

# CRYOSITE LIMITED

ABN 86 090 919 476

## Financial Report

for the year ended 30 June 2008

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## Directors' Report

Your directors submit their report for the year ended 30 June 2008.

### 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 except for Mr Richard Grellman who resigned as a director on 4 March 2008.

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

##### *Theodore Onisforou, BCom, LLB – 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 currently is a full time professional investor. He has completed a Masters Degree in Agricultural Science at 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. Mr Onisforou was reappointed as Chairman on 4 March 2008.

##### *Catherine Brenner, BEc LLB, MBA - Non-Executive Director*

Ms Brenner is a non-executive director of Coca Cola Amatil Limited, Centennial Coal Company Limited and the Australian Brandenburg Orchestra. She has previously been a non-executive director of Trafalgar Corporate Group Limited. Ms Brenner was a Managing Director in ABN AMRO's Investment Banking business. Prior to becoming an investment banker Ms Brenner was a corporate lawyer. She is also a Member of the Takeovers Panel. Ms Brenner was appointed to the Board in September 2006.

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

Professor Penny served as an Honorary Consultant at several Sydney hospitals and on the Editorial Board of six international medical and scientific journals. He was the Chairman of the NSW Government's Justice Health Board until December 2007. He is Senior Medical Advisor to the NSW Department of Health and is Medical Director of Good Health Solutions, a workplace health management company. In March 2008, he was appointed a Commissioner on the National Health and Hospital Reform Commission. Professor Penny is also a director of Probiomics Limited. Professor Penny was appointed to the board of Cryosite in December 1999.

##### *Gordon 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. 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 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.

## Directors' Report continued

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

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

Director	Ordinary shares	Options over ordinary shares
Theodore Onisforou	3,751,337	-
Catherine Brenner	-	300,000
Professor Ronald Penny	883,371	-
Gordon Milliken	1,048,418	312,500

### EARNINGS PER SHARE

Basic earnings per share	1.0 cents (2007: 2.0 cents)
Diluted earnings per share	1.0 cents (2007: 1.9 cents)

### DIVIDENDS

There were no dividends declared or paid during the course of the financial year and no dividend is recommended (2007: Nil).

### 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 which incorporates 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 Services; and
- Biorepository Management Services.

#### Employees

The consolidated entity has 19 full-time equivalent employees as at 30 June 2008 (2007:20 employees).

## Directors' Report continued

### OPERATING RESULTS FOR THE YEAR

The Directors are pleased to report to shareholders that the company has produced another solid financial performance by maintaining a three year profit history. Profit for the year was \$447,059. This compared to the 2007 profit of \$922,744.

This years profit was boosted by a one-off profit of approximately \$220,000 as the results of our involvement in the management of equine influenza vaccine. The 2007 profit was influenced by the recognition of income tax benefit of \$547,480. We did not recognise a tax benefit in the profit for the year. Total revenue from continuing operations was a record \$6,685,430 and was 36.4% (\$1,783,105) above the 2007 figures. The profit was also affected by additional expenses of \$353,928 relating to the relocation to new premises in South Granville.

Net cash flow from operating activities was \$888,268, an increase of 27.3% over last year. After allowing for capital expenditure of \$494,512, the net increase in cash and cash equivalents was \$393,756. Total cash and cash equivalents was \$1,975,278 (2007: \$1,581,522)

The cord blood service is now one of four in a very competitive environment, however, we estimate that we still hold around 45% of the Australian market. We consider that one of the most important factors in being able to maintain this position is the recognition by our customers of the security that Cryosite provides by being able to manage and control all of the operations involved in the successful storage of their child's cord blood. Cryosite is unique amongst its competitors by being the only service provider that owns and manages the infrastructure for the processing and long-term storage of the blood. All our competitors operate by outsourcing all of the critical components of the process and act primarily as virtual marketing companies. We believe that the cost to reproduce the Cryosite model is prohibitive and therefore represents a significant barrier to entry for any new full-service competitor.

Although there are no independently published figures available, we estimate that the entire Australian market for private cord blood storage is between 1.0% and 1.5% of all births. This is relatively low compared to countries such as Taiwan and Korea where figures of up to 15% are reported and the USA where a reliable estimate of the figure is around 5.0% of births. Whilst we do not foresee that the Australian market will reach the striking figures achieved by either Korea or Taiwan, we remain convinced that there are still good opportunities for growth in the total market in general and for Cryosite's to maintain or increase its market share as the potential role of cord blood stem cells in the treatment of a larger range conditions, such as cerebral palsy becomes better understood.

The clinical trial logistics services continued its impressive growth. We have focused on consolidating our reputation within the market as the number one service provider in the high value cold-chain management of investigational therapeutic products. We mentioned some time ago that the cold-chain end of the market was likely to experience above average growth in the number of products from the biotechnology sector, such as those derived from monoclonal antibody research found their way into the investigational pipeline. This expectation has proven to be accurate as we are now involved in a record number of such products and confidently predict that this trend will accelerate over the next few years. The number of clients increased to nearly 50 and the maximum number of individual trials being managed simultaneously approached 200, with the average being around 170.

We have previously reported on our agreement with Animal Health Australia to provide consultancy and logistics services to support the Commonwealth governments Emergency Animal Disease Preparedness Programme. Cryosite had delivered the Vaccine Logistics Master Plan and the Foot and Mouth Specific Plan when the equine influenza outbreak occurred in September 2007. When the decision was made to initiate a vaccination programme, Cryosite was contracted to establish a logistics plan involving the receipt, storage and distribution of imported cold chain vaccine. This was a major project which demonstrated Cryosite's capacity to deploy its integrated business systems to rapidly scale up operations to meet clients exacting technical and operational requirements within tight timeframes, and still maintain service levels to existing clients.

## Directors' Report continued

Within three weeks, we had developed and validated a comprehensive set of operational procedures, recruited and trained additional casual staff and implemented management systems that ensured secure and timely cold chain vaccine distribution within a complex and high profile environment. By the time the vaccination program was terminated, we had processed and shipped around 400,000 doses of vaccine throughout Australia. We are continuing to manage supplies of vaccine in the event of any need to recommence vaccination.

The other, more traditional biorepository service also continued its good growth trend and is benefiting from the adult stem cell storage agreement with the Peter MacCallum Cancer Institute.

The development of the Cryobyte® software is continuing. Customer feedback from the various test installations in sites in Australia, the United Kingdom and India is currently being evaluated. Full product release through our agreement with Chart will not proceed until feedback regarding extended functionality and alternative installation systems have been a commercially assessed and any modifications validated.

The company is into the last year of the five year exclusive distribution agreement with the American Type Culture Collection. We expect to commence negotiations to renew the agreement in the last quarter of 2008 and look forward to renewing the agreement for another five year term. The ATCC distribution service enjoyed record sales in 2007 and Cryosite recorded sales growth well above the average for all ATCC international distributors. This relationship has proven to be very important and valuable to Cryosite from both a financial perspective and the prestige of being associated with the worlds biggest and most respected bioresource centre.

A highlight of the year was in being awarded third place in the NSW Department of State and Regional Development BioFirst Commercialisation Awards. The Awards recognise NSW based biotechnology companies that have achieved substantially increased domestic and export revenues. The awards are judged by an independent panel that is made up of representatives from a broad cross-section of the business community. We are very proud to have performed so well against our peer group companies and look forward to doing even better in 2009.

### **BUSINESS GROWTH AND OUTLOOK**

By continuously assessing new market opportunities and refining the capacity of its core operating systems, Cryosite has positioned itself as a unique bio-logistics company that is ideally positioned to take advantage of a number of market sectors that are not strongly linked to the general market conditions. Therefore, the continued success of Cryosite is closely linked to the effective use of an established core operations system that can be used to support numerous separate logistics-based services within a single business model. It is the successful implementation of this model that has allowed Cryosite to achieve the financial security that it now enjoys.

However, this rapid growth in services has resulted in insufficient space for expansion, especially in the fast growth area of clinical trials. In order meet our future needs, we are developing a new facility which will allow for at least the next five years projected growth. The property is situated in South Granville, in the Western suburbs of Sydney. The total area is 2,000m<sup>2</sup>, which is approximately 2.5 times our current space. Construction of the new clean room laboratories, controlled temperature/humidity storage rooms and the Biorepository (freezer and ultra cold storage) will be completed by the end of September 2008, regulatory approvals are anticipated to be received by early December and the relocation from Lane Cove should be completed in the first quarter of 2009.

We remain confident we can maintain our position as the leading private cord blood service in Australia even though a potential decline in the level of private health insurance following changes to the levy threshold may flow through to fewer births in private hospitals which are our primary points of cord blood collection. Our confidence is based on a firm belief that we will continue to be recognised as the industry leader for product quality, technical expertise, customer service and long term security in the provision of cord blood related services.

## Directors' Report continued

The outlook for the clinical trial services remains buoyant. During the past year we have added many new clients to our already impressive list which now totals approximately 50 and includes well known pharmaceutical companies such as Pfizer, Bristol Myer Squibb, Boehringer –Ingelheim Schering Plough and Janssen Cilag as well as leading Contract Research Organisations including Novotech, the winners of the Frost & Sullivan Asian CRO of the year (2006). Through this connection we are now servicing our first client in India. It is via our longstanding relationships with organisation such as these that Cryosite can extend its service throughout the entire Asia-Pacific region.

The last accurate measure of the clinical trial activity in Australia was conducted in 2003 and published in the First Australian Clinical Trial Survey (FACTS). This report concluded that there were approximately 600 trials being conducted in Australia each year. Reliable estimates now suggest that the growth rate in the number of trials is around 15%, therefore, we concur with the general estimate that the current number of trials is between 800 and 1,000. Considering that Cryosite currently manages up to 200 concurrent trials, we are optimistic about seeing that number continue to increase.

