

Cryosite Limited

ABN 86 090 919 476

Appendix 4E

Full year report

Twelve months ended 30 June 2011 ('current period')

And the twelve months ended 30 June 2010 ('previous corresponding period')

Results for announcement to the market

				\$A'000
2.1 Revenue from ordinary activities:	Up	8.5%	to	6,660
2.2 Profit from ordinary activities after tax attributable to members:	Up	7,148.6%	to	334
2.3 Net profit for the period attributable to members:	Up	7,148.6%	to	334

Dividends (distributions)	Amount per security	Franked amount per security
2.4 Dividends	-¢	-¢
Previous corresponding period	-¢	-¢
2.5 Record date for determining entitlements to the dividend: (in the case of a trust, distribution) (see item 15.2)	N/A no dividends have been declared or paid.	

3. NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	10.1 cents	9.3 cents

4. Details of controlled entities.

4.1 Control gained over entities having material effect

Name of entity (or group of entities)

No entities have been acquired during the period

Date from which control was gained

N/A

Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

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Cryosite Limited

ABN 86 090 919 476

Appendix 4E

Full year report

Twelve months ended 30 June 2011 ('current period')

And the twelve months ended 30 June 2010 ('previous corresponding period')
continued

4.2 Control lost over entities having material effect

Name of entity (or group of entities)

No entities were disposed of during the period

Date from which control was lost

N/A

Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control

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5. **Details of dividends:** No dividends have been declared or proposed.
6. **Details of dividend reinvestment plans:** N/A
7. **Details of associate and joint ventures:** N/A
8. **Foreign entities:** N/A
9. **Details of audit dispute or audit qualification:** N/A
10. **Other significant information:** Refer to the attached audited full year financial report
11. **Commentary on results for the period:** Refer to the attached Directors' Report included in the full year financial report
12. **Audited accounts:** The report is based on the attached full year financial report which has been audited.

CRYOSITE LIMITED

ABN 86 090 919 476

Annual Report

for the year ended 30 June 2011

Table of Contents

	Page
Corporate Information	2
Directors' Report	3
Auditor's Independence Declaration	15
Corporate Governance Statement	16
Directors' Declaration	20
Consolidated Statement of Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Cash Flow	23
Consolidated Statement of Changes in Equity	24
Notes to the Financial Statements	
1 Corporate Information	25
2 Summary of Significant Accounting Policies	25
3 Significant Accounting Judgements, Estimates and assumptions	34
4 Segment Information	35
5 Other Revenue and Income	36
6 Expenses	36
7 Income Tax	37
8 Earnings Per Share	39
9 Dividends paid and Proposed	39
10 Cash and Cash Equivalents	40
11 Cash Flow Statement Reconciliation	40
12 Current Assets - Trade and Other Receivables	41
13 Current Assets – Inventories	42
14 Current Assets – Prepayments	42
15 Non-Current - Trade and Other Receivables	43
16 Non-Current Assets – Investments in Subsidiaries	43
17 Non-Current Assets - Plant and Equipment	43
18 Non-Current Assets - Intangible Assets	45
19 Current Liabilities - Trade and other payables	45
20 Current Liabilities – Unearned Income	46
21 Non-Current Liabilities - Unearned Income	46
22 Non-Current Liabilities – Provisions	46
23 Contributed Equity	47
24 Accumulated Losses and Reserves	47
25 Commitments and Contingencies	48
26 Events After Balance Date	49
27 Auditors' Remuneration	49
28 Related Party Disclosures	49
29 Shared-Based Payments Expense	50
30 Superannuation	52
31 Key Management Personnel	52
32 Financial Instruments	55
33 Parent Entity Financial Information	59
Independent Audit Report	61

Corporate Information

ABN 86 090 919 476

DIRECTORS

Theodore Onisforou (Non-Executive Chairman)
Gordon Milliken (Managing Director)
Graeme Moore (Executive Director)

COMPANY SECRETARY

Bryan Dulhunty

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

13A Ferndell Street
SOUTH GRANVILLE NSW 2142
Telephone: +61 2 8865 2000
Fax: +61 2 8865 2090

Email: corporate@cryosite.com

SHARE REGISTER

Link Market Services Limited
Level 8, 580 George Street
SYDNEY NSW, 2000
Telephone: +61 2 8260 7111

AUDITORS

Duncan Dovico Chartered Accountants
Level 12, 90 Arthur Street
NORTH SYDNEY NSW, 2060
Telephone: +61 2 9922 1166

INTERNET ADDRESS

www.cryosite.com

Directors' Report

Your directors submit their report for the year ended 30 June 2011.

DIRECTORS

The following people held the office of director during the year

Theodore Onisforou (Chairman)
Gordon Milliken (Managing Director)
Graeme Moore (Executive Director)

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.

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.

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

Graeme Moore is the Quality and Regulatory Affairs Manager and Chief Operating Officer. 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. Mr Moore has no listed directorships other than Cryosite Limited.

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

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	4,125,004	-
Gordon Milliken	1,288,415	-
Graeme Moore	-	300,000

EARNINGS PER SHARE

Basic earnings per share	0.7 cents (2010: 0.1 cents)
Diluted earnings per share	0.7 cents (2010: 0.1 cents)

DIVIDENDS

There were no dividends declared or paid during the course of the financial year and no dividend is recommended (2010: 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 company provides a number of highly specialised biologicistic-based services that are grouped into two reporting segments:

- Biological Services, and
- Warehousing & Distribution Services.

Biological Services

Biological Services incorporate the activities of the private cord blood service, adult stem cell storage and general biorepository management.

Warehousing & Distribution Services

Distribution Services includes the clinical trials logistics service and the other distribution based services including the importation and distribution of the products of the American Type Culture Collection and laboratory diagnostics products.

Employees

The consolidated entity has 25 full-time equivalent employees as at 30 June 2011 (2010: 27 employees).

Directors' Report continued

OPERATING RESULTS FOR THE YEAR

The Directors have pleasure in reporting to shareholders the results for the last year's operations. Profit for the year after income tax was \$334,305 (2010: \$4,612). The profit from continuing operations was \$305,394 (2010: \$12,787) before the recognition of Income tax benefit of \$28,911 (2010: expense of \$8,175).

REVIEW OF OPERATIONS

In last year's review, we highlighted the development of the South Granville site and the successful relocation of the staff and operations. Since that time we have had the opportunity to fine tune the operation and assess the potential value of the relocation on the company's financial performance.

The main priority for the relocation was to provide sufficient capacity to allow the company to accommodate additional work from existing clients and to be able to demonstrate to prospective new clients that we could accommodate their immediate needs and give them confidence that we could also cope with additional needs well into the future. This was an especially important consideration for our clinical trial and other distribution services clients.

As well as the capacity requirement, we were also focused on making sure that the physical appearance of the site, both internally and externally would accurately reflect an image of the company that was in sync with the clinical image that would reflect well on our clients. We have been very encouraged with the comments that we have received from our clients and many others, including regulatory body representatives who have visited the site.

Although the development of the site was essentially completed last year, the capital expenditure of \$696,489 was largely associated with the relocation. The expenditure was for a combination of additional fit-out, including the construction of locked-cages for the clinical trial area, upgrade of the environmental monitoring systems, the reconstruction of a cold room and air conditioning equipment transferred from Lane Cove. We also purchased a number of additional freezers to allow us to service a large increase in clients with frozen drug storage requirements. From an operational perspective, the improved design and fit-out of the facility has resulted in many valuable improvements, including more efficient workflows that have reduced turnaround times for dispatch requests and improvements in accuracy rates.

Cryosite was once again the subject of a number of quality system audits. These included both client and regulatory body audits. We are pleased to confirm that all of the audits were successfully closed out and that there was universal praise for the high level of competency displayed by our staff, the high standard of the facility design and fit-out and appreciation of the company's commitment to quality.

