
Plant and equipment					
At cost		651,627	456,315	646,897	456,315
Accumulated depreciation		(125,954)	(41,496)	(125,837)	(41,496)
	12(a)	525,673	414,819	521,060	414,819
<b>Total plant and equipment</b>		<b>1,096,525</b>	<b>1,125,101</b>	<b>1,091,912</b>	<b>1,125,101</b>

Assets under lease are pledged as security for the associated lease liabilities.

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Notes to the Financial Statements** continued

30 JUNE 2002	Notes	Consolidated		Cryosite Limited	
		2002	2001	2002	
		\$	\$	\$	
<b>12. PROPERTY, PLANT AND EQUIPMENT (cont'd)</b>					
<b>(a) Reconciliations</b>					
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		184,818		184,818	
Amortisation expense		(35,266)		(35,266)	
		<b>149,552</b>		<b>149,552</b>	
<i>Plant and equipment under lease</i>					
Carrying amount at beginning		12,689		12,689	
Depreciation expense		(1,654)		(1,654)	
		<b>11,035</b>		<b>11,035</b>	
<i>Software development costs</i>					
Carrying amount at beginning		512,775		512,775	
Depreciation expense		(102,510)		(102,510)	
		<b>410,265</b>		<b>410,265</b>	
<i>Plant and equipment</i>					
Carrying amount at beginning		414,820		414,820	
Additions		195,313		190,583	
Depreciation expense		(84,460)		(84,343)	
		<b>525,672</b>		<b>521,060</b>	
<b>13. PAYABLES (CURRENT)</b>					
Trade creditors	13(a)(b)	129,699	9,148	46,426	9,148
Other creditors and accruals	13(b)	207,411	6,338	196,697	6,338
		<b>337,110</b>	15,486	<b>243,123</b>	15,486
Aggregate amounts payable to related parties:					
Wholly-owned group – controlled entity		-	-	40,341	-
Directors and director-related entities					
– former directors and director-related entities		8,502	-	8,502	-
– directors and director-related entities		-	374,033	-	374,033
		<b>8,502</b>	374,033	<b>48,843</b>	374,033
Total payables		<b>345,612</b>	389,519	<b>291,966</b>	389,519

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Notes to the Financial Statements** continued

30 JUNE 2002

	Notes	Consolidated		Cryosite Limited	
		2002 \$	2001 \$	2002 \$	2001 \$
<b>13. PAYABLES</b>					
(a) Australian dollar equivalents of amounts payable in foreign currencies not effectively hedged:					
–	United States dollars	79,847	-	-	-
(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.					
(iii) Details of the terms and conditions of related party payables are set out in note 29.					
<b>14. INTEREST-BEARING LIABILITIES (CURRENT)</b>					
Lease liability	21	4,017	3,565	4,017	3,565
<b>15. UNEARNED INCOME</b>					
Unearned service revenue		86,943	314	86,943	314
<b>16. PROVISIONS (CURRENT)</b>					
Employee entitlements	22	31,342	12,959	31,342	12,959
<b>17. INTEREST-BEARING LIABILITIES (NON-CURRENT)</b>					
Lease liability	21	1,081	5,098	1,081	5,098

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Notes to the Financial Statements** continued

30 JUNE 2002

Notes	Consolidated		Cryosite Limited	
	2002 \$	2001 \$	2002 \$	2001 \$
<b>18. CONTRIBUTED EQUITY</b>				
<b>a) Issued and paid up capital</b>				
Ordinary shares fully paid	6,630,693	40	6,630,693	40
Convertible notes	-	2,831,152	-	2,831,152
	<b>6,630,693</b>	<b>2,831,192</b>	<b>6,630,693</b>	<b>2,831,192</b>

**b) Movements in shares on issue**

	2002			2001		
	Issued and fully paid ordinary shares		Convertible notes	Issued and fully paid ordinary shares		Convertible notes
	Shares	\$	\$	Shares	\$	\$
Beginning of the financial year	40	40	2,831,152	40	40	3,000,000
Recognition of costs on issue of convertible notes	-	-	-			(168,848)
Non-renouncable convertible notes rights issue (i)	-	-	501,500	-	-	
Less issue costs on rights issue (i)			(10,000)			
First share conversion of ordinary shares (ii)	999,960	-	-	-	-	-
Second share conversion of ordinary shares (iii)	7,500,000	-	-	-	-	-
Conversion of convertible notes to ordinary shares (iv)	29,762,750	3,322,652	(3,322,652)	-	-	-
Consolidation of shares on issue (v)	(13,262,750)	-	-	-	-	-
Issue of ordinary shares (vi)	1,500,000	600,000	-	-	-	-
Ordinary shares issued in Initial Public Offering (vii)	8,875,000	3,550,000	-	-	-	-
Less issue costs on public equity raising (vii)	-	(841,999)	-	-	-	-
End of the financial year	<b>35,375,000</b>	<b>6,630,693</b>		40	40	2,831,152

