Cryosite Limited

ABN 86 090 919 476

Appendix 4E

Full year report

Results for announcement to the market

1. Details of Reporting Period

The financial information contained in this report is for the year ended 30 June 2019. Comparative amounts (unless otherwise indicated) relate to the year ended 30 June 2018.

2. Results for Announcement to the Market

				$A'000
2.1 Revenue from ordinary activities:	Up	34.6%	to	7,973k
2.2 Profit(loss) from ordinary activities after tax attributable to members:	Down	38.8%	to	(1,723)
2.3 Net profit (loss)for the period attributable to members:	Down	38.8%	to	(1,723)

3. Dividends

The Board of Cryosite has recommended that no dividends be paid.

4. Commentary on the results to the market

The audited annual accounts are attached. Please refer to these for full results and commentary.

5. NTA backing

	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	(3.7) cents	4.0 cents

CRYOSITE LIMITED

ABN 86 090 919 476

Annual Report

for the year ended 30 June 2019

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Corporate Information

DIRECTORS

Mr. Bryan Dulhunty (Executive Chairman)
Mr. Andrew Kroger (Non-Executive Director)
Mrs Nicola Swift (Non-Executive Director)

COMPANY SECRETARY

Mr. Bryan Dulhunty (CoSA Life Science - Corporate)

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

Mazars Risk & Assurance Pty Limited Level 12, 90 Arthur Street
NORTH SYDNEY NSW, 2060
Telephone: +61 2 9922 1166

INTERNET ADDRESS

www.cryosite.com

Directors' Report

The directors present their report together with the financial statements on the consolidated entity (the Group) consisting of Cryosite Limited (the Company) and the entity it controlled for the year ended 30 June 2019.

DIRECTORS

The following persons were directors of Cryosite Limited during the whole of the financial year and up to date of this report unless otherwise stated:

Mr. Bryan Dulhunty	Executive Chairman (Non- executive up to the 27th June 2019)
Mr. Andrew Kroger	Non-executive
Mrs. Nicola Swift	Non-executive

Names, qualifications, experience, interests and special responsibilities

Bryan Dulhunty, BEc, CA

Mr. Dulhunty brings a wealth of life science experience to the position having been involved in the industry for the past 20 years. Mr. Dulhunty provides a range of consulting services to the life science industry. Mr. Dulhunty has served as a director of a number of listed ASX and non-listed life science companies, including holding the positions of Executive Chairman and Managing Director of Viralytics Ltd from 2005 to 2012. Mr. Dulhunty is a Chartered Accountant and holds an Economics Degree from Sydney University. Mr. Dulhunty was appointed to the Board on 2nd March 2018 and Executive Chairman on the 27th June 2019.

Interest in shares and options at date of report

Shares	30,000
Options	1,300,000

Special responsibilities	Executive Chairman Chair of the Audit and Risk Committee Company Secretary

Mr. Andrew Kroger, BEc. LLB, Non-Executive Director

Mr. Kroger has had a career in stockbroking, law and general management including two years running Forsayth Group in 1990 which was Australia's ninth largest gold producer at that time. Mr. Kroger is the owner of Process Wastewater Technologies LLC, a company with its major business being in wastewater in the United States. Mr. Kroger has a Bachelor of Economics and a Bachelor of Laws from Monash University. Mr. Kroger was appointed to the Cryosite Limited board in November 2011.

Interest in shares at date of report	17,315,291

Mrs. Nicola Swift, BA (Mod) Legal Science, MA, CFA, GAICD, Non-Executive Director

Mrs. Swift has an extensive background in the international investment management and securities industry as a research director, portfolio manager and equity analyst. She has over 16 years of experience gained in London, Sydney and Boston with various global institutional investors. Mrs Swift is a Chartered Financial Analyst, a graduate of the Australian Institute of Corporate Directors and holds an Honours Law degree and a Masters of Arts from Trinity College Dublin. She is the CEO of Heads Over Heels Connections Pty Ltd and is also a Director of Ascham Foundation Ltd and Ascham School Ltd. Mrs. Swift was appointed to the Board on 3 November 2016.

Interest in shares at date of report	Nil
Special responsibilities	Chair of the Remuneration and Nominations committee

COMPANY SECRETARY

Bryan Dulhunty, BEc, CA

Company Secretarial Services for Cryosite Limited are provided by CoSA Life Science - Corporate, a Company Secretarial firm specialising in the Life science industries.

EARNINGS PER SHARE

	2019	**2018**
Basic earnings per share (cents)	(3.68)	(2.65)
Diluted earnings per share (cents)	(3.62)	(2.61)

DIVIDENDS

No dividends were paid during the financial year. The total dividends declared were $nil (2018: nil).

PRINCIPAL ACTIVITIES

The company's principal activities are the provision of supply chain logistics, management of pharmaceutical products used in clinical trials, management of biological materials and long-term storage of cord blood and tissue samples.

Cryosite operates through two operating segments:

Clinical Trials & Biological Services Logistics

This business provides specialist temperature-controlled storage, sourcing, labelling, status management, secondary packaging, schedule drug distribution, destruction, returns and biological services to the clinical trial and research industry.

Cord Blood and Tissues Storage

This business provides long term storage for cord blood and tissue samples.

REVIEW OF OPERATIONS

In the 2018 Chairman's letter to shareholders it was stated that "2019 will be a challenging year for the Company however the Company expects to end the year with a clear focus and a profitable and growing clinical trial logistic business supported by the long-term storage of Cord Blood and Tissue contracts" and this is exactly what occurred.

The Company reporting sales growth of 34% to $7,912k, incurred a loss after tax of $1,723k and an operating cash outflow of $648k for the year ended 30 June 2019.

These results are driven by a combination of one off costs, significant changes in accounting standards affecting our cord blood and tissue business segment, discontinuation of the processing of cord and tissue samples and changes to the sales product mix of the clinical trials logistic segment.

One off costs

The company incurred two one off costs totaling $1,488k;
- ACCC fine and related costs of $1,157k reported in other items in the profit and loss statement (refer note 35) and
-impairment losses of $331k as reported within expenses. (refer note 7)

These items are discussed in detail in the annual report.

Sales

Total sales revenue grew $2,048k to $7,912k. Cord blood and tissue revenue grew by $2,168 offset by a decline in clinical trial logistic revenue of $120k.

Cord blood and tissue revenue grew substantially despite the company ceasing to process cord blood and tissue. This growth in revenue is the result of the introduction of a new accounting standard AASB 15. The effect of this standard has been to reinstate revenue and costs previously recorded in past periods as deferred revenue and costs on the Statement of Financial Position. Each year we then take to account a proportion of the total revenue and costs from prior periods spread over the life of the original contracts. The accounting effect of this is set out in note 4.

It is important to note that the revenue and costs are principally deferred accounting entries and do not represent cash flow.

Clinical trial logistics saw revenue decline by $120k to $5,190k. This was due to a change in the sales product mix. As previously announced, a client, at the start of the year, consolidated their warehousing and logistics management of a commercial scale product with an international distribution company. This product was a high margin product for Cryosite. While Cryosite' s was able to introduce a new product offering to its existing client base and grow sales, the margins on this new product was much lower than the sales we lost.

Operating Loss after tax

As noted above one off costs of $1,488k contributed to the after tax loss of $1,723k. Other significant contributions to the loss was a decline in the clinical trial logistics margin of $457k as a result of the change in product sales mix discussed above, business development costs of $252k and system development costs of $183k. These items were offset by an increase in cord blood and tissue margin to $872k primarily due to the adoption of AASB 15 as noted above.

