

CRYOSITE LIMITED

ABN 86 090 919 476

Half-Year Financial Report

For the six months ended 31 December 2004

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2004.

DIRECTORS

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

Richard Grellman FCA - Non-executive Chairman

Theodore Onisforou, B.Com, L.L.B – Non-Executive Director

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

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

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

REVIEW AND RESULTS OF OPERATIONS

Highlights:

- Revenue increased by 24% to \$1,382,334.
- Loss decreased by 23% to \$368,363.
- Positive Cash Flow from operating activities in the December quarter.
- Expanded Clinical Trials Logistics capacity.
- Client list growing.
- Increasing cord blood customers and consequent growth in annuity income .

Cryosite recorded positive operating cash flow for the December quarter. This result came about from a combination of:

- . Sustained increase in the number of cord blood samples stored.
- . New clinical trials logistics customers.
- . Continuing ATCC and archival services activity.
- . Careful management of expenditure.

The total revenue for the full 6 months was up by 24% to \$1,382,334 and our loss reduced to \$368,363, a fall of 23%. The cash position at 31 December 2004 was \$1,587,812.

The cord blood service experienced a new growth phase as a result of a greater level of awareness of the safety and value of dealing with a licensed provider. Cryosite was the first private cord blood service in Australia and is the only private cord blood service in Australia to offer the security of being licensed by the Therapeutic Goods Administration (TGA).

Directors' Report

Our cash position remains healthy despite the high level of capital expenditure. The majority of the expenditure was incurred in the purchase of additional cryogenic storage equipment to store the increased number of cord blood samples and for the construction of a new generation of more space efficient climate-controlled rooms to accommodate the rapidly increasing number of clinical trial logistics customers.

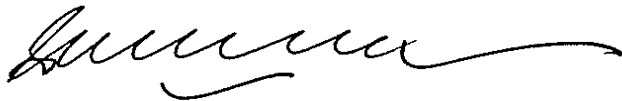
The most significant new client to sign an agreement with Cryosite is Pfizer, the world's largest pharmaceutical company. Cryosite now counts two of the world's top ten pharmaceutical companies in its customer list together with a growing number of other significant players in this sector.

A renewed five-year exclusive distribution agreement was also negotiated with the American Type Culture Collection. This agreement gives Cryosite exclusive rights to distribute the large range of ATCC products to research institutions and biotechnology organisations in Australia and New Zealand.

Auditor's Independence Declaration

A statement of independence has been provided by our auditors, Ernst & Young, and is included at page 11.

Signed in accordance with a resolution of the directors.



Richard Grellman
Chairman
Sydney, 18 February 2005

CRYOSITE LIMITED AND ITS CONTROLLED ENTITY

Condensed Statement of Financial Performance

HALF-YEAR ENDED 31 DECEMBER 2004	Notes	Consolidated	
		31 December 2004	31 December 2003
		\$	\$
Revenue from ordinary activities	2	1,382,334	1,114,654
Expenses from ordinary activities	2		
Borrowing costs expense		(4,717)	(1,998)
Costs of providing services		(762,293)	(710,923)
Marketing expenses		(192,278)	(194,105)
Occupancy expenses		(155,466)	(131,195)
Administration expenses		(635,964)	(556,092)
Loss from Ordinary Activities before Income Tax Benefit		(368,383)	(479,659)
Income Tax Benefit Relating to Ordinary Activities		-	-
Net Loss from Ordinary Activities after Income Tax Benefit		(368,383)	(479,659)
Total Changes in Equity other than those Resulting from Transactions with Owners as Owners Attributable to Members of Cryosite Limited		(368,383)	(479,659)
Basic earnings/(loss) per share (cents per share)		(1.0)	(1.4)
Diluted earnings/(loss) per share (cents per share)		(1.0)	(1.4)

Condensed Statement of Financial Position

HALF YEAR ENDED 31 DECEMBER 2004

Consolidated

	31 December 2004	30 June 2004
	\$	\$
Current Assets		
Cash assets	1,587,812	2,076,369
Receivables	615,101	566,826
Inventories	25,394	17,274
Other – prepayments	174,675	150,702
Total Current Assets	2,402,982	2,811,171
Non-Current Assets		
Receivables	789,047	541,275
Plant and equipment	1,243,640	1,050,412
Total Non-Current Assets	2,032,687	1,591,687
TOTAL ASSETS	4,435,669	4,402,858
Current Liabilities		
Payables	673,820	608,989
Unearned income	124,296	113,961
Provisions	41,020	36,646
Total Current Liabilities	839,136	759,596
Non-Current Liabilities		
Unearned income	879,863	604,372
Total Non-Current Liabilities	879,863	604,372
TOTAL LIABILITIES	1,718,999	1,363,968
NET ASSETS	2,716,670	3,038,890
EQUITY		
Contributed equity	7,815,715	7,815,715
Reserves	130,177	84,012
Accumulated losses	(5,229,222)	(4,860,837)
TOTAL EQUITY	2,716,670	3,038,890