- (i) During the year, the company completed a non-renouncable Convertible Notes Rights Issue with a face value of \$501,500. The costs of the issue totalled \$10,000. The terms of the issue were identical to those pertaining to the initial issue of Convertible Notes that raised \$3,000,000 and incurred issue costs of \$168,848 in the prior financial year.
- (ii) The extraordinary general meeting held on 3 September 2001 resolved to convert the Company from a proprietary to a public structure. The meeting also passed a resolution to conduct a share split where the 40 fully paid ordinary shares were converted into 1,000,000 fully paid ordinary shares.
- (iii) On 10 October 2001, the shareholders approved by circular resolution a share split where the 1,000,000 fully paid ordinary shares were converted into 8,500,000 fully paid ordinary shares.
- (iv) On 14 January 2002, all previously issued Convertible Notes with a face value totalling \$3,501,500 and associated costs of \$178,848 were converted, by agreement between the noteholders and the Company, into 29,762,750 fully paid ordinary shares.
- (v) On 14 February 2002, the shareholders resolved to consolidate the number of shares on issue from 38,262,750 to 25,000,000.

## CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

### Notes to the Financial Statements *continued*

#### 18. CONTRIBUTED EQUITY *continued*

- (vi) On 27 February 2002, the Company issued 1,500,000 ordinary shares at \$0.40 each, for proceeds of \$600,000 with nil issue costs. The purpose of the issue was to assist with working capital requirements.
- (vii) On 9 May 2002, through the Initial Public Offering, the Company issued 8,875,000 fully paid ordinary shares at \$0.40 each, for proceeds of \$3,550,000. Transaction costs associated with this issue totalled \$841,999.

#### Terms and conditions of convertible notes

- No interest was payable by the Company to the noteholders
- Compulsory conversion on allotment of the minimum subscription of the Company's shares in the course of its initial public offering
- Conversion at the discretion of the noteholder after 21 March 2002
- Compulsory conversion on maturity of the Notes on 21 March 2003
- The number of shares issued on conversion of the Notes was based on the valuation of the Company at the time the Notes were issued such that the noteholders were exposed to movements in the fair value of the Company's shares subsequent to the issue of the Notes
- The Company had no obligation to redeem the Notes other than through the above-mentioned process

#### c) Share Options

Options over ordinary shares:

##### *Employee share scheme*

During the financial year, 1,662,500 options were issued over ordinary shares. The options had an average exercise price of \$0.40. Details are provided in note 22.

At the end of the year there were 1,662,500 (2001: nil) unissued ordinary shares in respect of which options were outstanding.

#### 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.

	Notes	Consolidated		Cryosite Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
<b>19. ACCUMULATED LOSSES</b>					
Accumulated Losses	19(a)	<b>(2,740,799)</b>	(1,516,474)	<b>(2,796,815)</b>	(1,516,474)
(a) Movement in accumulated losses					
Balance at the beginning of year		<b>(1,516,474)</b>	(614,965)	<b>(1,516,474)</b>	(614,965)
Net loss attributable to members of Cryosite Limited		<b>(1,224,325)</b>	(1,070,357)	<b>(1,280,341)</b>	(1,070,357)
Adjustment on adoption of UIG 23 "Transaction Costs Arising on the Issue or Intended Issue of Equity Instruments"		-	168,848	-	168,848
Balance at end of year		<b>(2,740,799)</b>	(1,516,474)	<b>(2,796,815)</b>	(1,516,474)

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Notes to the Financial Statements** continued

