

# Cryosite Limited

ABN 86 090 919 476

## Appendix 4D

Half year report

Six months ended 31 December 2005 ('current period')  
and 31 December 2004 ('previous corresponding period')

### Results for announcement to the market

				\$A'000
Revenue from ordinary activities:	Up	16.7%	to	1,614
(Loss) from ordinary activities after tax attributable to members:	Up	10.0%	to	(410)
Net (loss) for the period attributable to members:	Up	10.0%	to	(410)

NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	4.4 cents	6.0 cents

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

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

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

# CRYOSITE LIMITED

ABN 86 090 919 476

## **Half-Year Financial Report**

31 December 2005

# CRYOSITE LIMITED—HALF-YEAR FINANCIAL REPORT

## TABLE OF CONTENTS

	PAGE NO.
Directors' Report	3
Auditor's Independence Declaration	4
Directors' Declaration	5
Condensed Income Statement	6
Condensed Balance Sheet	7
Condensed Cash Flow Statement	8
Condensed Statement of Changes in Equity	9
Notes to the Half-year Financial Statements	10-22
Independent Audit Report	23-24

## Directors' Report

Your directors submit their report for the half-year ended 31 December 2005.

### Directors

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

Richard Grellman (Chairman)

Gordon Leonard Milliken (Managing Director)

Dr Peter French (Non-executive Director)

Theodore Onisforou (Non-executive Director)

Professor Ronald PennyAO (Non-executive Director)

### Review of Operations

The group experienced an increase in revenue during the half-year. Revenue for the period was \$1,613,588 (2004: \$1,382,334) representing an increase of 16.7%. The increase in revenue is due to growth in all areas of the group's operations especially cord blood and clinical trials.

The consolidated net loss for the period was \$410,205 (2004: \$372,759). The increased loss for the half-year reflects the rise in staff numbers and employee costs necessary to service the business growth. In addition to operational staff employed during the half-year, the group also employed a quality manager to meet the ever increasing demands of regulatory & licence compliance, the benefits of which will flow to the group in coming years.

### Auditor's Independence Declaration

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

Signed in accordance with a resolution of the directors.

Richard Grellman  
Chairman

Date 6th March 2006

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

In relation to our review of the financial report of Cryosite Limited for the half year ended December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct

Ernst & Young

Douglas Bain  
Partner  
Sydney

6 March 2006

## Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
  - (i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Richard Grellman  
Chairman

Date 6th March 2006

**CRYOSITE LIMITED—HALF-YEAR FINANCIAL REPORT**

## Condensed Income Statement

For The Half-Year Ended 31 December 2005

	Notes	Consolidated	
		2005	2004
		\$	\$
<b>Revenues</b>	2	<b>1,613,588</b>	1,382,334
<b>Expenses</b>	2		
Costs of providing services		(979,985)	(762,293)
Finance costs		(4,830)	(4,717)
Marketing expenses		(152,496)	(192,278)
Occupancy expenses		(178,560)	(155,466)
Administration expenses		(707,922)	(640,339)
<b>Loss from operations before tax</b>		<b>(410,205)</b>	(372,759)
Income tax expense		-	-
<b>Loss after tax from operations</b>		<b>(410,205)</b>	(372,759)
<b>Net loss attributable to members of parent</b>		<b>(410,205)</b>	(372,759)
Earnings per share (cents per share)			
Basic loss for the half-year		(1.0)	(1.0)
Diluted loss for the half-year		(1.0)	(1.0)

**CRYOSITE LIMITED—HALF-YEAR FINANCIAL REPORT**

## Condensed Balance Sheet

As at 31 December 2005

	<b>Consolidated</b>	
	<b>as at</b>	<b>as at</b>
	<b>31 December</b>	<b>30 June</b>
	<b>2005</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,124,816	1,348,427
Trade and other receivables	823,271	774,179
Inventories	23,324	23,827
Prepayments	80,516	135,660
<b>Total Current Assets</b>	<b>2,051,927</b>	<b>2,282,093</b>
<b>Non-current Assets</b>		
Trade and other receivables	1,567,224	1,183,452
Plant and equipment	970,412	1,030,239
Intangibles	111,710	165,304
<b>Total Non-current Assets</b>	<b>2,649,346</b>	<b>2,378,995</b>
<b>TOTAL ASSETS</b>	<b>4,701,273</b>	<b>4,661,088</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	761,612	749,442
Unearned income	258,688	190,733
Provisions	47,118	54,105
<b>Total Current Liabilities</b>	<b>1,067,418</b>	<b>994,280</b>
<b>Non-current Liabilities</b>		
Unearned income	1,540,479	1,188,936
Provisions	12,581	-
<b>Total Non-current Liabilities</b>	<b>1,553,060</b>	<b>1,188,936</b>
<b>TOTAL LIABILITIES</b>	<b>2,620,478</b>	<b>2,183,216</b>
<b>NET ASSETS</b>	<b>2,080,795</b>	<b>2,477,872</b>
<b>EQUITY</b>		
Issued capital	7,815,715	7,815,715
Share Options Reserve	179,129	166,001
Accumulated losses	(5,914,049)	(5,503,844)
<b>TOTAL EQUITY</b>	<b>2,080,795</b>	<b>2,477,872</b>