The highlight of the audit programme outcomes was the changes to the company's Therapeutic Goods Administration licence conditions. In one of the most significant advances since Cryosite commenced the cord blood service in 2002, Cryosite has received regulatory approval for the directed allogenic storage and release of cord blood. Previously, Cryosite and all other private cord blood services in Australia were licensed for the storage and release of cord blood for autologous use only. This meant that the blood could only be released for use by the child from which the blood was collected. So as valuable as this was, it did limit the potential for release. However, Cryosite had its licence conditions amended to allow for directed allogenic release. This means that Cryosite now has a significant advantage over its competitors and is now the focus of an education programme to ensure that all prospective clients are aware of the important difference between Cryosite and the other private cord blood companies.

The biorepository service and the storage of adult stems cells for the Peter MacCallum Cancer Institute continued to operate smoothly and to make important contributions to the results.

The warehousing and distribution services performed well. The clinical trial logistics service in particular realised immediate benefits from the improved facilities. This was not unexpected as we highlighted in last

Directors' Report continued

REVIEW OF OPERATIONS CONTINUED

year's report that both existing and prospective clinical trial clients were very impressed with the site and compared it favourably with the best such facilities in the USA and Europe.

Since we moved into the new premises, a number of enhancements have been made to the clinical trial section of the warehouse. This involved the relocation of some refrigeration equipment from Lane Cove and the construction of additional security storage areas. These new features further strengthen Cryosite's credentials with existing as the preferred service provider of clinical trial logistics services for Australia and New Zealand.

The combined effects of Cryosite's existing reputation for service excellence and the benefits flowing from the improved facilities have ensured that we continue to enjoy excellent financial returns. During the year we maintained an active customer base of around 40 clients and managed well over 300 individual protocols.

The ATCC distribution service enjoyed steady results in the face of increased competition from a number of importers of similar products. However, the ATCC brand name and reputation for innovative, quality products combined with Cryosite's focus on providing highly professional advice and service means that this agreement remains a very important component of our integrated business model.

BUSINESS GROWTH AND OUTLOOK

Competitive environment

Cryosite pioneered private autologous cord blood stem cell banking in Australia in 2002 and in April 2011 was proud to announce that it had been fully licensed by the Therapeutic Goods Administration to also provide Australia's first Family Cord Blood Banking service.

Family Cord Blood Banking means a child's cord blood stem cells can be used to treat both themselves and other compatible family members including brothers, sisters and cousins. Previously, cord blood had only been available for routine release to treat the child from whom it had been collected. The granting of these new regulatory licences has been the result of over 12 months close liaison with the Australian regulatory authorities and brings Australia into line with the capabilities of the largest international private cord blood banks.

Family Cord Blood Banking represents a significant new era in cord blood banking in Australia and greatly extends the potential uses for a child's cord blood. As Cryosite is Australia's only Family Cord Blood Bank Cryosite is now able to clearly differentiate its services to potential cord blood customers, and as Family Banking can be provided at no extra cost to parents, Cryosite has a distinct competitive advantage over our competition.

Family Banking has enabled Cryosite to launch major advertising and media awareness campaigns to differentiate itself from other cord blood banks. Cryosite has launched a new Family Cord Blood Banking website and has supported this with intensive social media and traditional magazine and print advertising campaigns.

The decision for parents and their doctors who decide to bank their child's cord blood privately has been simplified: why bank for one child, when cord blood stem cells banked with Cryosite can be used to treat other compatible family members. The initial reaction from both doctors and parents has indicated that the provision of Family Banking services could both expand the market and consolidate Cryosite's share of the existing market.

The ATCC distribution service is facing increasing competition from two other sources of similar products, so we will continue to focus our marketing strategy on the well recognised reputation of the ATCC for quality and the fact that they have the largest range of products.

Directors' Report continued

REVIEW OF OPERATIONS CONTINUED

We expect that the clinical trial services are of the business will continue to perform well. As noted previously, Cryosite is able to utilise a number of important competitive advantages over its competitors. These advantages have their foundation in the unique model that Cryosite has refined over the last 10 years and has been enhanced with the improved facilities developed at South Granville. The integration of a number of different biological services under the quality system that is required to support our various regulatory licensed activities gives our clients a level of confidence that our competitors find difficult to match. So, our experience is that we have a high rate of success in converting initial client interest into long-term agreements.

The likely growth in the market is difficult to predict. Although we have not experienced any slowdown in new trials, the general industry view seems to be that the number of new trials will either fall or at best remain at around the present numbers. If this is the case, it is even more important for Cryosite to continue to refine its range and level of services to maintain its competitive edge.

Finally, the Directors would like to thank all of our loyal shareholders for their past support and to assure them that the Board and management of the company will continue to build a truly world-class company.

SHARE OPTIONS

As at the date of this report, there were 520,000 unissued ordinary shares under options (520,000 as at 30 June 2010). Refer to the remuneration report for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

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 the 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, including, 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). This is supported by 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.

There have been no significant known breaches of the consolidated entity's licence conditions or any regulations to which it is subject to. The company, to the best of its knowledge, is not subject to any specific environmental regulations.

Directors' Report continued

REVIEW OF OPERATIONS CONTINUED

BUSINESS RISKS

There is a great deal of research activity being undertaken in the stem cell area, both embryonic and adult. It is possible that research may uncover new therapies to supersede the current established uses of cord blood stem cells thus 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.

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 Directors' and Officers' right to access board papers and other Company documents. In return, each 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 Duncan Dovico and is included within the scope of the audit report on page 61.

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.

Directors' Report continued

REMUNERATION REPORT CONTINUED

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.

Executive directors and other key management personnel are employed on rolling contracts. The company may terminate the executives employment agreement by providing 3 months notice written notice or by providing payment in lieu for the notice period based on the fixed component of the executive's remuneration. Any options that have vested or that will vest during the notice period will be forfeited. The company may terminate the contract without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any options that have vested will be forfeited. Executive directors and other key management personnel may resign by giving 3 months written notice.

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.

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)
Gordon Milliken	Managing Director
Graeme Moore	Executive Director
Philip Alger	Chief Financial Officer

Due to the relatively small number of employees, apart from Gordon Milliken, Graeme Moore and Philip Alger there are no other executives having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

Directors' Report continued

REMUNERATION REPORT CONTINUED

COMPENSATION FOR KEY MANAGEMENT PERSONNEL

	<u>Short term benefits</u>		<u>Post employment benefits</u>	<u>Other long term benefits</u>	<u>Share-based payments</u>	<u>Total</u>
	<u>Salary & Fees</u>	<u>Other cash benefits</u>	<u>Super-annuation</u>	<u>Long service leave</u>	<u>Options</u>	
	\$	\$	\$	\$	\$	\$
Year ended 30 June 2011						
Non-executive Directors						
Theodore Onisforou	75,000	-	6,750	-	-	81,750
Sub-total: non-executive directors	75,000	-	6,750	-	-	81,750
Executive directors						
Gordon Milliken	108,188	36,000	49,994	1,845	-	196,027
Graeme Moore	126,646	27,600	42,677	14,377	1,382	212,682
Other key management personnel						
Philip Alger	87,218	-	49,994	2,379	1,009	140,600
Sub-total executive KMP	322,052	63,600	142,665	18,601	2,391	549,309
Total	397,052	63,600	149,415	18,601	2,391	631,059
Year ended 30 June 2010						
Non-executive Directors						
Theodore Onisforou	75,000	-	6,750	-	-	81,750
Sub-total: non-executive directors	75,000	-	6,750	-	-	81,750
Executive directors						
Gordon Milliken	113,762	19,000	49,971	4,612	-	187,345
Graeme Moore	127,060	27,600	13,921	-	5,634	174,215
Other key management personnel						
Philip Alger	75,092	-	49,996	2,379	4,131	131,598
Sub-total executive KMP	315,914	46,600	113,888	6,991	9,765	493,158
Total	390,914	46,600	120,638	6,991	9,765	574,908

Directors' Report continued

REMUNERATION REPORT CONTINUED

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

(i) Where directors resigned or were appointed during the year payments shown above are for the period served as a director.