Operating cash outflow

The Company incurred an operating cash outflow of $648k for the period. Similar to the operating profit before tax, operating cash flow were affected by a number of unique one-off factors. One off cash payments relating to the ACCC fine and related costs of $687k and net cash outflows relating to our operating segments of $521k which was largely driven by an increased focus on business development ($458k) and system development costs($187k). These outflows were partially offset by cash inflows from the cord blood and tissue segment of $593k from the run off of customers paying down long-term cord blood and tissue plans.

Outlook

As can be seen from the above analysis the company faces a number of challenges.

Operating profit: Excluding one off costs the business is fundamentally breaking even as a result of the loss of a high margin customer and fixed costs now having to be covered by the clinical trial segment instead of being spread over both the cord blood business segment and the clinical trial segment.

As set out in the trading update of 27 June 2019 the Company has taken steps to address these challenges.

Within the clinical trial segment there are a number of opportunities to increase gross margins as well as significant savings that can be made by using more appropriate business development strategies. The nature of this segment is it operates in a highly regulated environment and is dominated by a small number of large international pharmaceutical companies. The Company has had long term relationships with the majority of these companies. The management of these relationships require a very professional operational relationship based on trust and reliability. We are now taking steps to deepen these relationships with the provision of additional high margin services, provision of more extensive data and an extension of our partnership by assisting our customers in meeting challenges that occur in the rapidly changing regulatory environment in

Australia.

Operating cashflow: In terms of operating cashflow we are faced with similar challenges. As set out above we will address these issues by offering higher margin product, driving efficiencies and cost cutting as set out in our trading update of 27 June 2019.

The Company does face an additional cash challenge. The cord blood segment continues to store cord and tissue under 18 and 25 year contracts. The majority of these contracts had upfront or short-term payments terms covering the storage of the samples for the life of the contract. We are now in the run-out period of the remaining payment term contracts. As these amounts are received future cash flows will be reduced.

The Company continues to hold substantial cord blood and tissue assets and is looking at ways to generate further long term cash and profitability from them.

Returning Cryosite to a company generating an appropriate return on capital will not be a quick process but the initial steps are being taken. I do note that the Company does have a cash balance of $3,919k and no borrowing.

Australian Competition and Consumer Commission ("ACCC")

As previously outlined in the 2018 Annual Report, on 23 June 2017 Cryosite entered into an agreement (Sale Agreement) to license, under the Cryosite brand, the collection, processing and storage of umbilical cord blood and tissue (CBT) and to sell certain of its CBT banking assets to Cell Care Australia Pty Ltd (Cell Care).

On the 11th July 2018, the Company was notified by the ACCC that it would commence civil proceedings against Cryosite in the Federal Court of Australia. At the time it was reported that the Company would incur substantial legal costs with the potential to incur financial penalties in the 2019 financial year.

The ACCC alleged in the proceeding that Cryosite breached the CCA by including a competition restraint provision in the Sale Agreement, which required Cryosite to refer all sales enquiries to Cell Care from the date of signing of the contract to the date on which the transaction closed. This constituted a 'cartel provision'.

Further to this, the Company agreed to a settlement with the Australian Competition and Consumer Commission (ACCC) in relation to the proceeding against Cryosite in the Federal Court of Australia.

While Cryosite agreed to the inclusion of the restraint clause in the Sale Agreement and referred 12 customers to Cell Care under this clause, Cryosite had no intention to breach the CCA and had no awareness that the Sale Agreement contained a clause which would contravene the CCA. It is to be noted that Cryosite retained external lawyers to advise it in relation to the drafting and terms of the Sale Agreement; that Cryosite's external lawyers were involved in the negotiation of the Sale Agreement, but did not raise any concerns about cartel provisions; and any suggested changes to the draft Sale Agreement made by Cell Care were considered and agreed upon by the Board of Cryosite following legal advice.

Cryosite is obviously disappointed to have been party to the proceeding.

Under the terms of the settlement, the ACCC applied to the Federal Court seeking declarations that by entering into the Sale Agreement, Cryosite entered into a contract containing a cartel provision in contravention of section 44ZZRJ of the CCA and that, including by referring 12 customer enquiries, Cryosite gave effect to a cartel provision in contravention of section 44ZZRK of the CCA. The ACCC sought a pecuniary penalty of $1.1m (including legal costs) against Cryosite, with Cryosite being allowed to pay the penalty in instalments with $250,000 (including legal costs) to be paid within 30 day' of the Court's order and the balance to be paid in 10 equal annual instalments from 2020 to 2029. Cryosite agreed to the declarations of contravention and orders against it.

On the 13th February 2019, the Federal Court of Australia approved this settlement.

The Company has taken up these costs as "other liabilities" on the balance sheet. These costs (after discounting of the non-current portion of the other liabilities) plus the legal costs associated with this action has resulted in total expense of $1,157,386 being recorded in the profit and loss. Details of these expenses are outlined in Note 35.

Adoption of Accounting Standard AASB 15

On the 1st July 2018, the Company adopted Accounting Standard AASB 15 – Revenue from Contracts with Customers. This will a significant impact on future results of the Cord Blood and Tissue Storage, as the standard changes the timing and recognition of revenue and associated costs of long-term contracts.

As previously noted in our 2018 annual report, the initial effect of the introduction of this standard was to reduce net assets of the Company on the 1st July 2018 as outlined below:

	30-Jun-18	AASB 1015 opening adjustment	1-Jul-18
Assets	7,743,679	22,823,305	30,566,984
Liabilities	5,800,264	24,789,440	30,589,704
Equity	1,943,415	(1,966,135)	(22,720)

AASB 15 resulted in the booking of an opening adjustment to recognize deferred revenue (representing collection and processing fees recognised upfront at the inception of the contract) and deferred costs (representing upfront costs on collection and processing of cord blood and tissue samples) as outlined in Note 4. These deferred balance sheet assets and liabilities will be taken to revenue and expense over the life of each individual contract which ranges from18 years to 25 years.

In 2019, the total adjustment to the profit and loss statement was:

	$
Deferred Revenue	2,259,252
Deferred Costs	(1,393,500)
Net profit	865,752
Income tax	238,068
Net profit after income tax	627,684

This adjustment was allocated to the Cord Blood and Tissue Storage segment of the business. There is no impact on cash and all adjustments are expected to reverse over the period of the contracts.

Full details of the impact of AASB 15 on the financial results is outlined in Note 4.

EMPLOYEES

The Company employed 21 full-time equivalent employees as at 30 June 2019 (2018: 23 employees).

The Company recognises the value of diversity in the workplace and is committed to providing equal opportunity for all its staff with 51% of current employees being female. There are numerous religions and cultures and where possible offer flexible work practices and work life balance as a key retention tool. Cryosite is committed to providing a workplace free from any form of harassment, bullying and discrimination.

EMPLOYEE INCENTIVE PLANS

In February 2017, the Cryosite Employee Incentive Plan (CEIP) was introduced to attract, retain and motivate management to strengthen their alignment with shareholder interests. This plan was ratified at the 2017 AGM.

As at the date of this report there are 3,314,946 (2018: 1,009,249) unissued ordinary shares under the CEIP split between performance rights and options as noted:

	2019	2018
Performance rights	714,946	1,009,249
Options	2,600,000	-
Total	3,314,946	1,009,249

Please refer to the remuneration report for further details. The circumstances under which a Key Management Personnel is entitled to retain these performance rights and options if he or she should leave the Company before the vesting date is controlled by the terms of the CEIP and is at the discretion of the Board.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than detailed in the above there were no significant changes in the state of affairs of the Group during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

As at the date of this report there are no significant events that have occurred since the 30th June 2019.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board expects to focus on a growing clinical trial and biological services logistics business supported by the long-term storage of cord blood and tissue for existing clients.