### **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 the 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, the Office of the Gene Technology Regulator (OGTR), as well as the Quality System requirements of many of its customers. The company has implemented a company-wide quality management system to ensure that we meet or exceed the requirements of all these interests.

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

### **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 affecting the number of parents who might consider private cord blood storage.

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 licences 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.

## Directors' Report continued

Our exclusive distribution agreement with the ATCC is due for renewal in January 2009 and the failure to renew the agreement or any breach of the agreement by Cryosite resulting in termination of the agreement would result in significant 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.

In addition to the above, the Directors and certain Officers of the Company have entered into a Deed of Indemnity and Access confirming the Company's obligation to maintain an adequate Director and Officer liability policy and confirming the individual Director's and Officer's right to access board papers and other Company documents. In return, the individual Director and Officer has agreed to allow the Company to conduct the case for the defence should the event arise.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor.

### REMUNERATION REPORT

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

This has been audited by Ernst & Young and is included within the scope of the audit report on page 59

#### Remuneration philosophy

The company recognises the importance of structuring remuneration packages of its key management personnel 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.

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

#### Non-Executive Directors

Total remuneration 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 \$350,000 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 key management personnel with other similar companies to ensure consistency.

## DIRECTORS' REPORT CONTINUED

### Key Management Personnel

Details of the nature and amount of each element of remuneration for key management personnel of the company which includes those key management personnel receiving the highest compensation for the financial year are as follows:-

Theodore Onisforou	Chairman (Non-executive) Effective 4 March 2008
Catherine Brenner	Director (Non-executive)
Prof. Ronald Penny	Director (Non-executive)
Gordon Milliken	Managing Director
Richard Grellman	Chairman (Non-executive) Resigned 4 March 2008

Except as noted above key management personnel held their positions for the whole of the financial year. Due to the relatively small number of employees, apart from the Managing Director, there are no other executives having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

### COMPENSATION FOR KEY MANAGEMENT PERSONNEL

	Short term benefits Salary & Fees	Other cash benefits	Post employ- ment benefits Super- annuation	Other long term benefits Long service leave	Termin- ation benefits	Share- based payments Options	Total
	\$	\$	\$	\$	\$	\$	\$
<b>30 June 2008</b>							
Theodore Onisforou	45,000	-	4,050	-	-	-	49,050
Catherine Brenner	45,000	-	4,050	-	-	12,733	61,783
Prof Ronald Penny	45,000	-	4,050	-	-	-	49,050
Gordon Milliken	94,495	19,000	56,505	1,432	-	-	171,432
Richard Grellman	40	-	54,460	-	-	-	54,500
<b>Total compensation</b>	<b>229,535</b>	<b>19,069</b>	<b>123,115</b>	<b>1,432</b>	<b>-</b>	<b>12,733</b>	<b>385,815</b>
<b>30 June 2007</b>							
Theodore Onisforou	31,674	-	3,532	-	-	-	35,206
Catherine Brenner	28,616	-	2,625	-	-	-	31,241
Dr Peter French	3,058	-	275	-	-	-	3,333
Prof. Ronald Penny	31,674	-	3,532	-	-	-	35,206
Gordon Milliken	79,587	19,069	55,162	5,595	-	-	159,413
Richard Grellman	3,856	-	63,569	-	-	-	67,425
<b>Total Compensation</b>	<b>178,465</b>	<b>19,069</b>	<b>128,695</b>	<b>5,595</b>	<b>-</b>	<b>-</b>	<b>331,824</b>

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

## DIRECTORS' REPORT CONTINUED

### OPTIONS GRANTED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2008

30 June 2008	Granted		Terms & conditions for each grant					Vested	
	No	Grant Date	Fair value per option at grant date \$	Exerc- ise price per option \$	Expiry date	First exercise date	Last exercise date	No	%
<b>Directors</b>									
C Brenner	100,000	1-Dec-07	0.13	0.20	30-Oct-12	1-Dec-09	30-Oct-12	-	-
C Brenner	100,000	1-Dec-07	0.11	0.30	30-Oct-12	1-Dec-10	30-Oct-12	-	-
C Brenner	100,000	1-Dec-07	0.10	0.40	30-Oct-12	1-Dec-11	30-Oct-12	-	-
	<u>300,000</u>							-	-

### OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

	Theodore Onisforou No.	Catherine Brenner No.	Richard Grellman No.	Prof. Ronald Penny No.	Gordon Milliken No.*	Total No.
Balance held at 1 July 2007	-	-	500,000	-	312,500	812,500
Granted during the year	-	300,000	-	-	-	300,000
<b>Balance held at 30 June 2008</b>	<b>-</b>	<b>300,000</b>	<b>500,000</b>	<b>-</b>	<b>312,500</b>	<b>1,112,500</b>

### OPTIONS VESTED OF KEY MANAGEMENT PERSONNEL

	Theodore Onisforou No.	Catherine Brenner No.	Richard Grellman No.	Prof. Ronald Penny No.	Gordon Milliken No.*	Total No.
Balance vested at 1 July 2007	-	-	500,000	-	312,500	812,500
<b>Balance vested at 30 June 2008</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>312,500</b>	<b>812,500</b>
<b>Not exercisable</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Exercisable</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>312,500</b>	<b>812,500</b>

- Options issued under the employee share scheme.

## DIRECTORS' REPORT CONTINUED

### SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Shares held in Cryosite Limited	Balance 1 July 2007 Ord.	Granted as remuneration Ord.	On exercise of options Ord.	On market purchases Ord.	Balance 30 June 2008 Ord.
Theodore Onisforou	3,751,337	-	-	-	3,751,337
Catherine Brenner	-	-	-	-	-
Prof. Ronald Penny	883,371	-	-	-	883,371
Gordon Milliken	1,048,418	-	-	-	1,048,418
Total	5,683,126	-	-	-	5,683,126

Mr Richard Grellman resigned on 4 March 2008. Shares held by Mr Grellman at 30 June 2007 have been removed from the above table.

### Loans to key management personnel

There were no loans to key management personnel at the beginning of the year, at any time during the year, or at the end of the year.

### OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

There were no other transactions during year with key management personnel or with any key management personnel related entities.

### OTHER PERSONNEL

#### Names, qualifications, experience and responsibilities

##### *Graeme Moore, B.App.Sc (Biomed), MHA*

Graeme Moore is the Quality and Regulatory Affairs Manager. Graeme joined Cryosite in July 2005 after a decade with the Australian Red Cross Blood Service. Graeme has over 20 years experience in biomedical science, manufacture of therapeutic goods, quality management and regulatory affairs. Graeme brings expertise in the regulation and manufacture of cellular therapies and process re-engineering to the company. Graeme is also responsible for ensuring that Cryosite's systems retain the capacity to meet client's needs in a constantly changing technological and regulatory environment.

##### *Dr Róisín Deane, B.Sc, PhD*

Dr Deane holds the position of Marketing Manager. Dr Deane completed her PhD in Dublin, Ireland in 1993 and worked as a research scientist in Ireland, Germany and Australia before moving to the commercial side of medical science. With a successful sales background in molecular biology and diagnostics, Roisin was appointed to the position of Marketing Manager in 2000. In 2001 Roisin successfully managed the establishment of Cryosite's private cord blood service in addition to the broad marketing responsibilities. With the cord blood service now firmly established, Roisin is now focussed on the sales and marketing across all of the company's services. Dr Deane commenced with the company in July 2000.

##### *Philip Alger, CPA, FCIS*

Philip Alger is the Group Financial Controller responsible for accounting, finance and taxation. Philip has spent many years working for major Australian public companies and prior to joining Cryosite spent 17 years as the Group Financial Controller for Brambles Australia Limited. Philip commenced with the company in July 2003.

## DIRECTORS' REPORT CONTINUED

### DIRECTORS' MEETINGS

During the financial year, 5 meetings of directors were held. Attendances were as follows:

<b>Directors</b>	<b>Directors Meetings Eligible to attend</b>	<b>Directors Meetings Attended</b>
Theodore Onisforou	5	5
Catherine Brenner	5	5
Prof. Ronald Penny	5	4
Gordon Milliken	5	5
Richard Grellman	4	4

### 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 27 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.

Signed in accordance with a resolution of the directors.

Theodore Onisforou  
Chairman

Date: 27 August 2008

## **Auditor's Independence Declaration to the Directors of Cryosite Limited**

In relation to our audit of the financial report of Cryosite Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ian Campbell  
Partner  
27 August 2008

## Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board guides and monitors the Company's activities on behalf of shareholders. In developing policies and setting standards the Board considers the ASX Corporate Governance Council Corporate *Governance Principles and Recommendations*. This Council however states that these recommendations are not prescriptions, they are guidelines. If a Company considers that a recommendation is inappropriate to its particular circumstances it has the flexibility not to adopt the recommendation providing it explains why it has not adopted the recommendations.

There are a number of recommendations that the directors have chosen not to adopt and the reasons for not adopting those recommendations are set out below:

### Board Role and Composition

**Independence of Board members:** The current Board does not have a majority of independent of independent directors as recommended by the ASX Corporate Governance Council guidelines. Due to the current development stage and size of the Company the Board believes that the interest of shareholders are best served by a small Board where the directors are involved in either the establishment of the Company or have a large financial exposure to the success of the Company

The Board is currently comprised of 4 directors. Only Ms. Catherine Brenner (non-executive director) is deemed to be an independent director

Mr. Gordon Milliken (Managing Director) is deemed not to be independent due to his executive role. In addition, Mr. Gordon Milliken and Professor Ron Penny AO are founding directors of the Company and the board has therefore deemed that this may be perceived to create a non-independent relationship. The Chairman, Mr. Theodore Onisforou is also deemed not to be independent due his relevant shareholding interest in the company.