OPTIONS GRANTED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011

There were no options granted during the year (2010: Nil).

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

	Gordon Milliken No. *	Graeme Moore No	Philip Alger No.*	Total No.
Balance held at 1 July 2010	-	300,000	220,000	520,000
Options issued(expiring) during the year	-	-	-	-
Balance held at 30 June 2011	-	300,000	220,000	520,000

* Options issued under the employee share scheme.

	Gordon Milliken No. *	Graeme Moore No	Philip Alger No.*	Total No.
Balance held at 1 July 2009	312,500	300,000	220,000	832,500
Options expiring during the year	(312,500)	-	-	(312,500)
Balance held at 30 June 2010	-	300,000	220,000	520,000

* Options issued under the employee share scheme.

OPTIONS VESTED OF KEY MANAGEMENT PERSONNEL

	Gordon Milliken No. *	Graeme Moore No. *	Philip Alger No. *	Total No.
Balance vested at 1 July 2010	-	200,000	146,666	346,666
Options vested 1 December	-	100,000	73,334	173,334
Balance vested at 30 June 2011	-	300,000	220,000	520,000
Not exercisable	-	-	-	-
Exercisable	-	300,000	220,000	520,000

* Options issued under the Employee Share Option Scheme.

Directors' Report continued

REMUNERATION REPORT CONTINUED

OPTIONS VESTED OF KEY MANAGEMENT PERSONNEL CONTINUED

	Gordon Milliken No. *	Graeme Moore No. *	Philip Alger No. *	Total No.
Balance vested at 1 July 2009	312,500	100,000	73,333	485,833
Options vested 1 December 2009	-	100,000	73,333	173,333
Options expired 1 May 2010	(312,500)	-	-	(312,500)
Balance vested at 30 June 2010	-	200,000	146,666	346,666
Not exercisable	-	-	-	-
Exercisable	-	200,000	146,666	346,666

* Options issued under the Employee Share Option Scheme.

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.

Directors' Report continued

REMUNERATION REPORT CONTINUED

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Shares held in Cryosite Limited	Balance 1 July 2010 Ord.	Granted as remuneration Ord.	On exercise of options Ord.	On market purchases Ord.	Balance 30 June 2011 Ord.
Theodore Onisforou	4,021,504	-	-	103,500	4,125,004
Gordon Milliken	1,288,415	-	-	-	1,288,415
Graeme Moore	-	-	-	-	-
Philip Alger	-	-	-	-	-
Total	5,309,919	-	-	103,500	5,413,419
Shares held in Cryosite Limited	Balance 1 July 2009 Ord.	Granted as remuneration Ord.	On exercise of options Ord.	On market purchases Ord.	Balance 30 June 2010 Ord.
Theodore Onisforou	3,751,337	-	-	270,167	4,021,504
Gordon Milliken	1,048,415	-	-	240,000	1,288,415
Graeme Moore	-	-	-	-	-
Philip Alger	-	-	-	-	-
Total	4,799,752	-	-	510,167	5,309,919

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.

DIRECTORS' MEETINGS

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

Directors	Directors Meetings Eligible to attend	Directors Meetings Attended
Theodore Onisforou	6	6
Gordon Milliken	6	6
Graeme Moore	6	6

Directors' Report continued

PROCEEDING ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporate Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceeding have been brought or intervened in on behalf of the company with leave of the court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

The directors have received the auditor's independence declaration which is included on Page 15 of this report.

No director of Cryosite is currently or was formerly a partner of Duncan Dovico.

Non-audit services were provided by the entity's auditor, Duncan Dovico 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.



Gordon Milliken
Managing Director

Date: 22 August 2011

Auditors' Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cryosite Limited and its controlled entity during the year.

Duncan Dovico Chartered Accountants



Rosemary Megale
Partner

Sydney, 22 August 2011

Corporate Governance Statement

Cryosite is committed to implementing the highest possible standards of corporate governance. In determining what those high standards should involve, Cryosite has turned to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles) and has a corporate governance framework that reflects those recommendations within the structure of the Company.

The Company's policies and charters together form the basis of the Company's governance framework.

Within this framework:

- the Board of Directors is accountable to shareholders for the performance of the Company;
- the Company's goals to achieve milestones are set and promulgated;
- the risks of the business are identified and managed; and
- the Company's established values and principles underpin the way in which it undertakes its operations.

The Company has in place an entrenched, well developed governance culture which has its foundations in the ethical values that the Board, management and staff bring to the Company and their commitment to positioning the Company as a leader in its field.

In certain instances, due to the size and stage of development of Cryosite and its operations, it may not be practicable or necessary to implement the ASX Principles in their entirety. In these instances Cryosite has identified the areas of divergence.

In accordance with its Shareholder Communications Policy, Cryosite has made its corporate governance policies and charters publicly available on its website (www.Cryosite.com).

1. Lay solid foundations for management and oversight

The Company has established the functions reserved to the Board and those delegated to senior executives.

The Board of Directors of Cryosite has the primary responsibility for guiding and monitoring the business and the affairs of Cryosite. This includes compliance with Cryosite's corporate governance objectives and for setting the strategic direction of the Company. The Board Charter confirms this responsibility and sets out the roles and responsibilities of the Board and the functions reserved to the Board. The Board Charter is available on the Company's website.

In carrying out its governance role, the main task of the Board is to oversee the performance of Cryosite. The Board is committed to Cryosite's compliance with all of its contractual, statutory, and ethical and any other legal obligations, including the requirements of any regulatory body.

It is the role of senior management to manage Cryosite in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The non-executive Chairman annually assesses the performance of the Managing Director and other executive directors. During the year the performance of the Managing Director and senior executives were assessed, areas for improvement were identified and strategies adopted to implement improvements.

2. Structure the board to add value

The Board is comprised of three Directors, the Chairman Theodore Onisforou, the Managing Director Gordon Milliken and executive director Graeme Moore. This Board structure is not in accordance with recommended ASX principles but the Board believes that due to the current development stage and size of the Company the interests of shareholders are currently best served by a small closely involved Board.

Further details about the Directors, including their tenure, skills, experience and expertise relevant to the position of director are set out in the Directors' Report.

Corporate Governance Statement continued

Due to the Board size and structure, the Company has not established Nomination, Remuneration or Audit Committees. The Directors believe performance of these sub-committees duties are more effectively dealt with by the Board at present.

The Board has considered and believes that there is currently an appropriate mix of skills, diversity and experience on the Board. As set out in the Board Charter, in selecting new directors, the Board will ensure that the candidate has the appropriate range of skills, experience, expertise and diversity that will best complement Board effectiveness. In addition, any candidate must confirm that they have the necessary time to devote to their Cryosite Board position.

No board performance review was undertaken in the last 12 months. There has been no nomination received for a proposed board member during the financial year.

The Company's director induction program includes the culture and values of the company, meeting arrangements; and director interaction with each other, senior executives and other stakeholder. The current directors possess key skills in the Company's industry and have experience in the industry. The director's on-going education comprises of maintaining their knowledge in key developments and industry that the company operates.

Individual Directors are entitled to obtain advice from independent external advisers in relation to any Board matter, at the expense of the Company, with the consent of the Chairman.

3. Promote ethical and responsible decision-making

Code of Conduct

To ensure that Cryosite maintains the highest standards of integrity, honesty and fairness in its dealings with all stakeholders, the Company has an established a formal Code of Conduct (Code). This Code acts as a guide for compliance with legal and other obligations to stakeholders. These stakeholders include customers, shareholders, employees, suppliers, business partners, the community and environment in which Cryosite operates.