ENVIRONMENTAL REGULATIONS

The Company provides a range of services that require compliance to a variety of regulatory and statutory bodies regulations, including the Therapeutic Goods Administration (TGA), the Office of Drug Control, the Department of Agriculture and Water Resources, the NSW Department of Health, and the Office of the Gene Technology Regulator (OGTR). Additionally, the Company must comply with the quality system requirements of many of its customers. The Company has implemented a Company-wide quality management system to ensure that it meets or exceeds 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. The Company, to the best of its knowledge, is not subject to any specific environmental regulations.

BUSINESS RISKS

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 mitigating risks in this area by the implementation and maintenance of a Company-wide Quality Management System.

INSURANCE OF DIRECTORS AND OFFICERS

The Company has paid a premium in respect of a contract insuring all the Directors and Officers against liability, except willful 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 insurance policy and confirming the individual Directors' and Officers' right to access board papers and other Company documents. In return, the individual Directors and Officers have agreed to allow the Company to conduct 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 (Audited)

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 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 an executive in the Parent and the Group receiving the highest remuneration.

This has been audited by Mazars Risk & Assurance Pty Limited and is included within the scope of the audit report on pages 8-13.

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:

Mr. Bryan Dulhunty	Executive Chairman (Non- Executive Chairman up to the 27th June 2019)
Mr. Andrew Kroger	Non-Executive Director
Mrs. Nicola Swift	Non-Executive Director
Mr. Mark Byrne	Chief Executive Officer

On the 27th June 2019 it was announced that Mark Byrne has decided to step down up as CEO on the 30th September 2019 and take up a new part time role of COO - Finance and Administration. He will continue to work closely with the board. Mr Bryan Dulhunty has taken up the new role of executive chairman effective 27th June 2019.

Due to the relatively small number of employees, apart from Mark Byrne, there were or are no other executives having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly during the current year.

The role of the Nominations and Remuneration Committee

While the Board maintains the authority and responsibility for the oversight of the Company's remuneration policy and the principles and processes which underpins the policy, on 9 December 2016, the Board established a Nominations and Remuneration committee to provide advice and recommendations to the Board on the structure and level of remuneration for the directors, senior executives and Company secretary, and on the design and award of all executive incentive plans.

The members of the committee are the independent non-executive director, Mrs. Nicola Swift (Chair) and executive chairman Mr. Bryan Dulhunty.

Use of external remuneration consultants

As necessary the Nominations and Remuneration Committee obtained independent external recommendations and advice from Crichton and Associates Pty Ltd on matters including the design of a long-term incentive plan for employees, its implementation and management. No remuneration recommendations as defined in section 9B of the Corporations Act 2001 were received from Crichton and Associates Pty Ltd during this time period.

Crichton and Associates Pty Ltd were paid $5,837 for services including the management of the Cryosite Employee Incentive Plan (CEIP).

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 a prudent position must be observed in the total remuneration expense.

Non-Executive Directors

Cryosite has two non-executive directors and a non-executive Chairman (who become the Executive Chairman on the 27th June 2019). The remuneration of non-executive directors including the non-executive Chairman consists of fixed annual fees exclusive of statutory superannuation as below. Apart from reimbursement of expenses incurred on the Company's behalf, non-executive directors are not eligible for any additional payments.

Chairman of the Board:	$75,000 per annum
Non-Executive Directors:	$60,000 per annum

Performance based compensation is not part of the remuneration structure offered to non-executive directors. No performance rights or options are held by any non-executive director.

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. During 2019 total aggregate remuneration paid to non- executive directors was $261,775.

Executive Remuneration

Key management personnel (other than non-executive directors) are employed on standard contracts which include a three month notice.

The Company may terminate the employee's 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 performance rights that have granted but not vested will be forfeited.

The Company does compare remuneration paid to key management personnel with other similar companies to ensure consistency.

Executive total remuneration consists of the following components:

<u>Fixed Remuneration</u>

This comprised of a fixed base salary and statutory superannuation. This is reviewed annually although there is no guaranteed increase.

Short Term Incentive Plans

2019

Due to the on-going challenges facing the Company, no formal STIP plan was put in place for 2019.

2018

Due to the significant challenges facing the Company in 2018, no formal STIP plan was put in place. However, the Board has awarded limited discretionary bonuses to executives on a reasonable basis, taking into account the Company's financial performance, in recognition of the efforts undertaken by the individuals.

Long Term Incentive Plan: Cryosite Employee Incentive Plan (CEIP)

On the 23rd February 2017, the Cryosite Employee Incentive Plan (CEIP) was established by the Company. On invitation, the CEIP provides executives the opportunity to receive a long-term equity based incentive in each financial year and is governed by the CEIP Plan Rules.

Performance Rights

Since the establishment of the CEIP, the company has granted a number of performance rights. This grant value, subject to shareholder approvals, is defined as a % of fixed remuneration or as otherwise agreed. The following %'s of fixed remuneration were used in determining the grant value for each executive. The grant value was converted into the number of performance rights to be issued using the WVAP of Cryosite shares in the 30 trading days following the release of the Annual Report.:

	2019	2018
Mark Byrne	-	30%

The following components of the CEIP for performance rights are as follows;

Vesting date	Up to 36 months from date of grant.
Vesting conditions	Performance rights will only vest after certain performance and conditions are met.
Performance conditions	Compound Annual Growth Rates (CAGR) of the Earnings per Share (EPS) over measurement period need to be achieved from a base year.
Service conditions	Continuous employment with Cryosite from the date of the performance rights are granted until the vesting date.
Expiry date	Performance rights will expire 1 month after the vesting date
Exercise of Rights	Any Performance rights which meet the Vesting conditions will be available for exercise up until the Expiry date.

The board has granted performance rights to the following key management personnel:

	No of Performance Rights	
	2019	**2018**
Mark Byrne	-	503,944
	-	503,944

	Mark Byrne
	No
Balance granted as at 1st July 2017	**211,002**
Performance Rights granted 27/11/2017	295,647
Performance Rights granted 7/2/2018	208,297
Balance granted as at 30th June 2018	**714,946**
Balance granted as at 30th June 2019	**714,946**

Conditions

Grant date	27 February 2017	**27 November 2017**	**7th February 2018**
Vesting date Expiry date Period Base Year Basic EPS	1 September 2019 30 September 2019 1/7/2016 to 30/6/2019 2016 0.64 cents	**1 September 2020 30 September 2020 1/7/2017 to 30/6/2020 2017 0.48 cents**	**1 September 2020 30 September 2020 1/7/2017 to 30/6/2020 2017 0.48 cents**
Measure	Earnings per Share (EPS) Compound Annual Growth Rate (CAGR)		

Targets

CAGR of EPS over measurement Period relative to base year	EPS (cents)Target per plan			Percentage of Performance Rights that vest
Grant Date	27-Feb-17	**27-Nov-17**	**7-Feb-18**	
< 20% 20% to 25% >25%	< 1.10592 1.105592 to 1.25 >1.25	**<0.83 0.83 to 0.94 >0.94**	**<0.83 0.83 to 0.94 >0.94**	0% 50-100% (pro-rata) 100%

As at 30 June 2019, no performance rights had vested. Assumptions used to determine fair value of performance rights are outlined in Note 30.