- **Sub-Committees:** Due to the Board size and structure the Company has not established Nomination, Remunerations, Risk Assessment or Audit Committees. The directors believe performance of these sub-committees duties are more effectively dealt with by the main board
- **Risk identification:** The Board recognizes it is ultimately responsible for risk identification. The Managing Director is directly responsible for identifying and monitoring risk and notifying the board.

Full Board papers are prepared and circulated to Directors in advance of each meeting to ensure that Directors are aware of current and forthcoming issues relevant to the Company's operations, safety and financial performance. Senior Management regularly present to the Board and provide the Directors with a direct opportunity to raise issues of concern, discuss necessary actions and generally be well informed of the Company's activities. When deemed necessary, the Board may request further information on any issue and request that a particular member of Senior Management present to it on the performance, strategy or outlook for the Company or one of its operations. The major risk areas for the Company and how they are managed are:

- 1) *Regulatory and TGA Compliance.* The Board has employed a specialist in this field. The Board at each meeting reviews and discusses headline compliance issues and keeps abreast of the changing regulatory and TGA environments.
- 2) *Financial Management risk:* The Board reviews and discusses detailed financial accounts monthly and meets directly with the auditors during the year to discuss the financial accounts.
- 3) *General risk:* The Board has established policies to identify other risks facing the Company and developed responses to be put into action should any of these risks eventuate.

## Corporate Governance Statement continued

All directors have the right to seek independent 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.

### Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that included the following elements:

- 1) *Financial Reporting.* There is a budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts are prepared if required.
- 2) *Quality and Integrity of Personnel.* All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Managing Director and Chief Financial officer have stated in writing to the Board that the Company's financial condition and operational results are in accordance with relevant accounting standards. The Managing Director and Chief Financial officer have also stated in writing that the statement given regarding the integrity of the Financial Statements is based on a sound system of risk management and internal compliance, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

### 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. A summary of the policy is set out below. A copy of the complete policy may be viewed in the company's website.

Subject to any trading halt by the Chairman or Trading Officer, directors and employees of Cryosite or their associates (such as their spouses, dependent children, family trusts and family companies) can trade in Cryosite securities without approval during days 7 - 37 after the release of annual or half yearly results, and during days 2 - 16 after the release of the quarterly results or the annual general meeting.

## 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 the additional disclosures included 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 2008 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 directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2008.

On behalf of the Board

Theodore Onisforou  
Chairman

Date: 27 August 2008

# Income Statement

FOR THE YEAR ENDED 30 JUNE 2008	Notes	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
Rendering of services		<b>6,467,582</b>	4,722,572	<b>4,036,900</b>	2,942,615
Finance income	5	<b>217,848</b>	179,753	<b>217,848</b>	179,753
Dividend received from wholly-owned subsidiary		-	-	<b>1,100,000</b>	300,000
<b>Revenues</b>		<b>6,685,430</b>	4,902,325	<b>5,354,748</b>	3,422,368
<b>Expenses</b>	6				
Finance costs		<b>(8,401)</b>	(8,305)	<b>(8,401)</b>	(8,305)
Costs of providing services		<b>(3,281,486)</b>	(2,326,832)	<b>(2,497,820)</b>	(1,745,944)
Marketing expenses		<b>(427,815)</b>	(421,029)	<b>(385,650)</b>	(379,296)
Occupancy expenses		<b>(603,386)</b>	(246,213)	<b>(603,110)</b>	(244,724)
Administration expenses		<b>(1,917,283)</b>	(1,524,682)	<b>(1,910,675)</b>	(1,518,273)
<b>Profit(Loss) from continuing operations before income tax</b>		<b>447,059</b>	375,264	<b>(50,908)</b>	(474,174)
<b>Income tax benefit</b>	7	-	547,480	<b>479,390</b>	892,311
<b>Profit from continuing operations after income tax</b>		<b>447,059</b>	922,744	<b>428,482</b>	418,137
<b>Net Profit attributable to members of the parent</b>		<b>447,059</b>	922,744	<b>428,482</b>	418,137
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company</b>		<b>Cents</b>	Cents		
Basic earnings per share	8	<b>1.0</b>	2.0		
Diluted earnings per share	8	<b>1.0</b>	1.9		

# Balance Sheet

AS AT 30 JUNE 2008	Notes	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	10	1,975,278	1,581,522	1,975,278	1,581,522
Trade and other receivables	12	1,677,770	1,334,577	1,360,319	1,186,058
Inventories	13	48,955	28,229	45,023	21,224
Prepayments	14	127,805	188,030	120,305	181,030
<b>Total Current Assets</b>		<b>3,829,808</b>	3,132,358	<b>3,500,925</b>	2,969,834
<b>Non-current Assets</b>					
Trade and other receivables	15	1,655,650	1,552,318	1,655,650	1,552,318
Investments in subsidiaries	16	-	-	20	20
Deferred income tax asset	7	547,480	547,480	547,480	547,480
Plant and equipment	17	937,027	817,084	935,222	814,811
Intangible assets	18	278,553	348,426	278,553	348,426
<b>Total Non-current Assets</b>		<b>3,418,710</b>	3,265,308	<b>3,416,925</b>	3,263,055
<b>TOTAL ASSETS</b>		<b>7,248,518</b>	6,397,666	<b>6,917,850</b>	6,232,889
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	19	1,133,388	933,997	839,908	776,131
Unearned income	20	276,969	260,487	274,269	260,487
<b>Total Current Liabilities</b>		<b>1,410,357</b>	1,194,484	<b>1,114,177</b>	1,036,618
<b>Non-current Liabilities</b>					
Unearned income	21	1,473,223	1,436,126	1,464,223	1,436,126
Provisions	22	43,850	31,091	43,850	31,091
<b>Total Non-current Liabilities</b>		<b>1,517,073</b>	1,467,217	<b>1,508,073</b>	1,467,217
<b>TOTAL LIABILITIES</b>		<b>2,927,430</b>	2,661,701	<b>2,622,250</b>	2,503,835
<b>NET ASSETS</b>		<b>4,321,088</b>	3,735,965	<b>4,295,600</b>	3,729,054
<b>EQUITY</b>					
Contributed equity	23	8,138,766	8,035,506	8,138,766	8,035,506
Share option reserves	24	214,989	180,185	214,989	180,185
Accumulated losses	24	(4,032,667)	(4,479,726)	(4,058,155)	(4,486,637)
<b>TOTAL EQUITY</b>		<b>4,321,088</b>	3,735,965	<b>4,295,600</b>	3,729,054

# Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2008	Notes	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers inclusive of GST		<b>6,981,173</b>	5,180,061	<b>6,981,173</b>	5,180,061
Payments to suppliers and employees		<b>(6,308,885)</b>	(4,644,426)	<b>(6,308,885)</b>	(4,644,426)
Interest received		<b>224,381</b>	170,321	<b>224,381</b>	170,321
Interest paid		<b>(8,401)</b>	(8,305)	<b>(8,401)</b>	(8,305)
<b>Net cash flows from operating activities</b>	11	<b>888,268</b>	697,651	<b>888,268</b>	697,651
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of plant and equipment		<b>(434,004)</b>	(99,892)	<b>(434,004)</b>	(99,892)
Purchase of intangibles	18	<b>(60,508)</b>	(318,045)	<b>(60,508)</b>	(318,045)
<b>Net cash flows (used in) investing activities</b>		<b>(494,512)</b>	(417,937)	<b>(494,512)</b>	(417,937)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Share issue costs		-	(69)	-	(69)
<b>Net cash flows (used in) financing activities</b>		-	(69)	-	(69)
<b>Net increase in cash and cash equivalents</b>		<b>393,756</b>	279,645	<b>393,756</b>	279,645
Cash and cash equivalents at beginning of year		<b>1,581,522</b>	1,301,877	<b>1,581,522</b>	1,301,877
<b>Cash and cash equivalents at end of year</b>	10	<b>1,975,278</b>	1,581,522	<b>1,975,278</b>	1,581,522

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Attributable to equity holders of the parent			
		Contributed capital	Accumulated losses	Share options reserves	Total equity
		\$	\$	\$	\$
<b>CONSOLIDATED</b>					
At 30 June 2006		8,035,575	(5,402,470)	180,185	2,813,290
Profit for the year		-	922,744	-	922,744
Share issue costs		(69)	-	-	(69)
At 30 June 2007		8,035,506	(4,479,726)	180,185	3,735,965
Write back provision for GST on IPO		<b>103,260</b>	-	-	<b>103,260</b>
Profit for the year		-	<b>447,059</b>	-	<b>447,059</b>
Amortisation of share based payments		-	-	<b>34,804</b>	<b>34,804</b>
<b>At 30 June 2008</b>		<b>8,138,766</b>	<b>(4,032,667)</b>	<b>214,989</b>	<b>4,321,088</b>
<b>PARENT</b>					
At 30 June 2006		8,035,575	(4,904,774)	180,185	3,310,986
Profit for the year		-	418,137	-	418,137
Share issue costs		(69)	-	-	(69)
At 30 June 2007		8,035,506	(4,486,637)	180,185	3,729,054
Write back provision for GST on IPO	23(a)	<b>103,260</b>	-	-	<b>103,260</b>
Profit for the year		-	<b>428,482</b>	-	<b>428,482</b>
Amortisation of share based payments		-	-	<b>34,804</b>	<b>34,804</b>
<b>At 30 June 2008</b>		<b>8,138,766</b>	<b>(4,058,155)</b>	<b>214,989</b>	<b>4,295,600</b>

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2008

### 1 CORPORATE INFORMATION

The financial report of Cryosite Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 27 August 2008.