All Cryosite employees (including Directors, employees, consultants, contactors, advisors and all other individuals that represent Cryosite) play an important role in establishing, maintaining and enhancing the reputation of Cryosite by ensuring high standards of ethics and behaviour are observed. Employees are required to comply with the Code, Cryosite policies and all applicable laws and report any genuine suspicions of non-compliance. A copy of this Code is available on the Company's website.

Diversity

Diversity includes but is not limited to gender, age, ethnicity and cultural background.

The Company has reflected its policy on diversity throughout the suite of documents, in particular in the Company's Code of Conduct and Board Charter, not in a separate diversity policy.

The company is aware of the benefits of diversity. It has benefited from all available talent, promotes appointment of well qualified personnel, and has maximise achievement of corporate goals through diversity.

The company is committed to the transparency of board processes including the review and appointment of its directors.

The Board has not established measurable objectives for achieving gender diversity at present however the Board is committed to considering the issue of diversity at least annually. At present Cryosite has 28 employees (including consultants to the Company). Of these 14 are female. Of the 3 executive roles within the Company none is currently carried out by a female. There are currently no female board members.

Corporate Governance Statement continued

Securities Trading Policy

Cryosite has a policy applying to all Directors, officers and employees of Cryosite relating to the prohibition against insider trading, and prescribes certain requirements for dealing in Cryosite's securities. A copy of this Policy is available on the Company's website.

4. Safeguard integrity in financial reporting

The Company has not established an audit committee as recommended by the ASX Principles as the Board believes that due to the small size of the Company this role is more effectively dealt with by the Board directly.

The Board discusses directly with the auditors, each half year and full year financial aspects of the Company.

Information about the procedure for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners are set out on the Company's website.

5. Make timely and balanced disclosure

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance, including a Continuous Disclosure Policy and a Shareholder Communications Policy. A copy of the policies, ASX announcements and other publications are available on the Company's website.

6. Respect the rights of shareholders

As set out above the Company has a Continuous Disclosure Policy and a Shareholder Communications Policy to promote effective communication with shareholders and encourage their participation at general meetings. A copy of both policies is available on the Company's website.

If considered necessary, the Company will arrange for advance notice of significant group briefings and make them widely accessible on the Company's website. The company has included its results announcements on its website and through the ASX.

7. Recognise and manage risk

The Company has established a system of risk oversight and management and internal control. The basis of this system is the Company's Risk Management Policy which formalises and communicates Cryosite's approach to the management of risk. A copy of the Policy is available on the Company's website.

The Board requires Management to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board regarding the management of those risks. The Board has received a statement in writing from the Managing Director attesting to the effectiveness of the Company's management of its material business risks.

The Board has received assurance from the Managing Director that the declaration provided in accordance with section 295A of the Corporations Act is based on a sound system of risk management and internal control and that the system is operating effectively in all material respects.

8. Remunerate fairly and responsibly

The Company has not established a remuneration committee as recommended by the ASX Principles. The Board believes that due to the current development stage and size of the Company these matters are best handled by the Board itself.

The Remuneration Report and further details about the remuneration policy of Cryosite are set out in the Directors' Report. The Remuneration Report clearly distinguishes between the structure of Non-Executive Directors' remuneration and that of executives.

Corporate Governance Statement continued

The Company's policy is to reward executives with a combination of fixed remuneration and equity incentives, structured to drive improvements in shareholder value. Non-executive directors are only remunerated by way of fees in the form of cash and their statutory superannuation contributions.

The Company's policy regarding the prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes is set out in the Company's Securities Trading Policy. A copy of the Policy is available on the Company's website.

Directors' Declaration

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

- (1) In the opinion of the directors:
 - (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; 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) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (3) 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 2011.

On behalf of the Board



Gordon Milliken
Managing Director

Date: 22 August 2011

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011	Notes	2011 \$	2010 \$
Sale of goods and rendering of services		6,432,973	5,968,601
Other revenue	5	226,793	170,992
Revenues		6,659,766	6,139,593
Expenses	6		
Finance costs		(11,282)	(13,533)
Costs of providing services		(3,420,178)	(3,279,387)
Marketing expenses		(301,467)	(265,165)
Occupancy expenses		(593,309)	(800,278)
Administration expenses		(2,028,136)	(1,768,443)
Profit(Loss) from continuing operations before income tax		305,394	12,787
Income tax (expense)benefit	7	28,911	(8,175)
Profit(Loss) from continuing operations after income tax		334,305	4,612
Net Profit(Loss) attributable to members of the company		334,305	4,612
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income(loss) for the year		334,305	4,612
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company		Cents	Cents
Basic earnings per share	8	0.7	0.1
Diluted earnings per share	8	0.7	0.1

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2011	Notes	2011 \$	2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	2,910,943	2,045,065
Trade and other receivables	12	1,246,091	1,171,347
Inventories	13	27,984	45,630
Prepayments	14	163,242	43,710
Total Current Assets		4,348,260	3,305,752
Non-current Assets			
Trade and other receivables	15	1,116,684	1,434,601
Investments in subsidiaries	16	-	-
Deferred tax asset	7 (c)	782,970	754,059
Plant and equipment	17	2,377,220	2,187,881
Intangible assets	18	-	-
Total Non-current Assets		4,276,874	4,376,541
TOTAL ASSETS		8,625,134	7,682,293
LIABILITIES			
Current Liabilities			
Trade and other payables	19	1,128,584	891,678
Unearned income	20	337,165	313,261
Provisions	22	304,274	239,687
Total Current Liabilities		1,770,023	1,444,626
Non-current Liabilities			
Unearned income	21	1,922,131	1,653,220
Provisions	22	241,597	229,760
Total Non-current Liabilities		2,163,728	1,882,980
TOTAL LIABILITIES		3,933,751	3,327,606
NET ASSETS		4,691,383	4,354,687
EQUITY			
Contributed equity	23	8,138,766	8,138,766
Share option reserves	24	239,118	236,727
Accumulated losses	23(a)	(3,686,501)	(4,020,806)
TOTAL EQUITY		4,691,383	4,354,687

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011	Notes	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of GST		6,988,936	6,789,594
Payments to suppliers and employees		(5,664,559)	(5,957,586)
Interest received		106,258	159,182
Interest paid		(11,281)	(13,533)
Net cash flows from operating activities	11	1,419,354	977,657
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	17	(696,498)	(274,383)
Proceeds on disposal of plant and equipment		37,888	15,000
Interest received – term deposits		105,134	-
Net cash flows (used in) investing activities		(553,476)	(259,383)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		865,878	718,274
Cash and cash equivalents at beginning of year		2,045,065	1,326,791
Cash and cash equivalents at end of year	10	2,910,943	2,045,065

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Attributable to equity holders of the company			Total equity \$
	Contributed capital \$	Accumulated losses \$	Share options reserves \$	
CONSOLIDATED				
At 1 July 2009	8,138,766	(4,025,418)	226,962	4,340,310
Total comprehensive income for the year	-	4,612	-	4,612
<i>Transactions with owners in their capacity as owners</i>				
Amortisation of share based payments	-	-	9,765	9,765
At 30 June 2010	8,138,766	(4,020,806)	236,727	4,354,687
Total comprehensive income for the year	-	334,305	-	334,305
<i>Transactions with owners in their capacity as owners</i>				
Amortisation of share based payments	-	-	2,391	2,391
At 30 June 2011	8,138,766	(3,686,501)	239,118	4,691,383

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

1 CORPORATE INFORMATION

The financial report of Cryosite Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 22 August 2011.

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 preparation

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, except when otherwise stated.

(a) Compliance with IFRS

The consolidated financial statement of Cryosite Limited group and the separate financial statements of Cryosite Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) 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.

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, less any impairment charges.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) 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.

(d) 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 the statement of comprehensive income as incurred.