Options

On the 27th June 2019, the board granted options to the following key management personnel:

	Bryan Dulhunty*
	No
Options granted 27th June 2019	1,300,000
Total options issued as at 30th June 2019	**1,300,000**

* There is a restriction on settlement as they have been granted without shareholder approval and therefore settlement will be restricted to on market purchase pursuant to ASX Listing Rule 10.15B. Shareholder approval will be sought at the 2019 AGM and, if received, this restriction may no longer apply.

The following components of the CEIP for options are as follows;

Vesting date	Up to 25 months from date of grant.
Option price	6 cents
Vesting conditions	Options will only vest after certain performance and conditions are met.
Performance conditions	Earnings per Share (EPS), Operating cashflow
Service conditions	Continuous employment with Cryosite from the date of the options are granted until the vesting date.
Expiry date	Options will expire 36 months after the vesting date.
Exercise of Options	Any options which meet the Vesting conditions will be available for exercise up until the Expiry date.

Conditions

Grant date	**27 June 2019**
Vesting date	**1 September 2021**
Expiry date	**1 September 2024**
Period	**27/6/2019 to 1/9/2021**
Exercise price	**6 cents**

Targets

Conditions of Vesting	**Target date**	**Percentage of Performance Rights that vest**
Positive Earnings per share (EPS)*	30 June 2021	33.3%
Positive Cashflow from Operations*	30 June 2021	33.3%
Continuous service	30 June 2021	33.3%

* Based on the 2021 audited accounts

COMPENSATION FOR KEY MANAGEMENT PERSONNEL 2019

Year Ended 30 June 2019	Short term benefits		Post employment benefits	Share based payments	Total	Share based payments	Performance based
	Salary & Fees $	Other Cash benefits $	Super $	(2) $	$	%	%
Non-Executive Directors							
Andrew Kroger	60,000	-	5,700	-	65,700	0.0%	0.0%
Bryan Dulhunty (1)*	-	130,264	-	110	130,375	0.1%	0.1%
Nicola Swift	60,000	-	5,700	-	65,700	0.0%	0.0%
Total Non-executive directors	120,000	130,264	11,400	110	261,775	0.0%	0.0%
Executives							
Mark Byrne	228,310	-	21,689	37,571	287,570	13.1%	13.1%
Total Executive	228,310	-	21,689	37,571	287,570	13.1%	13.1%
Total	348,310	130,264	33,089	37,681	549,345	6.9%	6.8%

* Bryan Dulhunty was appointed Executive Chairman on the 27th June 2019.
(1) This includes payments to made to COSA Pty which is owned by Bryan Dulhunty. During the year the company charged the Company $48,502 for consulting services and $81,762 in respect to services provided by Bryan Dulhunty as a director and company secretary of the company. Bryan Dulhunty became executive chairman on the 27th June 2019
(2) This relates to the fair value of performance rights and options granted under the Cryosite Employee Incentive Plan (CEIP)

COMPENSATION FOR KEY MANAGEMENT PERSONNEL 2018

Year Ended 30 June 2018	Short term benefits		Post employment benefits	Share based payments	Total	Share based payments	Performance based
	Salary & Fees	Other Cash benefits	Super	(3)			
	$	$	$	$	$	%	%
Non-Executive Directors							
Andrew Kroger	60,000	-	5,700	-	65,700	-	-
Bryan Dulhunty (1),(2)	-	51,375	-	-	51,375	-	-
Nicola Swift	60,000	-	5,700	-	65,700	-	-
Stephen Roberts (1)	50,538	-	4,801	-	55,339	-	-
Total Non-executive directors	170,538	51,375	16,201	-	238,114	-	-
Executives							
Mark Byrne (4)	226,026	20,000	21,472	31,740	299,239	10.6%	17.3%
Total Executive	226,026	20,000	21,472	31,740	299,239	10.6%	17.3%
Total	396,564	71,375	37,674	31,740	537,353	5.9%	9.6%

(1) Where directors or key personnel resigned or were appointed during the year payments shown above are for the period served

(2) This includes payments to made to COSA Pty which is owned by Bryan Dulhunty. During the year the company charged the Company $24,000 for company secretarial services and $27,375 in respect to services provided by Bryan Dulhunty as a director of the company from 2nd March 2018.

(3) This relates to the fair value of performance rights granted under the Cryosite Employee Incentive Plan (CEIP)

(4) Other cash benefits relate to a discretionary bonus accrued by the Board to be paid in 2019 as recognition of the efforts undertaken by the individual in 2018.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Ordinary Shares held in Cryosite Limited	**1 July 2018**	**Balance on appointment / (resignation)**	**Share purchases**	**30 June 2019**
Bryan Dulhunty	**30,000**	**-**	**-**	**30,000**
Andrew Kroger	**17,315,291**	**-**	**-**	**17,315,291**
	17,345,291	**-**	**-**	**17,345,291**

Ordinary Shares held in Cryosite Limited	1 July 2017	Balance on appointment / (resignation)	Share purchases	30 June 2018
Bryan Dulhunty	N/A	30,000	-	30,000
Andrew Kroger	16,016,906	-	1,298,385	17,315,291
Stephen Roberts *	669,519	(967,662)	298,143	-
	16,716,425	- 937,662	1,596,528	17,345,291

*resigned 2/3/2018

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 the year with key management personnel or with any key management personnel related entities.

In 2018 the Company settled a legal matter with a former Director and former employee for an amount of $276,818. Details of this are outlined in note 35.

DIRECTORS' MEETINGS

During the financial year, the following meetings incurred and were attended by directors:

	Directors Meetings		Audit Risk Committee Meetings		Remuneration and Nomination Meetings	
Directors	**Eligible to attend**	**Eligible attended**	**Eligible to attend**	**Eligible attended**	**Eligible to attend**	**Eligible attended**
Andrew Kroger	13	13	-	-	-	-
Bryan Dulhunty	13	13	3	3	2	2
Nicola Swift	13	13	3	3	2	2

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.

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

The directors have received the auditor's independence declaration which is included on Page 16 of this report.

No director of Cryosite Limited is currently or was formerly a partner of Mazars Risk and Assurance Pty Ltd.

Non-audit services were provided by the entity's auditor, Mazars Risk and Assurance Pty Ltd, during the financial year. Details of the services provided are disclosed in Note 28 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 2001.

The directors are of the opinion that the services disclosed in Note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

All non-audit services have been reviewed and approved to ensure that they do not impact the integrity or objectivity of the auditor;

None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

Directors' Report (continued)

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Bryan Dulhunty

Chairman

Date: 21th August 2019

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CRYOSITE LIMITED AND CONTROLLED ENTITY

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019, there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

MAZARS RISK & ASSURANCE PTY LIMITED

P. M. Collins.

Paul Collins
Director

Sydney, on this 21st day of August 2019

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MAZARS RISK & ASSURANCE PTY LIMITED – ABN: 39 151 805 275
Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance

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 Board of Cryosite approved an updated series of policies and charters in line with the amendments to the ASX Principles. The Company's policies and charters together form the basis of the Company's governance framework were in place for the financial year ended 30 June 2019 and to the date of signing of the directors' report.

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).

Directors Declaration

(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 2019 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 2019.