Cryosite Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **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, and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis.

#### **(a) Compliance with IFRS**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

#### **(b) New accounting standards and interpretations**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2008. The Group has not yet determined the impact of these new standards on the financial statements.

#### *Adoption of new accounting standard*

The Group has adopted AASB 7 *Financial Instruments; Disclosures* and all consequential amendments which became applicable to the Group on 1 July 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the entity.

#### **(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Cryosite Limited and its subsidiary as at 30 June each year ('the Group').

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

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

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

## Notes to the Financial Statements continued

**FOR THE YEAR ENDED 30 JUNE 2008**

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### (c) Basis of consolidation (continued)

All inter-company balances and transactions have been eliminated in full.

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

Investments in subsidiaries held by Cryosite Limited are accounted for at cost in the separate financial statements of the parent entity.

#### (d) Foreign currency translation

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

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

#### (e) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant & equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit and loss as incurred.

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

<b>Major depreciation rates are:</b>	<b>2008</b>	<b>2007</b>
	Lease term	Lease term
Leasehold improvements:		
Plant and equipment:		
- Fixtures and fittings	10 – 20 years	10 – 20 years
- Information technology	2.5 – 5 years	2.5 – 5 years
- Warehouse equipment	10 years	10 years
- Office furniture & equipment	6 – 8 years	6 – 8 years
Plant & equipment under lease	5 years	5 years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate. An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

# Notes to the Financial Statements *continued*

**FOR THE YEAR ENDED 30 JUNE 2008**

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

### **(f) Borrowing costs**

Borrowing costs are recognised as an expense when incurred. Cryosite Limited does not currently hold qualifying assets, but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

### **(g) Intangible assets**

#### *Acquired separately*

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the tangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

#### *Research and development costs*

Research and development costs incurred relate to Cryobite® an inventory and environmental monitoring system.

An intangible asset arising from the development expenditure on a project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### (g) Intangible assets continued

The carrying value of an intangible asset arising from development expenditure is reviewed for impairment annually when the asset is not available for use or more frequently when an indicator of impairment arises during the reporting period.

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

	Development Costs
Useful life	Finite – 3-5 years
Method used	Straight line
Internally developed / Acquired	Internally developed
Impairment test / Recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment

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

#### (h) Recoverable amount of assets

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

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

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

#### (i) Inventories

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

# Notes to the Financial Statements *continued*

## FOR THE YEAR ENDED 30 JUNE 2008

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### (j) Trade and other receivables

Trade receivables (Current), which generally have 30 day terms, are recognised initially at fair value less a allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis and individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the group may not be able to collect the receivable.

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

#### (k) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

#### (l) Trade and other payables

Trade and other payables are carried at amortised costs and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (m) Employee leave benefits

##### *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### *Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

# Notes to the Financial Statements *continued*

**FOR THE YEAR ENDED 30 JUNE 2008**

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

### **(n) Provisions**

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

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

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

### **(o) Share-based payment transactions**

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

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

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

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

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

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

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

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

# Notes to the Financial Statements continued

**FOR THE YEAR ENDED 30 JUNE 2008**

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

### **(p) Leases**

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

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

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

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

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

### **(q) Revenue**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from the archival storage of biological samples is recognised over the period that storage occurs.
- Revenue from the rendering of non-storage services, such as collection or distribution of biological samples, is recognised upon the delivery of the service to the customers.
- Revenue where services are provided in advance of payment under a long term contract are recognised at net present value with the balance outstanding taken to receivables. A corresponding amount is recognised as unearned income in the Balance Sheet (Refer Note 20 and 21).
- Interest revenue is recognised on a proportional basis taking into consideration the interest rates applicable to the financial assets.

### **(r) Income tax**

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

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

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

# Notes to the Financial Statements *continued*

**FOR THE YEAR ENDED 30 JUNE 2008**

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

### **(r) Income tax (continued)**

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future tax profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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

### **(s) Other taxes**

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

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

# Notes to the Financial Statements continued

**FOR THE YEAR ENDED 30 JUNE 2008**

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

### **(s) Other taxes (continued)**

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

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

### **(t) Contributed equity**

Contributed 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.

### **(u) Share options reserve**

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

### **(v) Earnings per share**

Basic EPS is calculated as net profit attributable to members of the parent, 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 of the parent, 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 year 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.

## **3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from the source. Actual results may differ from these estimates under different assumptions and conditions.

# Notes to the Financial Statements continued

**FOR THE YEAR ENDED 30 JUNE 2008**

## **3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

### **(i) Significant accounting judgements**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period is;

#### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future profits will be available to utilise those temporary differences.

#### *Impairment of non-financial assets*

The group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. Management do not consider that the triggers for impairment testing have occurred and as such these assets have not been tested for impairment in this financial period.

#### *Capitalised development costs*

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for sale or use.

#### *Unearned income*

Calculation of unearned income and related revenue recognition in relation to long term contracts requires the group to make an estimate of the costs of providing services in the future.

#### *Taxation*

The group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependant on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact on the amount of deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

##### (ii) Significant accounting estimates and assumptions

###### *Share based payment transactions*

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact on expenses and equity.

###### *Estimated useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties. In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

#### 4 SEGMENT INFORMATION

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

#### 5 OTHER REVENUE AND INCOME

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	\$	\$	\$	\$
<b>Finance income</b>				
Bank and STMM interest	<b>217,848</b>	179,753	<b>217,848</b>	179,753

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

### 6 EXPENSES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(a) Finance costs</b>				
Insurance premium funding	<b>8,401</b>	8,305	<b>8,401</b>	8,305
<b>(b) Lease payments</b>				
Minimum lease payments-operating leases	<b>475,286</b>	223,487	<b>475,286</b>	223,487
<b>(c) Employee benefits expense</b>				
Wages and salaries	<b>1,492,484</b>	1,189,158	<b>1,492,484</b>	1,189,158
Superannuation costs	<b>324,830</b>	302,368	<b>324,830</b>	302,368
Share-based payments expense	<b>34,804</b>	-	<b>34,804</b>	-
	<b>1,852,118</b>	1,491,526	<b>1,852,118</b>	1,491,526
<b>(d) Depreciation and amortisation</b>				
Depreciation	<b>313,376</b>	166,619	<b>312,908</b>	166,151
Amortisation – Leasehold Improvement	<b>685</b>	2,896	<b>685</b>	2,896
Amortisation of software development	<b>130,381</b>	20,103	<b>130,381</b>	20,103
	<b>444,442</b>	189,618	<b>443,974</b>	189,150
<b>(e) Relocation expenses</b>				
Accelerated depreciation (included above)	<b>135,600</b>	-	<b>135,600</b>	-
Additional rent (included above)	<b>197,649</b>	-	<b>197,649</b>	-
Additional occupancy costs	<b>20,679</b>	-	<b>20,679</b>	-
	<b>353,928</b>	-	<b>353,928</b>	-

The company signed a lease over commercial premises at South Granville in Sydney and will be relocating to these premises during the next financial period. The impact on the current financial period is shown above.

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

### 7 INCOME TAX

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(a) Income tax expense</b>				
The major components of income tax are:				
<i>Income statement</i>				
Current income tax charge	<b>144,582</b>	99,315	<b>623,972</b>	444,146
Recognition of previously unrecorded Deferred income tax asset	<b>(84,678)</b>	99,315	<b>(84,678)</b>	99,315
Deferred income tax asset	<b>(59,904)</b>	547,480	<b>(59,904)</b>	547,480
<b>Income tax benefit reported in the income statement</b>	<b>-</b>	<b>547,480</b>	<b>479,390</b>	<b>892,311</b>

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$

### (b) Numerical reconciliation between aggregate tax benefit(expense) recognised in the income statement and tax benefit(expense) calculated per the statutory income tax rate

A reconciliation between tax benefit(expense) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate follows:

<b>Accounting profit(loss) before tax from continuing operations</b>	<b>447,059</b>	375,264	<b>(50,908)</b>	(474,174)
At the statutory income tax rate of 30% (2007: 30%)	<b>(134,118)</b>	(112,579)	<b>15,272</b>	142,252
Share-based payments (equity settled)	<b>(10,441)</b>	-	<b>(10,441)</b>	-
Capital raising cost deductions	-	22,815	-	22,815
Other items (net)	<b>(23)</b>	278	<b>(23)</b>	278
Intercompany dividends	-	-	<b>330,000</b>	90,000
Recognition of previously unrecorded losses against current year taxable income	<b>144,582</b>	99,315	<b>144,582</b>	99,315
Recognition of deferred income tax asset	-	537,651	-	537,651
<b>Income tax benefit</b>	<b>-</b>	<b>547,480</b>	<b>479,390</b>	<b>892,311</b>

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

### 7 INCOME TAX (CONTINUED)

	Balance sheet Consolidated		Balance sheet Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(c) Recognised deferred tax assets and liabilities</b>				
Deferred income tax at 30 June relates to the following:				
<i>Deferred income tax assets</i>				
Post-employment benefits	55,740	39,421	55,740	39,421
Provision for tax and audit fees	4,077	9,575	4,077	9,575
Accelerated amortisation of leasehold improvements for book purposes	49,573	50,876	49,573	50,876
Accelerated depreciation of plant & equipment for book purposes	32,110	-	32,110	-
Accelerated amortisation of intangibles for tax purposes	31,893	-	31,893	-
Amortisation of Section 40-880 uniform capital allowances	1,070	12,469	1,070	12,469
Depreciation of fixed assets expensed in prior years	7,511	8,052	7,511	8,052
Losses available for offset against future taxable income	379,013	438,917	379,013	438,917
<i>Deferred income tax liabilities</i>				
Accelerated amortisation of intangibles for tax purposes	-	(5,463)	-	(5,463)
Consumables	(13,507)	(6,367)	(13,507)	(6,367)
<b>Net deferred income tax assets</b>	<b>547,480</b>	547,480	<b>547,480</b>	547,480

### (d) Tax losses

The Group has tax losses arising in Australia of \$4,454,274 (2007: \$5,135,893) that are available for offset against future taxable profits of the company. The deferred income tax asset of \$1,540,769 (2007: \$1,540,769) arising from these losses has been brought to account to the extent of \$643,403 (2007: \$438,917) at reporting date, as realisation of the remaining benefit is not regarded as probable. The Group also has a deferred tax asset of \$108,564 (2007: Deferred tax liability (\$17,005)) which has now been brought to account.