**CRYOSITE LIMITED—HALF-YEAR FINANCIAL REPORT**

## **Condensed Cash Flow Statement**

For The Half-Year Ended 31 December 2005

	Notes	Consolidated	
		2005	2004
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,743,356	1,370,681
Payments to suppliers and employees		(1,970,451)	(1,493,066)
Interest received		58,224	57,063
Borrowing costs paid		(4,830)	(4,717)
<b>Net cash flows (used in) operating activities</b>		<u>(173,701)</u>	<u>(70,039)</u>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(49,910)	(345,558)
<b>Net cash flows (used in) investing activities</b>		<u>(49,910)</u>	<u>(345,558)</u>
<b>Cash flows from financing activities</b>			
Costs of share issue		-	(72,960)
<b>Net cash flows (used in) financing activities</b>		<u>-</u>	<u>(72,960)</u>
Net (decrease) in cash and cash equivalents		(223,611)	(488,557)
Cash and cash equivalents at beginning of period		1,348,427	2,076,369
<b>Cash and cash equivalents at end of period</b>	8	<u>1,124,816</u>	<u>1,587,812</u>

**CRYOSITE LIMITED—HALF-YEAR FINANCIAL REPORT**

## Condensed Statement of Changes in Equity

For The Half-Year Ended 31 December 2005

CONSOLIDATED	Attributable to equity holders of the parent			
	Issued capital	Accumulated losses	Reserves	Total equity
	\$	\$	\$	\$
<b>At 1 July 2004</b>	7,815,715	(4,874,785)	97,960	3,038,890
Loss for the period	-	(372,759)	-	(372,759)
Amortisation of employee share based payments	-	-	50,539	50,539
<b>At 31 December 2004</b>	7,815,715	(5,247,544)	148,499	2,716,670
<b>At 1 July 2005</b>	7,815,715	(5,503,844)	166,001	2,477,872
Loss for the period	-	(410,205)	-	(410,205)
Amortisation of employee share based payments	-	-	13,128	13,128
<b>At 31 December 2005</b>	7,815,715	(5,914,049)	179,129	2,080,795

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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

The half-year financial report should be read in conjunction with the annual report Financial Report of Cryosite Limited as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by Cryosite Limited and its controlled entity during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

#### (a) Basis of accounting

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial reporting" and other mandatory professional reporting requirements.

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

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### (b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and the full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(c) below.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
  - AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005,
- to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1 (e) below.

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

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

#### (c) Summary of significant accounting policies

##### (i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Cryosite Limited and its subsidiary.

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

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

All intercompany balances and transactions have been eliminated in full.

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

##### (ii) Foreign currency translation

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

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

##### (iii) Plant and equipment

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

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

Major depreciation rates are:	2005	2004
Leasehold improvements:	Lease term	Lease term
Plant and equipment:		
- fixtures and fittings	10 – 20 years	10 – 20 years
- information technology	2.5 – 5 years	2.5 – 5 years
- warehouse equipment	10 years	10 years
- office furniture & equipment	6 – 8 years	6 – 8 years
Plant & equipment under lease	8 years	8 years

##### *Impairment*

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

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

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

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

#### (c) Summary of significant accounting policies (continued)

##### (iii) Plant and equipment (continued)

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

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

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

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

##### (iv) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

##### (v) Intangible assets

###### *Acquired both separately and from a business combination*

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

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

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

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

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

###### *Research and development costs*

Research costs are expensed as incurred.

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

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

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

#### (c) Summary of significant accounting policies (continued)

##### (v) Intangible assets (continued)

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

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

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

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

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

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

##### (vi) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator 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.

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

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

#### (c) Summary of significant accounting policies (continued)

##### (vii) Inventories

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

##### (viii) Trade and other receivables

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

Trade receivables (Non-current), which generally have terms in excess of 12 months, are carried at their net present value. The expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate of 17.5% (2004 17.5%).