30 JUNE 2002

Notes

Consolidated	Cryosite Limited
2002	2001
2002	2001
\$	\$

**20. STATEMENT OF CASH FLOWS**

**(a) Reconciliation of the net loss after tax to the net cash flows from operations**

Net loss	(1,224,325)	(1,070,357)	(1,280,341)	(1,070,357)
<i>Non-Cash Items</i>				
Depreciation and amortisation of non-current assets	223,890	52,813	223,773	52,813
Decrement in value of inventory	23,773	-	23,773	-
Foreign Currency Gain	(1,137)	-	-	-
<b>Changes in assets and liabilities</b>				
(Increase)/decrease in trade and other receivables	(251,470)	(34,459)	(104,849)	(34,459)
(Increase)/decrease in inventory	(6,860)	(23,868)	(5,456)	(23,868)
(Increase)/decrease in other assets	(21,104)	48	(19,104)	48
(Decrease)/increase in trade and other creditors	(42,878)	(9,872)	(137,895)	(9,872)
(Decrease)/increase in unearned income	86,629	-	86,629	-
(Decrease)/increase in employee entitlements	18,383	152,176	18,383	152,176
Net cash flow used in operating activities	<b>1,195,099</b>	(933,519)	<b>(1,195,087)</b>	(933,519)
<b>(b) Reconciliation of cash</b>				
Cash balance comprises:				
– cash on hand and at bank	397,892	492,368	397,892	492,368
– term deposits	2,500,000	-	2,500,000	-
Closing cash balance	<b>2,897,892</b>	492,368	<b>2,897,892</b>	492,368

**(c) Acquisition of Controlled Entity**

During the year the Company acquired the share capital of Cryosite Distribution Pty Limited. The shares were settled by an intercompany payable. Cryosite Distribution Pty Limited had nil net assets at the time of acquisition.

**21. EXPENDITURE COMMITMENTS**

**(a) Capital expenditure commitments**

Estimated capital expenditure contracted for at balance date but not provided for:

– not later than one year	-	8,856	-	8,856
Capital expenditure commitments	-	8,856	-	8,856

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Notes to the Financial Statements** continued

30 JUNE 2002	Notes	Consolidated		Cryosite Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
<b>21. EXPENDITURE COMMITMENTS</b>					
<b>continued</b>					
<b>(b) Lease expenditure commitments</b>					
<i>(i) Operating leases (non-cancellable):</i>					
Minimum lease payments					
– not later than one year		<b>125,988</b>	118,760	<b>125,988</b>	118,760
– later than one year and not later than five years		<b>125,988</b>	-	<b>125,988</b>	-
– later than five years		-	-	-	-
– aggregate lease expenditure contracted for but not provided at balance date		<b>251,976</b>	118,760	<b>251,976</b>	118,760
The property lease is a non-cancellable lease for a two-year term commencing 19 July 2002, with a three-year option period.					
<i>(ii) Finance leases:</i>					
– not later than one year		<b>4,442</b>	4,442	<b>4,442</b>	4,442
– later than one year and not later than five years		<b>1,111</b>	5,553	<b>1,111</b>	5,553
– later than five years		-	-	-	-
– total minimum lease payments		<b>5,553</b>	9,995	<b>5,553</b>	9,995
– future finance charges		<b>(455)</b>	(1,332)	<b>(455)</b>	(1,332)
– lease liability		<b>5,098</b>	8,663	<b>5,098</b>	8,663
– current liability		<b>4,017</b>	3,565	<b>4,017</b>	3,565
– non-current liability		<b>1,081</b>	5,098	<b>1,081</b>	5,098
		<b>5,098</b>	8,663	<b>5,098</b>	8,663
Finance leases have an average remaining lease term of 1 year, at which time the company will take ownership of the assets. The average discount rate implicit in the leases is 12% (2001: 12%). Secured lease liabilities are secured by a charge over the leased assets.					
<b>(c) Operating expenditure commitments</b>					
Operating expenditure commitments contracted for at balance date but not provided for:					
– not later than one year		<b>69,000</b>	191,491	<b>69,000</b>	191,491
– later than one year and not later than five years		-	88,220	-	88,220
		<b>69,000</b>	279,711	<b>69,000</b>	279,711

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

## CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

### Notes to the Financial Statements *continued*

30 JUNE 2002	Notes	Consolidated		Cryosite Limited	
		2002	2001	2002	2001
		\$	\$	\$	\$
<b>22. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS</b>					
<b>Employee Entitlements</b>					
The aggregate employee entitlement liability is comprised of:					
Accrued wages, salaries and on costs		65,257	6,026	65,257	6,026
Provisions (current)		31,342	12,959	31,342	12,959
		<b>96,599</b>	<b>18,985</b>	<b>96,599</b>	<b>18,985</b>

The company had an average of 7 full time equivalent employees during the year.

#### Employee Share Scheme

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.

Terms and conditions specific to the initial options issued under the Plan were:

- (vii) The exercise price of each initial option issued under the Plan was the retail offer price included in the prospectus 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.
- (ix) Options granted to Non Executive Directors under the Plan will only become exercisable if the consolidated Earnings Before Interest and Tax for year ending 30 June 2004 is a positive number.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

## CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

### Notes to the Financial Statements *continued*

#### 22. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS *continued*

	2002		2001	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	-	-	-	-
- granted	1,662,500	0.40	-	-
- forfeited	-	0.40	-	-
- exercised	-	0.40	-	-
Balance at end of year	1,662,500	0.40	-	-
Exercisable at end of year	-	-	-	-

Since the end of the financial year and prior to the date of this financial report, 162,500 options were forfeited due to an eligible staff member ceasing employment with the Company.