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

Major depreciation rates are:	2011	2010
- Leasehold improvements:	Lease term	Lease term
Plant and equipment:		
- Fixtures and fittings	5 – 10 years	5 – 10 years
- Information technology	2 - 2.5years	2 - 2.5years
- Warehouse equipment	4 - 10 years	4 - 10 years
- Office furniture & equipment	2.5 – 8 years	2.5 – 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.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

(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

Research and development costs

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

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(h) Inventories

Inventories consist of consumables used in the provision of services. Inventories are valued at the lower of cost and net realisable value. Cost is determined by actual purchase price. 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.

(i) Trade and other receivables

Trade receivables (Current), which generally have 30 day terms, are recognised initially at fair value less an 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% (2010: 17.5%).

(j) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position 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 statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) 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.

(l) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual 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. Unused sick leave on termination of employment is forfeited.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(l) Employee leave benefits continued

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.

(m) 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 statement of comprehensive income 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.

(n) 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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(o) Share-based payment transactions continued

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.

(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 statement of comprehensive income 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 services to the customers.
- Revenue from cord blood services is recognised in the accounting period in which the services are rendered. Where the Group has a long term contract with its customers to provide cord blood services, a receivable is recognised at its net present value with a corresponding amount recognised as unearned income in the statement of financial position (Refer Note 20 and 21).
- Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(q) Revenue continued

- Dividends: revenue is recognised when the Company's right to receive the payment is established.

(r) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance 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; 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 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 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 statement of comprehensive income.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(r) Income tax and other taxes continued

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

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

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

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

(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) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(w) 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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(w) Earnings per share continued

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.

(x) New accounting standards and interpretations but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group has assessed the impact of these new standards and interpretations on the financial report and has concluded that there will be no material effect.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the company's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. However there will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such liabilities. The derecognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed.

Revised *AASB 124 Related Party Disclosures* and *AASB 2009-12 Amendments to Australian Accounting Standards* (effective from 1 January 2011). In December 2009 the AASB issued a revised *AASB 124 Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. A company will have to apply the amended standard from 1 July 2011. When the amendments are applied, the company will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011). In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The company does not make any such prepayments. The amendment is therefore not expected to have any impact on the company's financial statements. A company will have to apply the amendment from 1 July 2011.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(x) New accounting standards and interpretations but not yet effective continued

AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. However any company listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. A company will have to apply the amendment from 1 July 2011.

AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. A company will have to apply the amendment from 1 July 2012.

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.

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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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.

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 statement of financial position. 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 statement of financial position 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 statement of comprehensive income.

(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.

Make good provisions

The company has now fully completed construction of the Granville site and the company has now received from the site contractor an estimate of the present value of anticipated costs of future restoration that may be required at maturity of the leased premises. This provision includes future cost estimates associated with dismantling, closure, decontamination and permanent storage of historical residues. The calculation of any provision requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts provided. Any provision recognised will be periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the expense or asset and provision.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

4 SEGMENT INFORMATION

Identification of Reportable Segments

Operating Segment

	Biological Services \$	Warehousing & Distribution \$	Total \$
30 June 2011 - Consolidated			
Total segment revenue	3,432,173	3,227,603	6,659,766
Segment profit before EBITDA	210,440	381,363	591,803
30 June 2010 - Consolidated			
Total segment revenue	3,240,201	2,899,392	6,139,593
Segment profit before EBITDA	58,757	82,792	141,549
Total Segment assets			
30 June 2011	4,824,576	3,800,558	8,625,134
30 June 2010	4,389,028	3,293,265	7,682,293

A reconciliation of operating EBITDA before operating profit before income tax is provided as follows:

	Consolidated	
	30 June 2011	30 June 2010
	\$	\$
Operating EBITDA	591,803	141,549
Interest revenue	226,793	170,992
Depreciation and amortisation	(501,920)	(286,221)
Finance costs	(11,282)	(13,533)
Profit before tax	305,394	12,787

An entity shall report a measure of liabilities for each reportable segment if such an amount is regularly provided to the chief operating decision maker.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
		2011	2010
		\$	\$
5 REVENUE			
Revenue			
Sale of goods and rendering of services		6,432,973	5,968,601
Other Revenue			
Bank and STMM interest		226,793	170,992
		<u>6,659,766</u>	<u>6,139,593</u>
6 EXPENSES			
(a) Finance costs			
Insurance premium funding		11,282	13,533
(b) Lease payments			
Lease payments-operating leases	6(e)	510,963	682,942
(c) Employee benefits expense			
Wages and salaries		1,736,276	1,686,194
Superannuation costs		292,340	227,158
Share-based payments expense		2,391	9,765
		<u>2,031,007</u>	<u>1,923,117</u>
(d) Depreciation and amortisation			
Depreciation – plant & equipment	17	501,920	286,221
(e) Relocation expenses			
Additional rent (included above)	6(b)	-	150,628
Additional occupancy and relocation costs		-	169,757
		<u>-</u>	<u>320,385</u>

The company has now completed relocation of all personnel and equipment to South Granville and has terminated the lease over the premises at Lane Cove. All costs in relation to relocation and make-good of the terminated lease have now been incurred. There was no impact on the current financial year.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

7 INCOME TAX

	Consolidated 2011 \$	2010 \$
(a) Income tax expense		
The major components of income tax are:		
<i>Statement of comprehensive income</i>		
Current income (tax expense)benefit	(118,070)	19,441
Applied (added to unrecognised losses)	118,070	(19,441)
Recognition of temporary differences	28,911	(8,175)
Income tax benefit(expense) reported in the Statement of comprehensive income	28,911	(8,175)
(b) Numerical reconciliation between aggregate tax (expense)benefit recognised in the statement of comprehensive income and tax (expense)benefit 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:		
Accounting profit before tax from continuing operations	305,394	12,787
At the statutory income tax rate of 30% (2010: 30%)	(91,618)	(3,836)
Share-based payments (equity settled)	(717)	(2,930)
Other items (net)	(1,742)	(6,951)
Recognition of previously unrecorded losses against current year taxable income	94,077	13,717
Recognition of temporary differences	28,911	(8,175)
Income tax benefit(expense)	28,911	(8,175)

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

7 INCOME TAX continued

	Consolidated 2011 \$	2010 \$
(c) Recognised deferred tax assets and liabilities		
Deferred income tax at 30 June relates to the following:		
<i>Deferred income tax assets</i>		
Post-employment benefits	102,261	79,334
Provision for tax and audit fees	15,594	4,389
Provision for doubtful debts	79,500	79,500
Impairment and depreciation of plant & equipment for book purposes	(3,580)	(3,961)
Impairment amortisation of intangibles for book purposes	122,259	122,336
Amortisation of Section 40-880 uniform capital allowances	36,415	47,234
Depreciation of fixed assets expensed in prior years		
Losses available for offset against future taxable income	438,916	438,916
<i>Deferred income tax liabilities</i>		
Consumables	(8,395)	(13,689)
Net deferred tax asset	782,970	754,059
Comprised of :		
Deferred tax asset	782,970	754,059
Deferred tax liability	-	-
	782,970	754,059

There is a temporary difference of \$ 705,318, (2010: \$ 823,388) for which no deferred tax asset is recognised on the statement of comprehensive income as deferred income tax assets have only been recognised to the extent that it is probable that taxable profit will be available.

(d) Tax (expense) benefit related to items of other comprehensive income.

There were no items of comprehensive income during the year giving rise to any income benefit(expense).

(d) Tax losses

The Group has tax losses arising in Australia of \$3,814,113 (2010: \$4,207,679) that are available for offset against future taxable profits of the company. The deferred income tax asset of \$1,144,234 (2010: \$1,262,304) arising from these losses has been brought to account to the extent of \$438,916 (2010: \$438,916) at reporting date, as realisation of the benefit is now regarded as probable.

As at 30 June 2011, the Group has unrecognised tax losses of \$2,351,060 (2010: Loss of \$2,744,626) and an unrecognised deferred tax asset of \$705,318 (2010: \$823,388).