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

##### (ix) Cash and cash equivalents

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

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

##### (x) Provisions

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

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

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

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

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

#### (c) Summary of significant accounting policies (continued)

##### (xi) Share-based payment transactions

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

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

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

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.

There is no dilutive effect of outstanding options.

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

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

#### (c) Summary of significant accounting policies (continued)

##### (xii) Leases

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

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

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

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

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

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

##### (xiii) Revenue

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

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

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

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

#### (c) Summary of significant accounting policies (continued)

##### (xiv) Income tax

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

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

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

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

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

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

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

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

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

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

#### (c) Summary of significant accounting policies (continued)

##### (xv) Other taxes

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

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

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

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

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

##### (xvi) Contributed Equity

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

##### (xvii) Share Options Reserve

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

##### (xviii) Earnings per share

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

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

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

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

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

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

#### (d) AASB 1 Transitional exemptions

The group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

##### *Business combinations*

AASB 3 "Business Combinations" was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

##### *Exemption from the requirement to restate comparative information for AASB 132 and AASB 139*

The group has not elected to adopt this exemption and has applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

#### (e) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below:

##### (i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Notes	Consolidation		
		30 June 2005 \$	31 December 2004 \$	1 July 2004 \$
<b>Total equity under AGAAP</b>		<b>2,477,872</b>	2,716,670	3,038,890
<b>Adjustments to retained earnings (net of tax)</b>				
Recognition of share- based payment expense	(A)	(22,696)	(18,322)	(13,948)
<b>Adjustments to other reserves (net of tax)</b>				
Recognition of share- based payment expense	(A)	22,696	18,322	13,948
<b>Total equity under AIFRS</b>		<b>2,477,872</b>	2,716,670	3,038,890

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

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

#### (e) Impact of adoption of AIFRS (continued)

##### (ii) Reconciliation of loss after tax under AGAAP to that under AIFRS

	Notes	Consolidated	
		Year ended 30 June 2005	Half-Year ended 31 December 2004
		\$	\$
Net loss as reported under AGAAP		(620,311)	(368,385)
Recognition of share- based payment expense	(A)	(8,748)	(4,374)
<b>Net loss under AIFRS</b>		<b>(629,059)</b>	<b>(372,759)</b>

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

##### (iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

##### (iv) Reclassification within the Statement of Financial Position

Under AASB138 Intangible Assets, the Cryobite Software of \$111,710 (30 June 2005: \$165,304), is classified as an intangible asset. Previously the asset was included within Property, Plant and Equipment.

# CRYOSITE LIMITED—HALF-YEAR FINANCIAL REPORT

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

	Consolidated	
	2005	2004
	\$	\$
<b>2. REVENUE AND EXPENSES</b>		
<b>(a) Specific items</b>		
Loss before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
<b>(i) Revenue</b>		
Rendering of services	1,555,364	1,325,271
Interest income	58,224	57,063
	<u>1,613,588</u>	<u>1,382,334</u>
<b>(ii) Expenses</b>		
Depreciation & amortisation	163,334	152,327
Employee benefits	552,098	445,999
Expense of share-based payments	13,128	50,539

### 3. DIVIDENDS PAID OR PROPOSED

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

### 4. ISSUED CAPITAL

#### *Ordinary shares*

There was no movement in ordinary shares on issue during the period.

### 5. CONTINGENT LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

### 6. EVENTS AFTER THE BALANCE SHEET DATE

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

## Notes to the Half-Year Financial Statements

For The Half-Year Ended 31 December 2005

### 7. SEGMENT INFORMATION

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

### 8. ADDITIONAL INFORMATION

#### Reconciliation of cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2005:

	<b>Consolidated</b>	
	<b>2005</b>	2004
	\$	\$
Cash at bank and in hand	<b>84,290</b>	132,298
Short-term deposits	<b>1,040,526</b>	1,455,514
	<b>1,124,816</b>	1,587,812

## **Independent review report to members of Cryosite Limited**

### **Scope**

#### *The financial report and directors' responsibility*

The financial report comprises the condensed balance sheet, condensed income statement, condensed cash flow statement, condensed statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Cryosite Limited (the company) and the entity it controlled during the half year, and the directors' declaration, for the company, for the half year ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the ASX and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included after the review of operations.

**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, as defined in the scope section, of the consolidated entity, Cryosite Limited and the entity it controlled during the half year ended 31 December 2005 is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 “Interim Financial Reporting” and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Douglas Bain

Partner

Sydney

6 March 2006