The following table summarises information about options outstanding and exercisable at 30 June 2002:

Option price	Options	Outstanding		Exercisable	
		Average option life	Average option price	Number of options	Average option price
\$0.40	1,662,500	8 years	0.40	-	-

#### 23. CONTINGENT LIABILITIES

The company has received claims to the value of \$24,750 from one of its advisors in relation to the IPO. This amount has not been included as a liability because the directors believe the company has completely settled its liability to this advisor.

The Company is not aware of any other contingent liabilities.

#### 24. SUBSEQUENT EVENTS

Since the end of the financial year, 162,500 options were forfeited due to an eligible staff member ceasing employment with the Company.

No other matters of significance have occurred since the financial year and up to the date of this report.

#### 25. EARNINGS PER SHARE

Due to the major capital restructuring undertaken during the financial year, an adjusted Basic and Diluted EPS have been calculated, which more appropriately represent the earnings per share for the year. These adjusted calculations assume the weighted average number of ordinary shares on issue for the year to be the weighted average number of shares on issue since the listing date, 9 May 2002. It does not reflect the effect of the capital transactions prior to 9 May 2002. No comparative disclosures have been made as the company changed its structure from a private company to a listed corporation since the prior financial year.

Basic earnings per share  
Diluted earnings per share

Consolidated 2002	
Unadjusted	Adjusted
(7.5) cents	(3.5) cents
(7.5) cents	(3.5) cents

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Notes to the Financial Statements** continued

	Consolidated 2002	
	Unadjusted	Adjusted
<b>25. EARNINGS PER SHARE</b> continued		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net loss	(1,224,325)	(1,224,325)
Earnings used in calculating basic and diluted earnings per share	(1,224,325)	(1,224,325)
Weighted average number of ordinary shares used in calculating basic earnings per share:	<b>16,302,616</b>	<b>35,375,000</b>
<b>Effect of dilutive securities:</b>		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	16,302,616	35,375,000

**Conversions, calls, subscription or issues after 30 June 2002**

Since the end of the financial year and prior to the date of this financial report, 162,500 options were forfeited due to an eligible staff member ceasing employment with the Company. These options were not dilutive.

Notes	Consolidated		Cryosite Limited	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>26. REMUNERATION OF DIRECTORS</b>				
(a) Directors' remuneration				
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:	<b>102,058</b>	170,734		
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Cryosite Limited, directly or indirectly, from the entity or any related party:			<b>102,058</b>	170,734
			<b>No.</b>	<b>No.</b>
The number of directors of Cryosite Limited whose income (including superannuation contributions) falls within the following bands is:				
\$0 – \$9,999			<b>1</b>	-
\$10,000 – \$19,999			<b>3</b>	2
\$20,000 – \$29,999			-	3
\$30,000 – \$39,999			-	2
\$40,000 – \$49,999			<b>1</b>	-

**CRYOSITE LIMITED AND ITS CONTROLLED ENTITY**

**Notes to the Financial Statements** continued

30 JUNE 2002

Notes	Consolidated		Cryosite Limited	
	2002 \$	2001 \$	2002 \$	2001 \$
<b>27. REMUNERATION OF EXECUTIVES</b>				
Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:	<b>126,000</b>	221,154		
Remuneration received or due and receivable by executive officers of the company whose remuneration is \$100,000 or more, from the company or any related party, in connection with the management of the affairs of the company or any of its subsidiaries, whether as an executive officer or otherwise			<b>126,000</b>	221,154
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
The number of executives of the consolidated entity and the company whose remuneration falls within the following bands:				
\$110,000 – \$119,999	-	2	-	2
\$120,000 – \$129,999	<b>1</b>	-	<b>1</b>	-
<b>28. AUDITORS' REMUNERATION</b>				
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	<b>25,000</b>	-	<b>25,000</b>	-
– other services in relation to the entity and any other entity in the consolidated entity (i)	<b>163,000</b>	-	<b>163,000</b>	-
Amounts received or due and receivable by auditors other than Ernst & Young for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	-	9,500	-	9,500
– other services in relation to the entity and any other entity in the consolidated entity	-	2,273	-	2,273
	<b>188,000</b>	11,773	<b>188,000</b>	11,773

## CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

### Notes to the Financial Statements *continued*

#### 28. AUDITORS' REMUNERATION *continued*

- (i) costs of \$145,000 relate to the Independent Accountant's Report are included in the transaction costs relating to the public equity raising and do not form part of the expenses of the consolidated entity for the year ended 30 June 2002.