As at 30 June 2008, the Group has unrecognised tax losses of \$897,365 (2007: \$993,287).

## Notes to the Financial Statements *continued*

### FOR THE YEAR ENDED 30 JUNE 2008

#### 7 INCOME TAX (CONTINUED)

##### *Tax consolidation*

Effective from 1 July 2002, Cryosite Limited and its 100% owned subsidiary formed a tax consolidated group. On formation of the tax consolidated group, the entities in the tax consolidated group agreed to enter into a tax sharing agreement which will, in the opinion of the directors, limit the joint and several liability of the wholly-owned entities in the case of default by the head entity Cryosite Limited.

The entities have also agreed to enter into a tax funding agreement under which the wholly-owned entities fully compensate Cryosite Limited for any current tax payable assumed and are compensated by Cryosite Limited for any current tax loss, deferred tax assets and tax credits that are transferred to Cryosite Limited under the tax consolidation legislation. The tax consolidated current tax liability or current year tax loss and other deferred tax assets are required to be allocated to the members of the tax consolidated group in accordance with UIG 1052. The group uses a group allocation method for this purpose where the allocated current tax payable, current tax loss, deferred tax assets and other tax credits for each member of the tax consolidated group is determined as if the company is a stand-alone taxpayer but modified as necessary to recognise membership of a tax consolidated group. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements which is determined having regard to membership of the tax consolidated group. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter company receivables or payables.

In Cryosite Limited \$479,390 (2007: \$344,831) was recognised as tax consolidation contributions during the financial year.

#### 8 EARNINGS PER SHARE

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

	<b>Consolidated 2008 \$</b>	Consolidated 2007 \$
Net profit attributable to ordinary equity holders of the parent	<b>447,059</b>	922,744
	<b>No of shares.</b>	No of shares.
Weighted average number of ordinary shares for basic earnings per share	<b>46,639,563</b>	46,639,563
Effect of dilution : Share options	<b>1,368,808</b>	1,280,412
<b>Adjusted weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>48,008,371</b>	47,919,975

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

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 9 DIVIDENDS PAID OR PROPOSED ON ORDINARY SHARES

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

#### 10 CASH AND CASH EQUIVALENTS

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	\$	\$	\$	\$
Cash at bank and in hand	<b>309,906</b>	330,496	<b>309,906</b>	330,496
Short-term deposits	<b>1,665,372</b>	1,251,026	<b>1,665,372</b>	1,251,026
	<b>1,975,278</b>	1,581,522	<b>1,975,278</b>	1,581,522

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents for the consolidated group and parent entity is \$1,975,278 (2007: \$1,581,522).

#### Reconciliation of cash

For purposes of the Cash Flow Statement, cash and cash equivalents as at 30 June 2008 and the prior year 2007 are as shown above.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

## 11 CASH FLOW STATEMENT RECONCILIATION

	<b>Consolidated</b>	2007	<b>Parent</b>	2007
	<b>2008</b>	2007	<b>2008</b>	2007
	\$	\$	\$	\$
<i>Reconciliation of the net profit after tax to the net cash flows from operations</i>				
Net profit	<b>447,059</b>	922,744	<b>428,482</b>	418,137
<i>Adjustments for non-cash items</i>				
Depreciation and amortisation of non-current assets	<b>444,442</b>	189,618	<b>443,974</b>	189,150
Share based payments expense	<b>34,804</b>	-	<b>34,804</b>	-
Dividend received from wholly-owned subsidiary	-	-	<b>(1,100,000)</b>	(300,000)
<i>Changes in assets and liabilities</i>				
(Increase)decrease in trade and other receivables	<b>(446,526)</b>	(168,051)	<b>822,406</b>	626,967
(Increase) in inventory	<b>(20,726)</b>	(1,114)	<b>(23,799)</b>	(758)
Decrease(Increase) in other assets	<b>60,225</b>	(59,214)	<b>60,725</b>	(62,944)
(Increase) in deferred tax asset	-	(547,480)	-	(547,480)
Increase in trade and other creditors	<b>261,014</b>	268,770	<b>125,400</b>	282,201
Increase in unearned income	<b>53,579</b>	58,597	<b>41,879</b>	58,597
Increase in employee benefits	<b>54,397</b>	33,781	<b>54,397</b>	33,781
<b>Net cash flow from operating activities</b>	<b>888,268</b>	697,651	<b>888,268</b>	697,651

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

### 12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade receivables	1,467,844	1,177,338	761,411	772,871
Other receivables	209,926	157,239	134,900	138,954
Related party	-	-	464,008	274,233
<b>Carrying amount of trade and other receivables</b>	<b>1,677,770</b>	<b>1,334,577</b>	<b>1,360,319</b>	<b>1,186,058</b>

#### (a) Allowance for impairment loss

Trade receivables are non-interest bearing. Term payment plans are offered to customers under cord blood collection contracts. Customers have an option of payment in full, over 3 months, or annually. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised in the current year (2007: Nil)

#### (b) Analysis of trade receivables

At 30 June, the ageing analysis of trade receivables is as follows:

	Total	Not yet due	0-30 Days	31-60 Days	61-90 Days	+91 Days
	\$	\$	\$	\$	PDNI*	PDNI*
	\$	\$	\$	\$	\$	\$
<b>2008</b>						
<b>Current</b>	<b>1,467,844</b>	<b>167,087</b>	<b>489,104</b>	<b>436,223</b>	<b>99,471</b>	<b>275,959</b>
<b>Non-Current</b>	<b>1,473,860</b>	<b>1,473,860</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consolidated</b>	<b>2,941,704</b>	<b>1,640,947</b>	<b>489,104</b>	<b>436,223</b>	<b>99,471</b>	<b>275,959</b>
Current	761,411	167,087	184,023	159,070	50,420	200,811
Non-Current	1,473,860	1,473,860	-	-	-	-
Total Parent	2,235,271	1,640,947	184,023	159,070	50,420	200,811
<b>2007</b>						
<b>Current</b>	<b>1,177,338</b>	<b>209,886</b>	<b>434,757</b>	<b>326,877</b>	<b>103,871</b>	<b>101,947</b>
<b>Non-Current</b>	<b>1,552,318</b>	<b>1,552,318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consolidated</b>	<b>2,729,656</b>	<b>1,762,204</b>	<b>434,757</b>	<b>326,877</b>	<b>103,871</b>	<b>101,947</b>
Current	772,871	209,886	249,637	181,208	63,160	68,980
Non-Current	1,552,318	1,552,318	-	-	-	-
Total Parent	2,325,189	1,762,204	249,637	181,208	63,160	68,980

\* Past due not impaired ('PDNI')

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 12 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables past due but not considered impaired have been reviewed and it is believed that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due

##### (c) Related party receivables

Related party receivables are interest free and not considered past due or impaired.

##### (d) Fair value and credit risk

Due to the nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

#### 13 CURRENT ASSETS – INVENTORIES

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	\$	\$	\$	\$
Consumables at cost	<b>48,955</b>	28,229	<b>45,023</b>	21,224
Total inventories at cost	<b>48,955</b>	28,229	<b>45,023</b>	21,224

#### 14 CURRENT ASSETS – PREPAYMENTS

Prepayments	<b>127,805</b>	188,030	<b>120,305</b>	181,030
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#### 15 NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade receivables	<b>1,473,860</b>	1,552,318	<b>1,473,860</b>	1,552,318
Security deposits	<b>181,790</b>	-	<b>181,790</b>	-
Carrying amount of non-current trade and other receivables	<b>1,655,650</b>	1,552,318	<b>1,655,650</b>	1,552,318
<i>Trade receivables</i>				
Trade receivables due under term payment plans	<b>1,473,860</b>	1,552,318	<b>1,473,860</b>	1,552,318

Trade receivables are not considered impaired or past due.