Condensed Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2004

Consolidated

	31 December 2004	31 December 2003
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	1,370,681	1,168,932
Payments to suppliers and employees	(1,352,988)	(1,594,769)
Interest received	57,063	30,681
Borrowing costs paid	(4,717)	(1,997)
Net Cash Flows (Used In) Operating Activities	<u>(70,039)</u>	<u>(397,153)</u>
Cash Flows from Investing Activities		
Proceeds on sale of plant & equipment	-	-
Purchase of plant & equipment	(345,558)	(134,812)
Net Cash Flows (Used In) Investing Activities	<u>(345,558)</u>	<u>(134,812)</u>
Cash Flows from Financing Activities		
Costs of share issue	(72,960)	-
Repayment of finance lease principal	-	(1,155)
Net Cash Flows (Used in) Financing Activities	<u>(72,960)</u>	<u>(1,155)</u>
NET (DECREASE) IN CASH HELD	<u>(488,557)</u>	<u>(533,120)</u>
Add opening cash brought forward	2,076,369	1,635,477
CLOSING CASH CARRIED FORWARD	<u>1,587,812</u>	<u>1,102,357</u>

Notes to the Half Year Financial Statements

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

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Cryosite Limited as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by Cryosite Limited and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with historical cost convention.

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

(b) Changes in accounting policy

There have been no material changes to accounting policies during the half-year.

2. LOSS FROM ORDINARY ACTIVITIES.

(i) Revenue from ordinary activities

Revenue from services
Other revenue
Interest income

31 December 2004	31 December 2003
\$	\$
1,234,741	1,084,978
90,530	-
57,063	29,676
<u>1,382,334</u>	<u>1,114,654</u>

Notes to the Half Year Financial Statements continued

	31 December 2004	31 December 2003
	\$	\$
2. LOSS FROM ORDINARY ACTIVITIES		
continued		
(ii) Expenses		
Depreciation		
- Software	(58,398)	(56,850)
- Plant & equipment	(73,933)	(60,156)
- Leased assets	-	(828)
Total depreciation	<u>(132,221)</u>	<u>(117,834)</u>
Amortisation		
- Leasehold improvements	(20,106)	(20,106)
Total depreciation & amortisation	<u>(152,327)</u>	<u>(137,940)</u>

3. CONTINGENT ASSETS AND LIABILITIES.

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

4. SEGMENT INFORMATION

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

5. SUBSEQUENT EVENTS

Since the last reporting date there have not been any subsequent material events that have or will affect the results of Cryosite Limited and its controlled entity.

6. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Cryosite is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes as at the beginning of this financial year.

The Company's management, in consultation with its auditors, are assessing the significance of these changes and preparing for their implementation. The directors are of the opinion that the proposed changes will affect the financial reports of the Company in the following area:

- Equity based compensation. Currently the Company expenses equity based compensation arrangements over the period from grant date to likely exercise date. Under AASB 2 Share-Based Payments, the Company will expense equity based compensation based arrangements over the period from grant date to vesting date. This will reduce the period over which the equity based compensation arrangements are expensed.

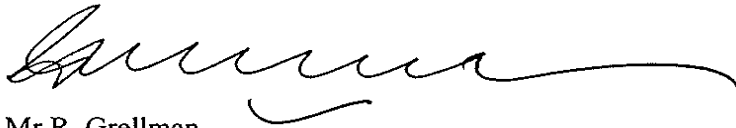
Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity :
 - (i) give a true and fair view of the financial position as at 31 December 2004 and of the performance for the half-year ended on that date of the consolidated entity ; and
 - (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts, as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Mr R. Grellman

Chairman

Sydney, 18 February 2005

Auditors Declaration to the Directors

Auditor's Independence Declaration to the Directors of Cryosite Limited

In relation to our review of the financial report of Cryosite Limited for the half year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Douglas B.

Douglas Bain
Partner
Sydney
18 February 2005

Independent review report

To members of Cryosite Limited

Scope

The financial report and Directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements for the consolidated entity comprising both Cryosite Limited (the company) and the entity it controlled during the half year, and the Directors' declaration for the company, for the period ended 31 December 2004.

The Directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*, and the ASX Listing Rules as they relate to Appendix 4D. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to express an opinion on it to the members of the company and in order for the company to lodge the financial report with the ASX and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly and in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

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

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the director's of the company a written Auditor's Independence Declaration, a copy of which is referred to in the Director's Report.

Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity is, comprising Cryosite Limited and the entity it controlled during the half year ended 31 December 2004 is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia and the ASX Listing Rules as they relate to Appendix 4D.

Ernst & Young

Ernst & Young

Douglas Bain

Douglas Bain
Partner
Sydney
18 February 2005