On behalf of the Board

Bryan Dulhunty
Chairman

Date: 21st August 2019

Consolidated Statement of Profit and Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $	2018 $
Sale of goods and rendering of services	6	**7,911,693**	5,864,139
Other revenue	6	**61,500**	58,926
Revenue		**7,973,193**	5,923,065
Cost of providing services		**(4,603,392)**	(2,535,338)
Depreciation and amortisation		**(271,018)**	(338,448)
Impairment losses		**(330,873)**	-
Marketing expenses		**(403,862)**	(152,297)
Occupancy expenses		**(615,342)**	(615,769)
Administration expenses		**(2,036,979)**	(1,962,848)
Total expenses		**(8,261,466)**	(5,604,700)
Profit (loss)from continuing operations before tax		**(288,273)**	318,365
Income tax (expense) benefit	8	**(276,884)**	(393,645)
Loss after tax from continuing operations		**(565,157)**	(75,280)
Other items			
Legal settlement, net of tax	35	**(1,157,386)**	(169,416)
Loss from discontinued operations, net of tax	34	**-**	(995,743)
Net comprehensive loss for the year		**(1,722,543)**	(1,240,439)
Earnings per share		**Cents**	Cents
Basic, profit for the year attributable to ordinary equity holders of the parent	9	**(3.68)**	(2.65)
Diluted, profit for the year attributable to ordinary equity holders of the parent	9	**(3.62)**	(2.61)
Earnings per share for continuing operations	9	**(0.012)**	(0.002)
Basic, profit for the year attributable to ordinary equity holders of the parent			
Diluted, profit for the year attributable to ordinary equity holders of the parent	9	**(0.012)**	(0.002)

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2019	Notes	2019 $	2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	10	**3,919,897**	4,535,827
Trade and other receivables	12	**838,100**	1,359,131
Inventories	13	**22,859**	23,845
Prepayments	14	**279,369**	289,078
Income tax receivable		**29,081**	21,680
Other assets	15	**476,262**	152,277
Deferred costs	20	**1,381,183**	-
Total Current Assets		**6,946,751**	6,381,838
Non-Current Assets			
Trade and other receivables	16	186,502	243,264
Deferred tax asset, net	8(c)	2,412,234	148,938
Prepayments	15	-	290,205
Plant and equipment	18	387,181	622,654
Intangible assets	19	6,978	56,780
Deferred costs	20	13,232,356	-
Total Non-Current Assets		**16,225,251**	1,361,841
TOTAL ASSETS		**23,172,002**	7,743,679
LIABILITIES			
Current Liabilities			
Trade and other payables	21	**876,942**	455,046
Unearned income	22	**23,066**	425,414
Provisions	24	**155,804**	261,156
Other liabilities	35	**47,464**	-
Deferred revenue	23	**2,250,487**	-
Total Current Liabilities		**3,353,763**	1,141,616
Non-Current Liabilities			
Trade and other payables	21	**441,682**	441,682
Unearned income	22	**-**	3,998,804
Provisions	24	**237,799**	218,162
Other liabilities	35	**578,144**	-
Deferred revenue	23	**20,276,684**	-
Total Non-Current Liabilities		**21,534,309**	4,658,648
TOTAL LIABILITIES		**24,888,072**	5,800,264
NET ASSETS		**(1,716,070)**	1,943,415
EQUITY			
Contributed equity	25	5,861,788	5,861,788
Share rights reserves	26	69,532	40,339
Accumulated losses	25	**(7,647,390)**	(3,958,712)
TOTAL EQUITY		**(1,716,070)**	1,943,415

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2019

	Attributable to equity holders of the company			
	Contributed capital	Accumulated losses	Share Rights reserve	Total equity
CONSOLIDATED				
At 1 July 2018	**5,861,788**	**(3,958,712)**	**40,339**	**1,943,415**
Total comprehensive income (loss) for the year	**-**	**(1,722,543)**	**-**	**-**
AASB 15 adjustment	**-**	**(1,966,135)**	**-**	**(1,966,135)**
Transactions with owners in their capacity as owners				
Performance rights / options granted	**-**	**-**	**52,121**	**52,121**
Performance rights cancelled	**-**	**-**	**(22,928)**	**(22,928)**
At 30 June 2019	**5,861,788**	**(7,647,390)**	**69,532**	**(1,716,070)**
At 1 July 2017	5,861,788	(2,718,273)	5,091	3,148,606
Total comprehensive income (loss) for the year	-	(1,240,439)	-	(1,240,439)
Transactions with owners in their capacity as owners				
Performance rights granted	-	-	35,248	35,248
At 30 June 2018	**5,861,788**	(3,958,712)	40,339	1,943,415

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

Consolidated Statement of Cashflows

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of GST		**6,941,491**	7,719,025
Payments to suppliers and employees inclusive of GST*		**(7,594,578)**	(7,988,124)
Interest received		**5,551**	7,193
Net cash flows from operating activities	11	**(647,536)**	(261,906)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	18	**(26,155)**	(180,781)
Software development costs	19	**-**	(125)
Interest received - term deposits		**57,761**	41,806
Net cash flows (used in) investing activities		**31,606**	(139,100)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity dividend paid		**-**	-
Net cash flows (used in) financing activities		**-**	-
Net (decrease)/ increase in cash and cash equivalents		**(615,930)**	(401,006)
Cash and cash equivalents at beginning of year		**4,535,827**	4,936,833
Cash and cash equivalents at end of year	10	**3,919,897**	4,535,827

1 CORPORATE INFORMATION

The financial report of Cryosite Limited and the controlled entity (the Group) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 21st August 2019.

Cryosite Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities 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 financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Changes in accounting policy, accounting standards and interpretations.

(i) Amendments to AASBs and the new Interpretation that are mandatorily effective for the current period

- AASB 9 Financial Instruments
- AASB 15 Revenue Contracts with Customers
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions

The relevant standards for the Group follow:

AASB 9, Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The impact of adopting AASB 9 follows:

(a) Classification and measurement

The classification and measurement requirements of AASB 9 did not have a significant impact on the Group.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

In May 2019 the Company undertook a detailed review of current debtors as well as the history of collections and write offs. Using this analysis and taking into account revenue history, it was concluded that trade receivables required an expected provision of $73,475. Consequently, the provision for bad debts was increased by $27,885 on the 30 June 2019.

It should be noted that the impact on the opening balance of AASB 9 was considered immaterial and no disclosure on transition adjustment was considered required.

(c) Hedge accounting

The hedge accounting requirements of AASB 9 did not have a significant impact on the Group.

IFRS 15 ("AASB 15") Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers ('AASB 15') introduces a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received for that transfer. The standard became effective from 1 July 2018.

The Company has elected to apply the modified retrospective transition method with respect to implementation of AASB 15. In this case AASB 15 is applied retrospectively to only the current period presented in the financial statements with no restatement of the comparative period. As such, the cumulative effect of initially applying AASB 15 will be recognised as an adjustment to retained earnings as at 1 July 2018 (the date of initial application). On this basis, there is no impact to retained earnings as at the 30 June 2018.

Cord Blood and Tissue Storage segment is impacted by AASB 15 in respect to cord blood and tissue contracts.

The introduction of AASB 15 has a significant impact on the reported revenue and costs and statement of financial position of the Company. It is important to note there is no change to the expected timing or amount of cash impact collected from the cord blood and tissue contracts. These assets and liabilities will then be taken to revenue and expensed over the life of each individual contract which ranges from 18 years to 25 years.

It should be noted that the Group has obtained legal advice which confirms that if any impact from AASB 15 adoption leads to negative net assets, the ability for the Company to declare dividends in the future will be impacted.

The impact of adopting AASB 15 on the financial report is presented in Note 4.

(ii) Standards and Interpretations issued not yet adopted

IFRS 16 Leases

IFRS 16 will be applied as of 1 January 2019 and the Company will use what is known as the "modified retrospective" transition method, under which a liability is recognized at the transition date for an amount equal to the present value of the residual lease payments alone, offset against a right- of- use asset adjusted for the amount of prepaid lease payments or within accrued expenses; all the impacts of the transition will be deducted from equity. The standard provides for various simplification measures during the transition phase; in particular, the Group has opted to apply the measures allowing it to exclude leases with a residual term of less than twelve months, exclude leases of low- value assets, continue applying the same treatment to leases that qualify as finance leases under AASB 17, and not capitalise costs directly related to signing leases.