#### 29. RELATED PARTY DISCLOSURES

##### Directors

The directors of Cryosite Limited during the financial year were:

Mr Theodore Onisforou (Chairman)

Mr Ken Frey – resigned 28 February 2002

Professor Ronald Penny AO

Dr Peter French

Mr Gordon Milliken (Managing Director) – appointed 28 February 2002

##### 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.

##### Director-related entity transactions

During the year, fees were paid or are payable (including GST) to Director-related entities for advice in relation to the Company's public listing on the ASX, at normal commercial rates, as follows:

Former Director	Related Party	Purpose	2002	2001
			\$	\$
Mr Ken Frey	Hanbury Pty Ltd	Corporate Advice	55,000	-

##### Equity instruments of directors

##### *Interests at balance date*

Interests in the equity instruments of Cryosite Limited held by directors of the reporting entity and their director-related entities:

	Ordinary Shares Fully Paid		Convertible Notes		Options over Ordinary Shares	
	2002	2001	2002	2001	2002	2001
	Number	Number	Number	Number	Number	Number
Mr Theodore Onisforou	8,215,061	-	-	1,150,000	250,000	-
Mr Gordon Milliken	694,213	-	-	-	312,500	-
Prof. Ronald Penny AO	780,990	5	-	-	250,000	-
Dr. Peter French	721,982	5	-	-	250,000	-
	<b>10,412,246</b>	10	-	<b>1,150,000</b>	<b>1,062,500</b>	-

##### Movements in directors' equity holdings

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

##### Ultimate parent

Cryosite Limited is the ultimate parent company.

## Notes to the Financial Statements *continued*

### 30. SEGMENT INFORMATION

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

### 31. 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 4.1% (2001: 4.55%). The fixed weighted average interest rate on the term deposit during the year was 5.68% (2001: no deposit held). The fixed weighted average interest rate implicit in the lease liabilities during the year was 12% (2001: 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.

#### 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.

## Independent Audit Report

To the members of Cryosite Limited

### Scope

We have audited the financial report of Cryosite Limited for the financial year ended 30 June 2002, as set out on pages 10 to 33, including the Directors' Declaration. The financial report includes the financial statements of Cryosite Limited, and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

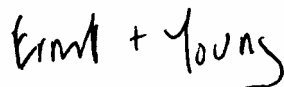
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial report of Cryosite Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



Ernst & Young



Douglas Bain  
Partner

Sydney

10 September 2002

## CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

### ASX Additional 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 4 September 2002.

#### 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	6,247,917	17.66%
Westpac custodian Nominees Ltd	2,939,013	8.31%
Wynsix Hotel Corporation Pty Ltd	1,717,709	4.86%
Lost Ark Nominees Pty Ltd	1,624,294	4.59%
PA Biologicals Limited	1,443,963	4.08%
Sentra Investments Pty Ltd	969,956	2.74%
McRoss Developments Pty Ltd	900,000	2.54%
Prof Ronald Penny	780,990	2.21%
Dr David E Roberts	755,000	2.13%
Dr P French	721,982	2.04%
Donald Dyer	694,213	1.96%
Mr Gordon Milliken	694,213	1.96%
Ms J Nettleton	694,213	1.96%
All State Secretarial Ltd	672,976	1.90%
Dragon City Holdings Pty Ltd	610,741	1.73%
Foster Stockbroking Nominees	610,741	1.73%
MHGD Pty Ltd	590,024	1.67%
Everken Pty Ltd	555,370	1.57%
SHR Pty Ltd	515,313	1.46%
Foster Stockbroking Nominees	458,056	1.29%
<b>Total</b>	<b>24,196,684</b>	<b>68.4%</b>

#### b) Distribution of equity securities

The number of shareholders, by size of holding, in each class of shares are:

		Ordinary Shares	
		Number of holders	Number of shares
1	1,000	30	24,484
1,001	5,000	428	1,805,409
5,001	10,000	79	685,807
10,001	100,000	111	3,746,767
100,001	and over	49	29,112,533
Total		697	35,375,000

## ASX Additional Information continued

c) **Substantial shareholders**

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

Strategic Pooled Developments Limited has a relevant interest in 7,659,414 shares (21.65%) of the issued capital

d) **Voting Rights**

All ordinary shares carry one vote per share without restriction.