The maximum exposure to credit risk at the time of reporting is the carrying value of the receivables. No collateral is held as security

## Notes to the Financial Statements *continued*

### FOR THE YEAR ENDED 30 JUNE 2008

#### 16 NON-CURRENT ASSETS - INVESTMENTS IN SUBSIDIARIES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Investments at cost	-	-	20	20
<b>Investment in controlled entity</b>	<b>Equity interest held by the consolidated entity</b>		<b>Investment</b>	
<b>Name – Cryosite Distribution Pty Limited</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	%	%	\$	\$
Country of incorporation – Australia	100	100	20	20

#### 17 NON-CURRENT ASSETS - PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts of plant and equipment at the beginning and end of the period

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Leasehold Improvements</i>				
At the beginning of the period net of accumulated depreciation	685	3,581	685	3,581
Depreciation expense	(685)	(2,896)	(685)	(2,896)
At the end of the period net of accumulated depreciation	-	685	-	685
<i>Plant and equipment owned</i>				
At the beginning of the period net of accumulated depreciation	816,399	883,127	814,126	880,386
Additions	434,004	99,891	434,004	99,891
Depreciation expense	(313,376)	(166,619)	(312,908)	(166,151)
At 30 June 2008 net of accumulated depreciation expense	937,027	816,399	935,222	814,126
<b>At the end of the period net of accumulated depreciation</b>	<b>937,027</b>	<b>817,084</b>	<b>935,222</b>	<b>814,811</b>
At cost	2,092,894	1,859,905	2,088,164	1,855,175
Accumulated depreciation	(1,155,867)	(1,042,821)	(1,152,942)	(1,040,364)
<b>Net carrying amount</b>	<b>937,027</b>	<b>817,084</b>	<b>935,222</b>	<b>814,811</b>

There are no items of plant and equipment that are considered to be impaired

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

### 18 NON-CURRENT ASSETS - INTANGIBLE ASSETS

#### (a) Reconciliation of carrying amounts at the beginning and the end of the period

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	\$	\$	\$	\$
Software development				
At the beginning of the period net of accumulated amortisation	<b>348,426</b>	50,484	<b>348,426</b>	50,484
Additions	<b>60,508</b>	318,045	<b>60,508</b>	318,045
Amortisation expense	<b>(130,381)</b>	(20,103)	<b>(130,381)</b>	(20,103)
<b>At the end of the period net of accumulated amortisation</b>	<b>278,553</b>	348,426	<b>278,553</b>	348,426
At cost	<b>991,556</b>	931,048	<b>991,556</b>	931,048
Accumulated amortisation	<b>(713,003)</b>	(582,622)	<b>(713,003)</b>	(582,622)
<b>Net carrying amount</b>	<b>278,553</b>	348,426	<b>278,553</b>	348,426

### 19 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	\$	\$	\$	\$
Trade payables	<b>476,443</b>	440,373	<b>300,067</b>	326,324
Other payables	<b>514,995</b>	393,312	<b>397,891</b>	349,495
Annual leave	<b>141,950</b>	100,312	<b>141,950</b>	100,312
<b>Total payables</b>	<b>1,133,388</b>	933,997	<b>839,908</b>	776,131

#### Fair value

Trade payables are non-interest bearing and are normally settled on 30-day terms. Therefore their carrying value is assumed to be their fair value.

Other payables are non-interest bearing and are on ranging from 30 days to 12 months Terms. Their carrying value is assumed to be fair value.

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 19 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES (CONTINUED)

At 30 June, the ageing analysis of trade payables is as follows:

	Total \$	0-30 Days \$	31-60 Days \$	61-90 Days \$	+91 Days \$
<b>2008</b>					
<b>Consolidated</b>	<b>476,443</b>	<b>317,320</b>	<b>148,497</b>	<b>1,288</b>	<b>9,338</b>
Parent	300,067	192,180	98,470	100	9,317
<b>2007</b>					
<b>Consolidated</b>	<b>440,373</b>	<b>215,654</b>	<b>214,040</b>	<b>2,403</b>	<b>8,276</b>
Parent	326,324	153,628	162,312	2,383	8,001

Other balances within trade and other payables are not past due. It is expected that these other balances will be paid when due

#### 20 CURRENT LIABILITIES - UNEARNED INCOME

	Consolidated 2008 \$	2007 \$	Parent 2008 \$	2007 \$
<b>Unearned service revenue</b>	<b>276,969</b>	260,487	<b>274,269</b>	260,487

Represents revenue received in advance for services to be rendered under long-term storage contracts.

#### 21 NON-CURRENT LIABILITIES - UNEARNED INCOME

	Consolidated 2008 \$	2007 \$	Parent 2008 \$	2007 \$
<b>Unearned service revenue</b>	<b>1,473,223</b>	1,436,126	<b>1,464,223</b>	1,436,126

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

### 22 NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Long service leave	<b>43,850</b>	31,091	<b>43,850</b>	31,091
<b>(a) Movements in provisions</b>				
<i>Long service leave</i>				
Balance at beginning of the period	<b>31,091</b>	22,863	<b>31,091</b>	22,863
Arising during the year	<b>12,759</b>	8,228	<b>12,759</b>	8,228
<b>Balance at end of the period</b>	<b>43,850</b>	31,091	<b>43,850</b>	31,091

#### (b) Nature and timing of long service leave provision

For the relevant accounting policy and the significant estimations and assumptions applied in the measurement of this provision refer to Note 3.

### 23 CONTRIBUTED EQUITY

Ordinary shares	<b>8,138,766</b>	8,035,506	<b>8,138,766</b>	8,035,506
<i>Movement in ordinary shares on issue</i>				
	2008		2007	
	Shares	\$	Shares	\$
	No.		No.	
Beginning of the financial year	<b>46,639,563</b>	<b>8,035,506</b>	46,639,563	8,035,506
Add :				
Provision for GST written back 23(a)	-	<b>103,260</b>	-	-
<b>End of the financial year</b>	<b>46,639,563</b>	<b>8,138,766</b>	46,639,563	8,035,506

#### (a) Provision for GST

A provision of \$111,000 was made in 2004 to cover GST incurred on the IPO in May 2002 which may have been incorrectly claimed as an input tax credit. A ruling has now been issued by the Australian Taxation Office that no adjustment is required. The provision less expenses incurred has been written back to equity in the current financial period.

#### (b) Terms and condition of contributed equity

##### *Ordinary shares*

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

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

### 24 ACCUMULATED LOSSES AND RESERVES

#### (a) Movements in accumulated losses

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	\$	\$	\$	\$
Balance at the beginning of the period	<b>(4,479,726)</b>	(5,402,470)	<b>(4,486,637)</b>	(4,904,774)
Net profit for the period	<b>447,059</b>	922,744	<b>428,482</b>	418,137
<b>Balance at the end of the period</b>	<b>(4,032,667)</b>	(4,479,726)	<b>(4,058,155)</b>	(4,486,637)

#### (b) Other reserves

Share options reserve	<b>214,989</b>	180,185	<b>214,989</b>	180,185
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#### *Movements in share options reserve*

Balance at the beginning of the period	<b>180,185</b>	180,185	<b>180,185</b>	180,185
Value of compensation benefit during the period	<b>34,804</b>	-	<b>34,804</b>	-
<b>Balance at the end of the period</b>	<b>214,989</b>	180,185	<b>214,989</b>	180,185

The purpose of the share options reserve is to record the value of share-based payments provided to employees as part of their remuneration. Refer to Note 29 for further details of these plans.

### 25 COMMITMENTS AND CONTINGENCIES

#### (a) Operating lease commitments – Group as lessee

##### *Commercial property*

On 1 November 2007, the company entered into an 8 year lease over a commercial property at South Granville in Sydney.

The current lease on the commercial property at Lane Cove in Sydney matured on 25 July 2008. The company has entered into a new 12 month lease with provision for early termination with no penalty.

## Notes to the Financial Statements *continued*

FOR THE YEAR ENDED 30 JUNE 2008

### 25 COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (a) Operating lease commitments – Group as lessee (continued)

Future minimum rentals payable under commercial property leases as at 30 June 2008 are as follows:

	<b>Consolidated 2008</b>	2007	<b>Parent 2008</b>	2007
	\$	\$	\$	\$
Within one year	<b>467,724</b>	140,756	<b>467,724</b>	140,756
After one year but not more than five years	<b>1,377,000</b>	10,504	<b>1,377,000</b>	10,504
After five years	<b>904,174</b>	-	<b>904,174</b>	-
	<b>2,809,908</b>	151,260	<b>2,809,908</b>	151,260

#### *Plant and equipment*

The Group currently has a number of operating leases on items of plant and equipment used in day to day operations of the business.

Leases have an average life of 5 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2008 are as follows:

	<b>Consolidated 2008</b>	2007	<b>Parent 2008</b>	2007
	\$	\$	\$	\$
Within one year	<b>122,712</b>	61,024	<b>122,712</b>	61,024
After one year but not more than five years	<b>268,170</b>	145,163	<b>268,170</b>	145,163
	<b>390,882</b>	206,187	<b>390,882</b>	206,187

#### (b) Plant and equipment commitments

The Group has entered into construction and supply contracts in relation to fit out of new commercial premises at South Granville. The estimated total commitment is expected to be \$1,150,000 (2007: Nil). This commitment is expected to be settled within 12 months of balance date.

#### (c) Contingent Liabilities

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

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 26 EVENTS AFTER THE BALANCE SHEET DATE

The directors are unaware of any event or transaction that has occurred between the balance date of 30 June 2008 and the date of this report which had, or may have had a significant effect on the company.

#### 27 AUDITOR'S REMUNERATION

The auditor of Cryosite Limited is Ernst & Young.

	<b>Consolidated 2008</b>	2007	<b>Parent 2008</b>	2007
	\$	\$	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:				
- Audit or review of the financial report of the entity and any other entity in the consolidated group	<b>64,371</b>	74,030	<b>64,371</b>	74,030
- Other services in relation to the entity and any other entity in the consolidated group for Research and development grants	<b>6,120</b>	658	<b>6,120</b>	658
	<b>70,491</b>	74,688	<b>70,491</b>	74,688

#### 28 RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Cryosite Limited and its wholly owned subsidiary Cryosite Distribution Pty Limited. For details, refer to Note 16.

Cryosite Limited is the ultimate parent entity.

Cryosite Distribution Pty Limited, neither has a bank account nor does it hold any cash in its own right. All receipts and payments for this entity are made by Cryosite Limited, with the amounts charged against an inter-company loan account. No interest is payable on this balance and no amounts are due and payable.