IFRS 16 will be applied from the 1 July 2019 and will impact the 30 June 2020. The financial impact of adopting of AASB 16 as at 1 July 2019 (date of initial application) will be:

a. Recognition of right-of-use assets amounting to $792,831
b. Recognition of current lease liability of $230,180 and non-current lease liability of $562,651

In addition, the following impact to the profit or loss statement for year ending 30 June 2020 will be observed subsequent to the date of initial application:

a. Increase in depreciation expense relating to right-of-use assets amounting to $240,045 and,
b. Recognition of interest expense amounting to $24,420 and,
c. Reversal of rent expense of $254,600.

The overall estimated net profit and loss impact will amount to $9,865 for the year ending 30 June 2020.

(c) Basis of consolidation

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

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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 intercompany balances and transactions have been eliminated in full. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries held by the Company are accounted for at cost in the separate financial statements of the parent entity, less any impairment charges.

(d) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian subsidiary is Australian dollars (A$). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

(e) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and 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.

Major Depreciation rates are:	**2019**	2018
Leasehold improvements	Lease term	Lease term
Plant and equipment:		
-Fixture and fittings	5-10 years	5-10 years
-Information technology	2-3 years	2-3 years
-Warehouse equipment	4-10 years	4-10 years
-Office furniture and equipment	2.5-8 years	2.5-8 years
-Plant and 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.

(f) 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 Board.

(g) Intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Licence fees

Where licences are acquired for the purposes of assisting in research and development or for the entity's use of patented techniques or processes in conducting operations, the costs are capitalised. Licenses acquired during the financial year have been assessed as having a useful life in line with that of the underlying patent and associated methodologies.

Software development

Software development costs are capitalised at the direct costs and amortised on a straight line basis over the period of their expected benefit being their finite life of 3 years. Amortisation starts at the time that the technology is activated and is used by both internal and external customers. The capitalised costs of platform technology include the direct costs of external consultants and any supporting software acquired from a third party.

Intellectual Property

The costs of the Stemlife assets are capitalised and amortised on a straight line basis over the period of their expected benefit being their finite life of 9 years. Amortisation starts at the time of the acquisition. These costs include the direct costs paid to Stemlife for the assets and the legal fees incurred in the transaction.

The assessment of useful life is reviewed annually by the Board to determine whether the assumptions made continue to be appropriate and supportable. If not, the useful life assessment is changed on a prospective basis.

(h) Prepayments

Payments made in advance of services are recognised at the time of payment and classed as prepayments on the balance sheet. As the services are incurred, the relevant amounts are recognized as an expense in the profit and loss statement.

In June 2018, an assessment confirmed that these costs do not meet the recognition criteria as capitalised costs under AASB 138, specifically the control criteria. This is on the basis the hardware and applications are controlled by the contracted service provider and cannot be transferred to another party or host under the agreement. In absence of specific guidance under AASB, the accounting hierarchy under AASB 108 para 12 has been applied which allows the use of recent pronouncements of other standard setting bodies. Based on this, costs incurred in 2018 relating to the implementation & development of applications were capitalised as a prepayment reflecting the economic benefits to be consumed over the contract service period.

From 1st July 2019, all costs (including training and data conversion) associated with the implementation & development of application are expensed as incurred.

The assessment of useful life of prepayments is reviewed annually by the Board to determine whether the assumptions made continue to be appropriate and supportable. If not, the useful life assessment is changed on a prospective basis. Based on the 30th June 2019 review the board determined that prepayments associated with capitalised applications were impaired and written down by $291, 093.

(i) Inventories

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

(j) Trade and other receivables

Trade receivables (current), which generally have 30 day terms, are recognised initially at fair value less an allowance for impairment as per AASB 9 requirements.

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 requires the Group to record an allowance for ECL's for all loans and other debt financial assets not held at FVPL.

The Group's ECL is based on an estimated percentage of past due receivables that are expected to default based on historical experience.

(k) 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.

(l) Trade and other payables

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

(m) Employee leave benefits

Wages, Salaries 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 provisions 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.

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 the 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.

(n) Provisions

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

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

(o) Share-based payment transactions

The group provides benefits to employees including executive 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 Cryosite Employee Incentive Plan (CEIP) 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 Black Scholes 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 the Company ('market conditions').

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired and
(ii) the number of awards that, in the opinion of directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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

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

In the case where outstanding equity-settled awards have expired, the relevant amounts in respect to these awards in the share reserves are transferred to retained earnings.

(p) Leases

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 from contracts with customers

Rendering of services

The Group provides the following services:

a. specialist temperature-controlled storage, sourcing, labelling, status management, secondary packaging, schedule drug distribution, destruction, returns and biological services and;
b. long term storage for cord blood and tissue samples.

The Group identified that the above services are distinct and have assessed the revenue recognition in accordance with AASB 15 separately.

Revenue from clinical trials and biological services logistics services

Revenue from clinical trials pertain to processing and distribution of samples for clinical testing. The Group has assessed that each sample processed is distinct from each other and that asset is transferred to the customer at the completion of the service. Accordingly, the Group assessed that the performance obligation is satisfied at that point in time and revenue is recognised as and when the customer obtains control of the asset.

The revenue recognition policy for clinical trials under AASB 15 is consistent with the provisions of the old standard, AASB 118 – Revenue; hence, clinical trials revenue is not impacted by the adoption of AASB 15.

Revenue from cord blood and cord tissue storage

Prior to the adoption of AASB 15, the Group accounted for the collection and processing of cord blood and tissue samples as a separate performance obligation from the storage service. Accordingly, upfront fees and costs related to collection and processing activities were recognised immediately as revenue and costs at the inception of the contract while the storage fee component is recognised as unearned revenue and amortised throughout the contract term of either 18 or 25 years.

Under AASB 15, the Group assessed that the collection, processing and storage services for cord blood and tissue samples constitute a single performance obligation because none of the services are distinct and marketed independently of the others. In addition, it was determined that the performance obligation is performed over time (i.e throughout the storage contract period of 18 or 25 years).

The Group performed a re-allocation of the contract consideration to recognise upfront revenue and costs throughout the life of the storage contract. This resulted to the recognition of “Deferred revenue” and “Deferred costs” in the statement of financial position as at 1 July 2018. These balance sheet items will unwind to revenue and costs for the remaining contract period.

Interest revenue

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.

Dividend income

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.

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.

(s) Contributed equity

Contributed capital bares 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.

(t) Share options reserve

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

(u) 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 impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(v) Earnings per share

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

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

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

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

The basic EPS and diluted EPS for continuing operations are calculated as above based on net profit after tax from continuing operations rather than net profit attributable to members of the parent.

(w) Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed at Note 32.

Fair value is the price that would be received to sell an asset or pair to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principle market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability accessible to the Group.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in the highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For the purpose of fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

(x) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:
- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(y) Current versus non-current classification

A discontinued operation is a component of an entity that either has been disposed of, discontinued or is classified as held for sale, and

(i) represents a separate major line of business or geographical area of operations;
(ii) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or,
(iii) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 34. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates 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 and estimates under different assumptions and conditions.

Management has identified the following critical accounting estimates and judgements:

Capitalised Development Costs

Initial capitalisation of development costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefit. At 30 June 2019, the carrying amount of capitalised development costs was nil (2018: $nil).