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

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 \$675,665 (2010: \$587,486) tax effected was recognised as tax consolidation contributions during the financial year as below:

	Parent	2010
	2011	
	\$	\$
Total reduction in tax payable of Cryosite Limited	(675,665)	(587,486)
Total increase to intercompany assets of Cryosite Limited	675,665	587,486

8 EARNINGS PER SHARE

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

	Consolidated	2010
	2011	
	\$	\$
Net profit attributable to ordinary equity holders of the parent	334,305	4,612
	No of shares.	No of shares.
Weighted average number of ordinary shares for basic and dilutive earnings per share	46,639,563	46,639,563

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

9 DIVIDENDS PAID OR PROPOSED ON ORDINARY SHARES

No dividends have been provided for or paid (2010: Nil).

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

10 CASH AND CASH EQUIVALENTS

	Consolidated 2011	2010
	\$	\$
Cash at bank and on hand	397,077	300,457
Short-term deposits	2,513,866	1,744,608
	2,910,943	2,045,065

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 three 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 \$2,910,943 (2010: \$2,045,065).

Reconciliation of cash

For purposes of the Statement of Cash Flow, cash and cash equivalents as at 30 June 2011 and the prior year are as shown above.

11 STATEMENT OF CASH FLOW RECONCILIATION

	Consolidated 2011	2010
	\$	\$
<i>Reconciliation of the net profit after tax to the net cash flows from operations</i>		
Net profit(loss)	334,305	4,612
<i>Adjustments for non-cash items</i>		
Depreciation and amortisation of non-current assets	501,920	286,221
Write off of non-current asset	2,760	-
Share based payments expense	2,391	9,765
(Decrease)Increase in employee benefits – LSL	37,496	(6,149)

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

11 STATEMENT OF CASH FLOW RECONCILIATION CONTINUED

	Consolidated 2011 \$	2010 \$
<i>Changes in assets and liabilities</i>		
Decrease in trade and other receivables	62,668	247,342
Decrease in inventory	17,646	7,728
(Increase)decrease in other assets	(60,973)	304,266
(Increase)decrease in deferred tax asset	(28,911)	8,175
Increase(decrease) in trade and other creditors	218,309	(144,004)
Increase in unearned income	292,815	220,164
Increase in employee benefits – annual leave	38,928	39,537
Net cash flow from operating activities	1,419,354	977,657

12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated 2011 \$	2010 \$
Trade receivables	1,351,702	1,278,243
Allowance for impairment loss (a)	(264,999)	(264,999)
	1,086,703	1,013,244
Other receivables	159,388	158,103
Carrying amount of trade and other receivables	1,246,091	1,171,347

(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. During the financial year there was no movement in the allowance for impairment loss (2010: \$264,999). When there is an impairment loss, it has been included in the administration expense item. No individual amount within the impairment allowance is material.

Movements in the provision for impairment loss were as follows:

	Consolidated 2011 \$	2010 \$
At the beginning of the year	264,999	264,999
Charge for the year	-	-
At the end of the year	264,999	264,999

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES CONTINUED

(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 PDNI*	+91 Days PDNI*	+91 Days CI**
	\$	\$	\$	\$	\$	\$	\$
2011							
Current	1,351,702	209,275	444,336	211,814	60,975	160,303	264,999
Non-Current	1,116,684	1,116,684	-	-	-	-	-
Total							
Consolidated	2,468,386	1,325,959	444,336	211,814	60,975	160,303	264,999
2010							
Current	1,278,243	161,307	338,113	238,897	76,109	198,818	264,999
Non-Current	1,252,811	1,252,811	-	-	-	-	-
Total							
Consolidated	2,531,054	1,414,118	338,113	238,897	76,109	198,818	264,999

* Past due not impaired (“PDNI”) ** Past due considered impaired (“CI”)

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

	Consolidated	
	2011	2010
	\$	\$
Consumables at cost	27,984	45,630
Total inventories at cost	27,984	45,630

14 CURRENT ASSETS - PREPAYMENTS

Prepayments	163,242	43,710
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Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

15 NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011	2010
	\$	\$
Trade receivables	1,116,684	1,252,811
Security deposits	-	181,790
Carrying amount of non-current trade and other receivables	<u>1,116,684</u>	<u>1,434,601</u>
<i>Trade receivables</i>		
Trade receivables due under term payment plans	<u>1,116,684</u>	<u>1,434,601</u>

Non-current trade receivables are not considered impaired.

Security deposits

During the year the security deposit for the lease at Granville was replaced by a bank guarantee for \$181,790 issued by the Commonwealth Bank of Australia. No collateral is held as security.

The maximum exposure to credit risk at the time of reporting is the carrying value of the receivables.

16 NON-CURRENT ASSETS - INVESTMENTS IN SUBSIDIARIES

	Consolidated	
	2011	2010
	\$	\$
Investments at cost	-	-
Investment in controlled entity	Equity interest held by the consolidated entity	
	2011	2010
Name – Cryosite Distribution Pty Limited	%	%
	2011	2010
	\$	\$
Country of incorporation – Australia	<u>100</u>	<u>100</u>
	<u>20</u>	<u>20</u>

17 NON-CURRENT ASSETS - PLANT AND EQUIPMENT

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

	Consolidated	
	2011	2010
	\$	\$
<i>Leasehold Improvements</i>		
At the beginning of the year net of accumulated depreciation and impairment	205,000	-
Additions at cost	-	205,000
Disposals at cost	-	(201,017)
Disposals accumulated depreciation	-	201,017
Depreciation expense	(38,438)	-
At the end of the year net of accumulated depreciation and impairment	<u>166,562</u>	<u>205,000</u>
At cost	205,000	205,000
Accumulated depreciation	(38,438)	-
Net carrying amount	<u>166,562</u>	<u>205,000</u>

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

17 NON-CURRENT ASSETS - PLANT AND EQUIPMENT CONTINUED

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

	Consolidated	
	2011	2010
	\$	\$
<i>Fixtures and fittings</i>		
At the beginning of the year net of accumulated depreciation and impairment	30,560	37,345
Additions at cost	4,671	-
Disposals at cost	-	(221,366)
Disposals accumulated depreciation	-	221,366
Depreciation expense	(7,175)	(6,785)
At the end of the year net of accumulated depreciation and impairment	28,056	30,560
At cost	72,521	67,850
Accumulated depreciation	(44,465)	-
Net carrying amount	28,056	30,560
<i>Information technology</i>		
At the beginning of the year net of accumulated depreciation and impairment	51,933	35,795
Additions at cost	121,113	43,536
Disposals at cost	-	(132,901)
Disposals accumulated depreciation	-	132,901
Depreciation expense	(30,732)	(27,398)
At the end of the year net of accumulated depreciation and impairment	142,314	51,933
At cost	379,000	257,887
Accumulated depreciation	(236,686)	(205,954)
Net carrying amount	142,314	51,933
<i>Warehouse equipment</i>		
At the beginning of the year net of accumulated depreciation and impairment	1,890,613	1,925,270
Additions at cost	568,408	226,074
Disposals at cost	(29,542)	(167,412)
Disposals accumulated depreciation	24,304	152,412
Depreciation expense	(420,234)	(245,731)
At the end of the year net of accumulated depreciation and impairment	2,033,549	1,890,613
At cost	3,309,756	2,770,889
Accumulated depreciation	(1,276,207)	(880,276)
Net carrying amount	2,033,549	1,890,613
<i>Office furniture & equipment</i>		
At the beginning of the year net of accumulated depreciation and impairment	9,775	11,309
Additions at cost	2,306	4,773
Disposals at cost	-	(47,129)
Disposals accumulated depreciation	-	47,129
Depreciation expense	(5,342)	(6,307)
At the end of the year net of accumulated depreciation and impairment	6,739	9,775
At cost	33,517	31,211
Accumulated depreciation	(26,778)	(21,436)
Net carrying amount	6,739	9,775
Total plant and equipment net carrying amount	2,377,220	2,187,881

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

18 NON-CURRENT ASSETS - INTANGIBLE ASSETS

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

	Consolidated	
	2011	2010
	\$	\$
<i>Software development</i>		
At the beginning of the year net of accumulated amortisation	-	-
Additions	-	-
Impairment amortisation expense	-	-
At the end of the year net of accumulated amortisation	-	-
At cost	1,020,533	1,020,533
Accumulated amortisation	(713,003)	(713,003)
Impairment amortisation	(307,530)	(307,530)
Net carrying amount	-	-

19 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2011	2010
	\$	\$
Trade payables	434,362	328,231
Other payables	694,222	563,447
Total payables	1,128,584	891,678

Fair value

Trade payables are non-interest bearing and are normally settled on 30 to 90 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.