Cryosite Limited and Cryosite Distribution Pty Limited are part of a tax consolidation group and will enter into a tax funding agreement. Under this agreement, payments are to be made for tax losses transferred between entities in the group. Refer to Note 7.

There are no other transactions between the parent and its subsidiary (2007: Nil).

## Notes to the Financial Statements continued

**FOR THE YEAR ENDED 30 JUNE 2008**

### **29 SHARE-BASED PAYMENTS EXPENSE**

#### **(a) Recognised share based payment expenses**

The expense recognised for employee services received during the year is shown in the table below:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	\$	\$	\$	\$
Expense arising from equity-settled share-based payment transactions	<b>34,804</b>	-	<b>34,804</b>	-
	<b>34,804</b>	-	<b>34,804</b>	-

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2008 and 2007

#### **(b) Employee share option plan**

##### *Terms and conditions of options issued under employee share scheme details*

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

*The terms and conditions of the Plan are as follows:*

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

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

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

Options will be issued for no consideration.

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

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

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

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 29 SHARE-BASED PAYMENTS EXPENSE (CONTINUED)

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

#### (c) Summary of options granted under the ESOP

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2008		2007	
	Options	WAEP	Options	WAEP
	No.	\$	No.	\$
Balance at beginning of period	525,000	-	675,000	-
Options expired during the period	(25,000)	-	(150,000)	-
Options granted during the period				
Catherine Brenner	300,000	\$0.30	-	-
Other employees	520,000	\$0.30	-	-
<b>Balance at end of the period</b>	<b>1,320,000</b>		525,000	
Exercisable at end of the period				
R. Grellman	500,000	\$0.04	500,000	\$0.40
M Hale	-	-	25,000	\$0.40
Catherine Brenner	-	-	-	-
Other employees	-	-	-	-

#### Share based option payments:

<b>Parties to option agreement</b> C Brenner – Non-executive Director Other employees	R Grellman – Chairman (Resigned 4 March 2008)	M Hale – Advertising and Marketing Consultant
<b>Rights Granted and grant date</b> Share options granted 1 December 2007 C. Brenner           300,000 Other employees   520,000	500,000 Share options granted on 27 November 2002	450,000 Share options granted on 1 July 02

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

### 29 SHARE-BASED PAYMENTS EXPENSE (CONTINUED)

#### Share based option payments (continued)

<b>Option exercise price</b> One third at \$0.20 per share One third at \$0.30 per share One third at \$0.40 per share	Fixed at \$0.40 per share	Fixed at \$0.40 per share
<b>Vesting period</b> One third on 1 December 2008 One third on 1 December 2009 One third on 1 December 2010 Options must be exercised no later than 30 October 2012.	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
<b>Vesting requirements</b> No vesting conditions apply, options granted under ESOP as part of remuneration package. Options will lapse on cessation of employment with the company.	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.
<b>Weighted average fair value per option at grant date</b> \$0.11	\$0.21	\$0.04
<b>Expense for the year</b> C. Brenner \$12,733 Other employees <u>\$22,071</u> Total \$34,804	\$-	\$-
<b>Prior year's expense taken to account</b> \$ -	\$ -	\$ -
<b>Value of options forfeited</b> \$ -	\$	\$ -
<b>Balance at the end of the financial year not yet expensed</b> C. Brenner \$21,047 Other employees <u>\$36,482</u> Total \$57,529	\$-	\$-

## Notes to the Financial Statements *continued*

**FOR THE YEAR ENDED 30 JUNE 2008**

### **29 SHARE-BASED PAYMENTS EXPENSE (CONTINUED)**

#### **Share based option payments (continued)**

<p><b>Calculation of fair value of option</b></p> <p>Valuation was made using the binomial method in accordance with the requirements of accounting standards. Calculations were based on the expected contractual life of the options using the average weekly historical share price of the company over the previous 12 months.</p> <p>The expected volatility used was 0.79 with an interest-free risk rate of 6.70%. The market share price at date of grant was 19 cents.</p>	<p>Valuation was made using the binomial method in accordance with the requirements of accounting standards. Calculations were based on the expected contractual life of the options using the average weekly historical share price of the company over the previous 12 months.</p> <p>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 \$0.38.</p>	<p>Valuation was made using the binomial method in accordance with the requirements of accounting standards. Calculations were based on the expected contractual life of the options using the average weekly historical share price of the company over the previous 12 months.</p> <p>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 \$0.64.</p>
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#### **(b) Superannuation**

The Group contributes the equivalent of 9% of employees' wages to their superannuation fund of choice as required by Australian law. Employees may also elect to make salary sacrifice to their nominated superannuation fund.

### **30 KEY MANAGEMENT PERSONNEL**

#### **(a) Key management personnel**

Theodore Onisforou	Chairman (Non-executive) effective 4 March 2008
Catherine Brenner	Director (Non-executive)
Prof Ronald Penny	Director (Non-executive)
Gordon Milliken	Managing Director
Richard Grellman	Chairman (Non-executive)-resigned 4 March 2008

Key management personnel held their positions for the whole of the financial year other than Richard Grellman who resigned as chairman on 4 March 2008.

Due to the relatively small number of employees, apart from the Managing Director, there are no other executives having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 30 KEY MANAGEMENT PERSONNEL (Continued)

##### (b) Compensation for key management personnel

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	\$	\$	\$	\$
Short-term employee benefits	<b>248,535</b>	197,534	<b>248,535</b>	197,534
Post-employment benefits	<b>123,115</b>	128,695	<b>123,115</b>	128,695
Other long-term benefits	<b>1,432</b>	5,595	<b>1,432</b>	5,595
Share-based payment	<b>12,733</b>	-	<b>12,733</b>	-
<b>Total compensation</b>	<b>385,815</b>	331,824	<b>385,815</b>	331,824

##### (c) Shareholdings of key management personnel

<b>Shares held in Cryosite Limited</b>	<b>Balance at beginning of period</b>	<b>Granted as remuneration</b>	<b>On exercise of options</b>	<b>On market purchases</b>	<b>Balance 30 June 2008</b>
	<b>Ord.</b>	<b>Ord.</b>	<b>Ord.</b>	<b>Ord.</b>	<b>Ord.</b>
Theodore Onisforou	3,751,337	-	-	-	3,751,337
Catherine Brenner	-	-	-	-	-
Prof. Ronald Penny	883,731	-	-	-	883,371
Gordon Milliken	1,048,418	-	-	-	1,048,418
<b>Total</b>	<b>5,683,126</b>	-	-	-	<b>5,683,126</b>

Richard Grellman resigned as a director on 4 March 2008. Shares held by him at 30 June 2007 have been removed from the above table.

##### (d) Option holdings of key management personnel (Consolidated)

	Theodore Onisforou	Catherine Brenner	Richard Grellman	Prof. Ronald Penny	Gordon Milliken	Total
	No.	No.	No.	No.	No.*	No.
Balance held at beginning of the period	-	-	500,000	-	312,500	812,500
Granted during the year	-	300,000	-	-	-	300,000
<b>Balance held at the end of the period</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>312,500</b>	<b>612,500</b>

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2008

### 30 KEY MANAGEMENT PERSONNEL (Continued)

#### (e) Options Vested of key management personnel (Audited)

	Theodore Onisforou No.	Catherine Brenner No.	Richard Grellman No.	Prof. Ronald Penny No.	Gordon Milliken No.*	Total No.
Balance vested at the beginning of the period	-	-	500,000	-	312,500	812,500
<b>Options still held but no longer included as employee resignation from the company</b>			(500,000)			(500,000)
<b>Balance at the end of the period</b>	-	-	-	-	<b>312,500</b>	<b>312,500</b>
<b>Not exercisable</b>	-	-	-	-	-	-
<b>Exercisable</b>	-	-	-	-	<b>312,500</b>	<b>312,500</b>

\* Options issued under the employee share scheme.

### 31 FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise of trade payables. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations.

The Group does not enter into any derivative transactions. The main risks arising from the Group's financial instruments are cash flow interest rate risk and credit risk. The Board of Directors reviews and monitors each of these risks.

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 31 FINANCIAL INSTRUMENTS (CONTINUED)

##### (a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to cash and cash deposits with floating interest rates.

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is set out below:

<b>2008 CONSOLIDATED</b>	<b>Notes</b>	<b>Weighted average effective interest rate %</b>	<b>Floating interest rate \$</b>	<b>Subject to discount rates \$</b>	<b>Non interest bearing \$</b>	<b>Total \$</b>
<i>Financial assets</i>						
Interest bearing deposits – maturing at various dates during year ending 30 June 2008	10	5.8	1,665,372	-	-	1,665,372
Cash and cash equivalents	10	2.0	309,906	-	-	309,906
Current receivables – maturing at various dates during year ending 30 June 2008	12	4.5	64,114	156,630	1,457,026	1,677,770
Non-current receivables	16	-	181,790	1,473,860	-	1,655,650
			<b>2,221,182</b>	<b>1,630,490</b>	<b>1,457,026</b>	<b>5,308,698</b>
<i>Financial liabilities</i>						
Trade creditors and accruals – maturing at various dates during the year ending 30 June 2008.	19	-	-	-	1,133,388	1,133,388
<b>2007 CONSOLIDATED</b>	<b>Notes</b>	<b>Weighted average effective interest rate %</b>	<b>Floating interest rate \$</b>	<b>Subject to discount rates \$</b>	<b>Non interest bearing \$</b>	<b>Total \$</b>
<i>Financial assets</i>						
Interest bearing deposits – maturing at various dates during year ending 30 June 2008	10	5.2	1,251,026	-	-	1,251,026
Cash and cash equivalents	10	2.0	330,496	-	-	330,496
Net current receivables – maturing at various dates during year ending 30 June 2008	12	4.5	62,080	113,416	1,159,081	1,334,577
Net non-current receivables	16	-	-	1,552,318	-	1,552,318
			<b>1,643,602</b>	<b>1,665,734</b>	<b>1,159,081</b>	<b>4,468,417</b>
<i>Financial liabilities</i>						
Trade creditors and accruals – maturing at various dates during the year ending 30 June 2008.	17	-	-	-	993,997	993,977