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determining the timing of satisfaction of performance obligations*

The Group concluded that the revenue from collection, processing and storage of cord blood and tissue should be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Group determined that the contract term of 18 or 25 years is the best method to determine the timing of satisfaction of performance obligations.

- *Consideration of significant financing component in a contract*

The storage contract for cord blood and cord tissue is either 18 or 25 years and the payment options available to the customers follow:

i. Upfront payment of the full contract price at inception of the contract;
ii. Instalment payment of either 12 or 24 months; and,
iii. Partial upfront settlement with the remaining balance paid in instalment throughout the life of the contract (referred to by the Group as "Annual plans").

Management determined that there is a significant financing component included in the annual plans because the total amount paid under this plan is significantly higher than the upfront cash payment. The amount of financing component attributed to the contract is determined as the difference between the total Annual plan payments and the upfront cash payment.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. 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 dependent on the generation of sufficient future taxable profits.

The Group has $2,418,851 unconfirmed (2018: $981,322) tax losses carried forward which have not been recognised on the statement of financial position. 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 or assets 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.

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 and their residual values 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. The estimated useful life of licenses acquired has been based upon the useful life of the patents and associated methodologies underpinning the license. The assessment of useful life is reviewed annually by the Board to determine whether the assumptions made continue to be appropriate and supportable given the license conditions and underlying patents. If the useful life assessment is assessed as inappropriate, either due to a change in license conditions or patents, it is changed on a prospective basis.

As result of the decision to cease the collection and processing of cord blood and tissue samples, the board reviewed and concluded that these licences were impaired. Refer Note 18 for the details of the impairment loss recognised.

Long Service Leave Provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Make Good Provisions

A provision has been made for the present value of anticipated costs for future restoration of 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. The appropriateness of the make good provision is assessed annually.

Impairment for expected credit losses on trade receivables

In accordance with AASB 9, the Group uses a provision matrix to calculate ECLs (expected credit losses) for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Impairment of Non-Financial Assets other than Indefinite Life Intangible Assets

The Company assesses impairment of non-financial assets other than indefinite life intangible assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

In 2018 following management's decision to cease the collection and processing of cord blood and cord tissue samples, board reviewed all non-financial assets associated with these operations and, as a result of this review, concluded that these assets were impaired. Refer to Note 34 for the impairment loss recognised.

Prepayments

In 2018 the Company incurred costs in the implementation and development of a new technology applications. These costs were capitalized and expensed over a period of time to reflect the economic benefits that will be consumed as a result of using this technology over this period. Based on the 30th June 2019 review the board determined that prepayments associated with capitalised applications were impaired and written down by $291, 093. From 1st July 2019, these costs are expensed as incurred.

Discontinued Operations

In October 2017, the Company completed the closure of the laboratory operations and the departure of staff associated with the collection and processing of cord blood and tissue samples. This resulted in the termination of operations associated with collection and processing of cord blood and tissue samples which has been disclosed separately in the accounts as discontinued operations.

Discontinued operations result for 2018 includes revenue from a small number of contracts collected and processed in 2018. It also includes normal operating and employment costs associated with the activities of collection and processing which were separately identified up to the time of closure. Additional costs, such as redundancies and legal fees, associated with the actual closure have also been included.

Further, as result of the decision to cease the collection and processing of cord blood and tissue samples, the board reviewed all non-financial assets associated with these operations and, as a result of this review, concluded that these assets were impaired. Consequently, they resolved to write down these assets by $555,586 in 2018.

4 TRANSITION TO AASB 15

The consolidated entity has elected to adopt a modified retrospective application of the standard as permitted by AASB 15. The standard has therefore been applied to the current financial year only with an adjustment to opening retained earnings to reflect the cumulative impact of adoption on all contracts that were incomplete as at 1 July 2018. Comparative figures are therefore not affected.

The adjustment to opening statement of financial position is a decrease in equity by $1,964,675.

The current financial year impact on the financial statements of adopting AASB 15 as compared to AASB 111, AASB 118 and related interpretations that were in effect before change, is as follows:

Statement of profit or loss and other comprehensive income

	2019 AASB 15 $	2019 AASB 111/118 $	Variance $
Revenues	7,973,193	5,713,941	2,259,252
Expenses			
Costs of providing services	(4,603,392)	(3,209,892)	1,393,500
Depreciation and amortisation expense	(271,018)	(271,018)	-
Impairment loss	(330,873)	(330,873)	-
Marketing expenses	(403,862)	(403,862)	-
Occupancy expenses	(615,342)	(615,342)	-
Administration expenses	(2,036,979)	(2,036,979)	-
Profit from continuing operations before tax	(288,273)	(1,154,025)	865,752
Income tax (expense) benefit	(276,884)	(38,816)	(238,068)
Profit after tax from continuing operations	(565,157)	(1,192,841)	627,684
Legal settlement, net of tax	(1,157,386)	(1,157,386)	-
Discontinued operations			
Profit/(loss) after tax from discontinued operations	-	-	-
Total comprehensive income, net of tax	(1,722,543)	(2,350,227)	627,684

4 TRANSITION TO AASB 15 (continued)

	2019 AASB 15 $	2019 AASB 111/118 $	Variance $
ASSETS			
Current Assets			
Cash and cash equivalents	3,919,897	3,919,897	-
Trade and other receivables	838,100	838,100	-
Inventories	22,859	22,859	-
Prepayments	279,369	279,369	-
Income tax receivable	29,081	29,081	-
Other assets	476,262	476,262	-
Deferred costs	1,381,183	-	1,381,183
Total Current Assets	6,946,751	5,565,568	1,381,183
Non-Current Assets			
Trade and other receivables	186,502	186,502	-
Deferred tax assets, net	2,412,234	235,982	2,176,252
Deferred costs	13,232,356	-	13,232,356
Plant and equipment	387,181	387,181	-
Intangible assets	6,978	6,978	-
Total Non-Current Assets	16,225,251	816,643	15,408,608
TOTAL ASSETS	23,172,002	6,382,211	16,789,791
LIABILITIES			
Current Liabilities			
Trade and other payables	876,942	876,942	-
Unearned Income	23,066	23,066	
Deferred revenue	2,250,487	-	2,250,487
Other liabilities	47,464	47,464	-
Provisions	155,804	155,804	-
Total Current Liabilities	3,353,763	1,103,276	2,250,487
Non-Current Liabilities			
Trade and other payables	441,682	441,682	-
Deferred revenue	20,276,684	-	20,276,684
Other liabilities	578,144	578,144	-
Provisions	237,799	237,799	-
Total Non-Current Liabilities	21,534,309	1,257,625	20,276,684
TOTAL LIABILITIES	24,888,072	2,360,901	22,527,171
NET ASSETS	(1,716,070)	4,021,310	(5,737,380)
EQUITY			
Contributed equity	5,861,788	5,861,788	-
Share rights reserves	69,532	69,532	
Accumulated losses	(7,647,390)	(1,910,010)	(5,737,380)
TOTAL EQUITY	(1,716,070)	(4,021,310)	(5,737,380)

4 TRANSITION TO AASB 15 (continued)

Explanation of significant changes

The consolidated entity previously recognised revenue from cord blood services as follow:

- Revenue from the rendering of non-storage services, such as collection and processing of biological samples, is recognised upon the delivery of the service to the customers; and,
- Revenue from storage services is recognised over the period of the storage contract. 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.

AASB 15 required the collection, processing and storage services to be treated as a single performance obligation as none of the services are marketed as a stand-alone service. Consequently, the timing of revenue recognition and profit for cord blood and cord tissue collection and processing services has changed with the related revenue now recognised over time in accordance with the contract term of 18 or 25 years.