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

	Total	0-30	31-60	61-90	+91
	\$	Days	Days	Days	Days
	\$	\$	\$	\$	\$
2011					
Consolidated	434,362	313,012	121,047	303	-
2010					
Consolidated	328,231	160,475	127,780	33,726	6,250

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

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

20 CURRENT LIABILITIES - UNEARNED INCOME

	Consolidated	
	2011	2010
	\$	\$
Unearned service revenue	337,165	313,261

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

21 NON-CURRENT LIABILITIES - UNEARNED INCOME

	Consolidated	
	2011	2010
	\$	\$
Unearned service revenue	1,922,131	1,653,220

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

22 CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2011	2010
	\$	\$
Annual leave	249,796	210,868
Long service leave	54,478	28,819
	304,274	239,687

22 NON – CURRENT LIABILITIES - PROVISIONS

Long service leave	36,597	24,760
Lease make good	205,000	205,000
	241,597	229,760

(a) Movements in provisions*Annual leave*

Balance at beginning of the year	210,868	171,331
Arising during the year	38,928	39,537
	249,796	210,868

Long service leave

Balance at beginning of the year	53,579	59,728
Arising during the year	37,496	8,203
Written back on resignation	-	(14,352)
	91,075	53,579

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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

22 NON – CURRENT LIABILITIES – PROVISIONS CONTINUED

	Consolidated	
	2011	2010
	\$	\$
<i>Lease make-good</i>		
Balance at beginning of the year	205,000	-
Arising during the year	-	205,000
Balance at end of the year	205,000	205,000

Nature and timing of lease make-good provision

In accordance with the lease agreement with Allsup Pty Limited, the Group must restore the leased premises in Granville to its original condition at the end of the lease in 2015.

The provision of \$205,000 raised to in respect of the Group's obligation to restore the leased premises is included in the carrying amount of plant and equipment. Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the actual cost that may ultimately be incurred.

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

	Consolidated	
	2011	2010
	\$	\$
Ordinary shares	8,138,766	8,138,766
<i>Movement in ordinary shares on issue</i>		
	2011	2010
	Shares	Shares
	No.	No.
	\$	\$
Beginning of the financial year	46,639,563	8,138,766
	8,138,766	46,639,563
End of the financial year	46,639,563	8,138,766
	8,138,766	46,639,563
	8,138,766	8,138,766

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.

24 ACCUMULATED LOSSES AND RESERVES

(a) Movements in accumulated losses

	Consolidated	
	2011	2010
	\$	\$
Balance at the beginning of the year	(4,020,806)	(4,025,418)
Net profit for the year	334,305	4,612
Balance at the end of the year	(3,686,501)	(4,020,806)

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

24 ACCUMULATED LOSSES AND RESERVES CONTINUED

(b) Other reserves

Share options reserve	239,118	236,727
<i>Movements in share options reserve</i>		
Balance at the beginning of the year	236,727	226,962
Value of compensation benefit during the year	2,391	9,765
Balance at the end of the year	239,118	236,727

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 lease on the commercial property at Lane Cove in Sydney matured on 25 April 2010.

Future minimum rentals payable under commercial property leases as at 30 June 2011 are as follows:

	Consolidated	
	2011	2010
	\$	\$
Within one year	307,127	294,500
After one year but not more than five years	1,116,843	1,300,585
After five years	-	119,764
	1,423,970	1,714,849

(a) Operating lease commitments – Group as lessee continued

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 2011 are as follows:

	Consolidated	
	2011	2010
	\$	\$
Within one year	93,971	140,769
After one year but not more than five years	76,165	197,376
	170,136	338,145

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

25 COMMITMENTS AND CONTINGENCIES CONTINUED

(b) Plant and equipment commitments

There are no capital expenditure commitments at reporting date.

(c) Contingent Liabilities

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

26 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The directors are unaware of any event or transaction that has occurred between the balance date of 30 June 2011 and the date of this report which had or may have had a significant effect on the company.

27 AUDITOR'S REMUNERATION

	Consolidated	
	2011	2010
	\$	\$
<hr/>		
Amounts received or due and receivable by Duncan Dovico for:		
- Audit or review of the financial report of the entity and any other entity in the consolidated group	44,500	43,207
- Other services in relation to the entity and any other entity in the consolidated group	9,500	8,500
	<hr/>	<hr/>
	54,000	51,707
	<hr/> <hr/>	<hr/> <hr/>

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.

Cryosite Limited has received a dividend from Cryosite Distribution Pty Limited for \$1,575,000 (2010: \$1,400,000).

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

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:

	Consolidated 2011	2010
	\$	\$
Expense arising from equity-settled share-based payment transactions	<u>2,391</u>	9,765
	<u><u>2,391</u></u>	<u>9,765</u>

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2011 and 2010.

(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”).

(b) Employee Share Option Plan

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.

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. Options issued after this date under the ESOP have different vesting terms – refer table on page 13.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

29 SHARE-BASED PAYMENTS EXPENSE continued

(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:

	2011		2010	
	Options No.	WAEP \$	Options No.	WAEP \$
Balance at beginning of year	520,000	-	1,070,000	-
Option expiring or forfeited during the year	-	-	(550,000)	-
Options granted during the year	-	-	-	-
Balance at end of the year	520,000	-	520,000	-
Exercisable at end of the year				
Graeme Moore	300,000	-	200,000	-
Philip Alger	220,000	-	146,666	-
Sub-total key management personnel	520,000	-	346,666	-
Other employees	-	-	-	-
	520,000	-	346,666	-

Share based option payments:

Parties to option agreement	
Graeme Moore Philip Alger	
Rights Granted and grant date Share options granted 1 December 2007	
Graeme Moore	300,000
Philip Alger	220,000
Option exercise price One third at \$0.20 per share, One third at \$0.30 per share One third at \$0.40 per share	
Vesting period 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.	
Vesting requirements Options granted under ESOP as part of remuneration package. Options will lapse on cessation of employment with the company.	
Weighted average fair value per option at grant date	\$0.11

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

31 KEY MANAGEMENT PERSONNEL CONTINUED

(b) Compensation for key management personnel

	Consolidated 2011	2010
	\$	\$
Non-executive directors		
Short-term employee benefits	75,000	75,000
Post-employment benefits	6,750	6,750
Other long-term benefits	-	-
Share-based payment	-	-
Sub-total non-executive directors	81,750	81,750
Key management personnel		
Short-term employee benefits	385,651	362,514
Post-employment benefits	142,666	113,889
Other long-term benefits	18,601	6,990
Share-based payment	2,391	9,765
Sub-total key management personnel	549,309	493,158
Total compensation	631,059	574,908