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 31 FINANCIAL INSTRUMENTS (CONTINUED)

##### (a) Interest rate risk (Continued)

2008 PARENT	Notes	Weighted average effective interest rate %	Floating interest rate \$	Subject to discount rates	Non interest bearing \$	Total \$
<i>Financial assets</i>						
Interest bearing deposits – maturing at various dates during year ending 30 June 2008	10	5.8	1,665,372	-	-	1,665,372
Cash and cash equivalents	10	2.0	309,906	-	-	309,906
Net current receivables – maturing at various dates during year ending 30 June 2008	12	4.5	64,114	156,630	1,139,575	1,360,319
Net non-current receivables	16	-	181,790	1,473,860	-	1,655,650
			<b>2,221,182</b>	<b>1,630,490</b>	<b>1,139,575</b>	<b>4,991,247</b>
<i>Financial liabilities</i>						
Trade creditors and accruals – maturing at various dates during the year ending 30 June 2008.	19	-	-	-	839,908	839,908

2007 PARENT	Notes	Weighted average effective interest rate %	Floating interest rate \$	Subject to discount rates \$	Non interest bearing \$	Total \$
<i>Financial assets</i>						
Interest bearing deposits – maturing at various dates during year ending 30 June 2008	10	5.8	1,251,026	-	-	1,251,026
Cash and cash equivalents	10	2.00	330,496	-	-	330,496
Net current receivables – maturing at various dates during year ending 30 June 2008	12	4.5	62,080	113,416	1,010,562	1,186,058
Net non-current receivables	16	-	-	1,552,318	-	1,552,318
			<b>1,643,602</b>	<b>1,665,734</b>	<b>1,010,562</b>	<b>4,319,898</b>
<i>Financial liabilities</i>						
Trade creditors and accruals – maturing at various dates during the year ending 30 June 2007.	19	-	-	-	776,131	776,131

## Notes to the Financial Statements *continued*

### FOR THE YEAR ENDED 30 JUNE 2008

#### 31 FINANCIAL INSTRUMENTS CONTINUED

##### (a) Interest risk (continued)

###### *Interest rate sensitivity analysis*

The following sensitivity analysis is based on interest rate risk exposures in existence at the balance sheet date. If interest rates had moved, as illustrated in the tables below, with all other variables held constant, post tax profit would have been affected as follows:

		<b>Post Tax Profit Higher (Lower)</b>	
		<b>2008</b>	2007
		\$	\$
<b>Consolidated</b>	Up by 2.0%	<b>75,120</b>	69,135
	Down by 1.5%	<b>(56,340)</b>	(51,852)
<b>Parent</b>	Up by 2.0%	<b>75,120</b>	69,135
	Down by 1.5%	<b>(56,340)</b>	(51,852)

##### (b) Price risk – Equity and Commodity

The Group has no exposure to commodity and equity securities price risk.

##### (c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group trades with a number of types of customers, the main ones being:

- Incorporated companies
- Research institutes both private and academic
- Individuals.

###### *Incorporated companies:*

The Group trades with recognised, publicly listed companies and large unlisted proprietary companies and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

###### *Research institutes both private and academic*

The Group also trades with research institutes that are either publicly, privately or government owned along with recognised universities. Such customers are subject to credit search and collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

###### *Individuals:*

The Group ensures that credit card information is obtained for all individual customers.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 31 FINANCIAL INSTRUMENTS CONTINUED

##### (c) Credit risk (continued)

board. These risk limits are regularly monitored. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group. There are no transactions that are not denominated in the functional currency of the Group.

##### (d) Liquidity risk

The Group does not have a liquidity risk at balance date or at the date of this report.

##### **Maturity analysis of financial assets and liabilities based on management's expectation.**

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from investment in working capital such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as enable an effective controlling of future risks the Directors monitor the expected settlement of financial assets and liabilities.

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2008

#### 31 FINANCIAL INSTRUMENTS CONTINUED

##### (d) Liquidity risk (continued)

Maturity analysis of financial assets and liabilities based on management's expectation (continued).

Year ended 30 June 2008	Less than 6 months \$	6-12 months \$	1-5 years \$	Greater than 5 years \$	Total \$
<b>Consolidated</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	1,975,278	-	-	-	1,975,278
Trade and other receivables	1,544,937	136,860	431,062	1,220,561	3,333,420
	3,520,215	136,860	431,062	1,220,561	5,308,698
<b>Consolidated</b>					
<b>Financial liabilities</b>					
Trade and other payables	1,133,388	-	-	-	1,133,388
	1,133,388	-	-	-	1,133,388
<b>Net maturity</b>	<b>2,386,827</b>	<b>136,860</b>	<b>431,062</b>	<b>1,220,561</b>	<b>4,175,310</b>

Year ended 30 June 2008	Less than 6 months \$	6-12 months \$	1-5 years \$	Greater than 5 years \$	Total \$
<b>Parent</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	1,975,278	-	-	-	1,975,278
Trade and other receivables	1,227,486	136,860	431,062	1,220,561	3,015,969
	3,202,764	136,860	431,062	1,220,561	4,991,247
<b>Parent</b>					
<b>Financial liabilities</b>					
Trade and other payables	839,908	-	-	-	839,908
	839,908	-	-	-	839,908
<b>Net maturity</b>	<b>2,362,856</b>	<b>136,860</b>	<b>431,062</b>	<b>1,220,561</b>	<b>4,151,339</b>

## Notes to the Financial Statements continued

**FOR THE YEAR ENDED 30 JUNE 2008**

### **31 FINANCIAL INSTRUMENTS CONTINUED**

#### **(e) Capital management**

When managing capital, the boards' objective is to ensure the entity continues as a going concern as well as to maintain returns to shareholders. The board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board of Directors is responsible for assessing financial risks, related controls and other financial risk management strategies. The Company deploys its assets and liabilities so as to manage risk at commercially appropriate levels, bearing in mind the constraints imposed by the consolidated entity's size, results and other financial circumstances. The Company aims to balance opportunities to improve profitability against related risks of losses of assets or the incurrence of additional liabilities.

#### **(f) Fair value**

All financial assets and liabilities have been disclosed in the financial statements and notes thereto at their carrying value, which approximates their net fair values.

## Independent auditor's report to the members of Cryosite Limited

### Report on the Financial Report

We have audited the accompanying financial report of Cryosite Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### ***Directors Responsibility for the Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### ***Independence***

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, 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.

### ***Auditor's Opinion***

In our opinion:

1. the financial report of Cryosite Limited is in accordance with 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 2008 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### ***Auditor's Opinion***

In our opinion the Remuneration Report of Cryosite Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ian Campbell  
Partner  
Sydney  
27 August 2008

## 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 August 2008.

### Twenty largest shareholders

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

	<b>Listed ordinary shares</b>	
	<b>Number of shares</b>	<b>% of ordinary shares</b>
Strategic Pooled Development Ltd	8,312,229	17.82
Merrill Lynch (Australia) Nominees Pty Ltd	6,721,132	14.41
Bell Potter Nominees Ltd	3,943,938	8.46
Fitel Nominees Limited	2,300,300	4.93
Angus Property & Development Pty Ltd	2,071,370	4.44
SHR Pty Ltd	1,980,610	4.25
All State Secretariat Ltd	1,454,584	3.12
Sentra Investments Pty Ltd	1,254,827	2.69
Naron Nominees Pty Ltd	839,416	1.80
Mrs Erica Margaret Strong	700,000	1.50
Mr Gordon Milliken	694,213	1.49
Lost Ark Nominees Pty Ltd	991,563	1.48
Mr Alistair David Strong	600,000	1.29
All-States Finance Pty Ltd	723,815	1.24
HFA Administration Pty Limited	460,000	0.99
Anadyomene Pty Ltd	400,000	0.86
Stephen Roberts	389,994	0.84
Plastic Tooling Manufacturing Pty Ltd	377,492	0.81
Mr Theo Onisforou	355,795	0.76
UBS Wealth Management (Aust) Nominees P/L	341,277	0.73
<b>Total</b>	<b>34,469,242</b>	<b>73.91</b>

## ASX Additional Shareholder Information (Continued)

### DISTRIBUTION OF EQUITY SECURITIES

#### Number of shareholders by size of holding.

		Ordinary Shares	
		Number of Holders	Number of Shares
1	1,000	24	14,062
1,001	5,000	244	1,000,306
5,001	10,000	74	581,662
10,001	100,000	163	5,500,681
100,001	and over	50	39,542,852
Total		555	46,639,563

#### Substantial shareholders

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

Shareholder	Relevant interest			
	2008		2007	
	No. of shares	% of issued capital	No. of shares	% of issued capital
Strategic Pooled Development Limited	<b>10,292,839</b>	<b>22.07</b>	10,292,839	22.07
Theodore Onisforou	<b>3,751,337</b>	<b>8.04</b>	3,751,337	8.04
Robmar Investments Pty Limited (Bell Potter Nominees Limited)	<b>3,065,515</b>	<b>6.57</b>	3,065,515	6.57

#### Voting Rights

All ordinary shares carry one vote per share without restriction.

#### Number of shareholders holding less than a marketable parcel

The number of shareholders holding less than a marketable parcel of 3,449 shares is 93 and they hold 160,910 shares.