(c) Shareholdings of key management personnel

Shares held in Cryosite Limited 30 June 2011	Balance at beginning of year Ord.	Granted as remuneration Ord.	On exercise of options Ord.	On market purchases Ord.	Balance 30 June 2011 Ord.
Theodore Onisforou	4,021,504	-	-	103,500	4,125,004
Gordon Milliken	1,288,415	-	-	-	1,288,415
Graeme Moore	-	-	-	-	-
Philip Alger	-	-	-	-	-
Total	5,309,919	-	-	103,500	5,413,419
Shares held in Cryosite Limited 30 June 2010	Balance at beginning of year Ord.	Granted as remuneration Ord.	On exercise of options Ord.	On market purchases Ord.	Balance 30 June 2010 Ord.
Theodore Onisforou	3,751,337	-	-	270,167	4,021,504
Gordon Milliken	1,048,418	-	-	240,000	1,288,415
Graeme Moore	-	-	-	-	-
Philip Alger	-	-	-	-	-
Total	4,799,755	-	-	510,167	5,309,919

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

31 KEY MANAGEMENT PERSONNEL CONTINUED

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

30 June 2011	Theodore Onisforou No.	Gordon Milliken No. *	Graeme Moore No. *	Philip Alger No.*	Total No.
Balance held at 1 July 2010	-	-	300,000	220,000	520,000
Balance held at 30 June 2011	-	-	300,000	220,000	520,000

* Options issued under the employee share scheme

30 June 2010	Theodore Onisforou No.	Gordon Milliken No. *	Graeme Moore No. *	Philip Alger No.*	Total No.
Balance held at 1 July 2009	-	312,500	300,000	220,000	832,500
Options expired during the year	-	(312,500)	-	-	(312,500)
Balance held at 30 June 2010	-	-	300,000	220,000	520,000

* Options issued under the employee share scheme

(e) Options Vested of key management personnel

	Theodore Onisforou No.	Gordon Milliken No. *	Graeme Moore No. *	Philip Alger No.*	Total No.
Balance vested at 1 July 2010	-	-	200,000	146,666	346,666
Options vested 1 December 2010	-	-	100,000	73,334	173,334
Balance vested at 30 June 2011	-	-	300,000	220,000	520,000
Not exercisable	-	-	-	-	-
Exercisable 30 June 2011	-	-	300,000	220,000	520,000

* Options issued under the Employee Share Option Scheme.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

31 KEY MANAGEMENT PERSONNEL CONTINUED

	Theodore Onisforou No.	Gordon Milliken No. *	Graeme Moore No. *	Philip Alger No*.	Total No.
Balance vested at 1 July 2009	-	312,500	100,000	73,333	485,833
Options vested 1 December 2009	-	-	100,000	73,333	173,334
Options expired during the year	-	(312,500)	-	-	(312,500)
Balance vested at 30 June 2010	-	-	200,000	146,666	346,666
Not exercisable	-	-	-	-	-
Exercisable 30 June 2010	-	-	200,000	146,666	346,666

* Options issued under the Employee Share Option Scheme.

32 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.

(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:

2011 CONSOLIDATED	Note	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 2011	10	5.69	2,513,866	-	-	2,513,866
Cash and cash equivalents	10	2.20	397,077	-	-	397,077
Current receivables – maturing at various dates during year ending 30 June 2011	12	3.8	39,549	93,456	1,113,086	1,246,091
Non-current receivables	15	3.8	-	1,116,684	-	1,116,684
			2,950,492	1,210,140	1,113,086	5,273,718
<i>Financial liabilities</i>						
Trade creditors and accruals – maturing at various dates during the year ending 30 June 2011.	19		-	-	1,128,584	1,128,584

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

32 FINANCIAL INSTRUMENTS CONTINUED

(a) Interest risk (continued)

2010 CONSOLIDATED	Note	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 2010	10	4.8	1,744,608	-	-	1,744,608
Cash and cash equivalents	10	0.3	300,457	-	-	300,457
Current receivables – maturing at various dates during year ending 30 June 2010	12	3.8	68,188	95,083	1,008,076	1,171,347
Non-current receivables	15	3.8	181,790	1,250,108	2,703	1,434,601
			<u>2,295,043</u>	<u>1,345,191</u>	<u>1,010,779</u>	<u>4,651,013</u>
<i>Financial liabilities</i>						
Trade creditors and accruals – maturing at various dates during the year ending 30 June 2010.	19		-	-	891,678	891,678

Interest rate sensitivity analysis

The following sensitivity analysis is based on interest rate risk exposures in existence at the balance 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:

		Post Tax Profit Higher (Lower) 2011 \$	2010 \$
Consolidated	Up by 2.0%	46,690	39,892
	Down by 1.5%	(35,022)	(29,918)

Net present value sensitivity analysis

The following sensitivity analysis is based on a discount rate of 17.5% (2010: 17.5%) risk exposures in existence at the balance date. If the discount rate had moved, as illustrated in the tables below, with all other variables held constant, post tax profit would have been affected as follows

		Post Tax Profit Higher (Lower) 2011 \$	2010 \$
Consolidated	Up by 2%	(35,066)	(31,767)
	Down by 2%	39,184	49,665

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

32 FINANCIAL INSTRUMENTS CONTINUED

(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 board. These risk limits are regularly monitored.

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 2011

32 FINANCIAL INSTRUMENTS CONTINUED

(d) Liquidity risk continued

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

Year ended 30 June 2011	Less than 6 months \$	6-12 months \$	1-5 years \$	Greater than 5 years \$	Total \$
Consolidated Financial Assets					
Cash and cash equivalents	2,910,943	-	-	-	2,910,943
Trade and other receivables	1,156,252	89,840	393,724	722,959	2,362,775
	4,067,195	89,840	393,724	722,959	5,273,718
Consolidated Financial liabilities					
Trade and other payables	1,128,584	-	-	-	1,128,584
Net maturity	2,990,611	89,840	393,724	722,959	4,197,134
Year ended 30 June 2010	Less than 6 months \$	6-12 months \$	1-5 years \$	Greater than 5 years \$	Total \$
Consolidated Financial Assets					
Cash and cash equivalents	2,045,065	-	-	-	2,045,065
Trade and other receivables	1,050,222	121,125	411,963	1,022,638	2,605,948
	3,095,287	121,125	411,963	1,022,638	4,651,013
Consolidated Financial liabilities					
Trade and other payables	891,678	-	-	-	891,678
Net maturity	2,203,609	121,125	411,963	1,022,638	3,759,335

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

32 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.

33 PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

AS AT 30 JUNE 2011

	2011 \$	2010 \$
(a) STATEMENT OF FINANCIAL POSITION		
Total Current Assets	4,112,221	3,082,116
Total Non-current Assets	4,276,894	4,376,561
TOTAL ASSETS	8,389,115	7,458,677
(b) LIABILITIES		
Total Current Liabilities	1,553,605	1,241,536
Total Non-current Liabilities	2,162,378	1,879,155
TOTAL LIABILITIES	3,715,983	3,120,691
(c) EQUITY		
Contributed equity	8,138,766	8,138,766
Share option reserves	239,118	236,727
Accumulated losses	(3,704,752)	(4,037,507)
TOTAL EQUITY	4,673,132	4,337,986

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2011

33 PARENT ENTITY FINANCIAL INFORMATION CONTINUED

	2011 \$	2010 \$
(d) COMPREHENSIVE INCOME		
Net Profit of the parent entity for the year net of income tax	332,755	36,585
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	332,755	36,585

(e) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

No guarantees have been entered into by the parent entity in relation to the debts of its subsidiaries.

(f) COMMITMENTS AND CONTINGENCIES OF THE PARENT ENTITY

Commitments and contingencies for the parent entity are the same as those disclosed in Note 25.

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 and its controlled entity which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 entity it controlled at the year's end or from time to time during the financial year ended 30 June 2011.

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 Australian Accounting Standards (including the Australian Accounting Interpretation) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control 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, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control.

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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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 complied with independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a) the financial report of Cryosite Limited and its controlled entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its 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*; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

Duncan Dovico Chartered Accountants



Rosemary Megale
Partner

Sydney, 22 August 2011