Deferred revenue represents the upfront collection and processing fees recognized immediately to revenue at inception of the contract. Deferred costs represent upfront costs, such as laboratory fees, attributable for the collection and processing of cord blood and tissue samples. These are capitalised and amortised over the remaining life of the storage contracts.

5 SEGMENT INFORMATION

Identification of Reportable Segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The segment information provided is consistent with the internal management reporting.

Two reportable segments have been identified as follows:

Cord Blood and Tissue Storage	Storage of cord blood and tissue samples
Clinical Trials and Biological Services Logistics	Specialist temperature-controlled storage, sourcing, labelling, status management, secondary packaging, schedule drug distribution, destruction, returns and biological services.

The accounting policies used by the Company in reporting segments internally are the same as those contained in note 1 to the accounts.

5 SEGMENT INFORMATION (continued)

Operating Segments

2019

Operating Segment	Clinical Trials and Biological Services Logistics	Cord Blood and Tissue	Unallocated	Total
Revenue	5,189,717	2,721,978	61,498	7,973,193
Net profit before tax	992,951	872,450	(2,153,674)	(288,273)
Tax				(276,884)
Net profit after tax				(565,157)
Legal settlement, net of tax				(1,157,386)
Total Comprehensive Income net of tax				(1,722,543)
Segment Assets 30 June 2019	563,320	17,277,866	5,330,816	23,172,002
Segment Liabilities 30 June 2019	498,158	23,170,103	1,219,811	24,888,072
Depreciation and Amortisation	(104,767)	(117,183)	(49,068)	(271,018)

2018

Operating Segment	Clinical Trials and Biological Services Logistics	Cord Blood and Tissue	Unallocated	Total
Revenue	5,310,826	553,313	58,926	5,923,065
Net profit before tax	2,006,242	24,978	(1,712,854)	318,365
Tax				(393,645)
Net profit after tax				(75,280)
Legal settlement, net of tax				(169,415)
Discontinued Operations				(995,743)
Total Comprehensive Income net of tax				(1,240,438)
Segment Assets 30th June 2018	1,284,519	1,026,461	5,432,699	7,743,679
Segment Liabilities 30th June 2018	177,168	4,865,900	757,196	5,800,264
Depreciation and Amortisation	(126,839)	(148,668)	(62,941)	(338,448)

6 REVENUE

	Consolidated 30-Jun-19 $	30-Jun-18 $
Customer contract revenues		
Revenue from clinical trials, logistics and biorepository services	**5,189,717**	5,310,826
Revenue from cord blood and cord tissue storage*	**2,721,978**	553,313
	7,911,695	5,864,139
Other revenue		
Bank interest	**61,498**	58,926
	7,973,193	5,923,065

* The consolidated entity has adopted AASB 15 'Revenue from Contracts with Customers' using the modified retrospective application method. Refer to Note 4 for impact.

7 EXPENSES

	Note	30-Jun-19 $	30-Jun-18 $
(a) Legal costs			
Continuing operations		**101,573**	172,313
Legal settlement	35	**407,626**	198,677
Total		**509,199**	370,990
(b) Lease payments			
Lease payments-operating leases		**363,704**	318,753
(c) Employee benefits expense			
Continuing operations			
Wages and salaries		**2,126,477**	2,090,603
Superannuation costs		**208,507**	205,913
		2,334,984	2,296,516
Discontinued operations			
Wages and salaries		**-**	390,563
Superannuation costs		**-**	37,104
		-	427,667
Total Company			
Wages and Salaries		**2,126,477**	2,481,166
Superannuation		**208,507**	243,017
Total		**2,334,984**	2,724,183
(d) Depreciation			
Depreciation – plant & equipment	18 and 19	**260,996**	362,866
(e) Impairment loss			
Continuing operations	18	**330,873**	-
Discontinued operations	34	**-**	555,586
Total		**330,873**	555,586
(f) Amortisation of Intangibles			
Amortisation of Intangibles	19	**10,022**	61,881

8 INCOME TAX

(a) Income tax expense

The major components of income tax are:

	Consolidated	
	30-Jun-19	30-Jun-18
Statement of comprehensive income	**$**	$
Current income tax (expense)/benefit	**(151,037)**	(46,095)
Income tax expense reported in the statement of comprehensive income	**(151,037)**	(46,095)
Income tax (expense)/benefit is attributable to the following:		
Continuing operations	**(276,884)**	(393,645)
Legal settlement (refer note 35)	**125,847**	64,261
Discontinued operations (refer note 34)	**-**	283,289
	(151,037)	(46,095)

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

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

Accounting profit(loss) before tax	**(1,571,503)**	(1,194,344)
Income tax calculated at 27.5% (2018:27.5%)	**432,163**	328,444
Tax losses not recognised	**(370,571)**	(269,863)
Capital losses on impairment loss of intangible assets	**-**	(88,927)
Other items	**(212,629)**	(15,749)
Income tax (expense) benefit	**(151,037)**	(46,095)

(c) Deferred tax assets, net

Deferred income tax at 30 June relates to the following:

<u>Deferred taxes arising from AASB 15 adoption</u>		
Deferred tax asset on deferred revenue	**6,194,971**	-
Deferred tax liability on deferred costs	**(4,018,719)**	-
Net deferred tax asset – AASB 15	**2,176,252**	-
<u>Deferred taxes arising from normal business operations</u>		
Post-employment benefits	**56,942**	70,340
Provision for tax and audit fees	**16,225**	15,753
Provision for doubtful debts	**20,206**	12,537
Rent accruals	**6,322**	-
Impairment and depreciation of plant and equipment	**143,450**	58,628
Deferred tax assets	**243,144**	157,258
Prepayments	**(875)**	(1,763)
Consumables	**(6,286)**	(6,557)
Deferred tax liabilities	**(7,161)**	(8,320)
Net deferred tax asset – normal operations	**235,982**	148,938
Net deferred tax assets	**2,412,234**	148,938

8 INCOME TAX (continued)

(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 expense (benefit).

(e) Tax losses

The Group has unconfirmed tax losses arising in Australia of $2,418,851(2018: $981,322) that are available for offset against future taxable profits of the company. The deferred income tax asset of $665,184 (2018: $269,863) arising from these losses has not been brought to account at reporting date, as realisation of the benefit is not probable at this point in time. The Group will continue to review this regularly to determine whether to recognize these tax losses as deferred tax asset in the future.

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 deed which will, in the opinion of the directors, limit the joint and several liabilities of the wholly-owned entities in the case of default by the head entity Cryosite Limited. The tax sharing deed was signed on 12 May 2011.

The entities have also agreed to enter into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax loss, deferred tax assets and tax credits that are transferred to the Company 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.

9 EARNINGS PER SHARE

	Consolidated	
	30-Jun-19	30-Jun-18
	$	$
The following reflects the income used in the basic and diluted earnings per share computations:		
Basic earnings per share	**(3.68)**	(2.65)
Diluted earnings per share	**(3.62)**	(2.61)
Basic EPS disclosure		
Earnings used in EPS calculation	**(1,722,543)**	(1,240,439)
Net profit attributable to ordinary equity holders of the parent	**(1,722,543)**	(1,240,439)
	No. of shares	
Weighted average number of ordinary shares for basic earnings per share	**46,859,563**	46,859,563
Diluted EPS disclosure		
Earnings used in diluted EPS calculation	**(1,722,543)**	(1,240,439)
Net profit attributable to ordinary equity holders of the parent	**(1,722,543)**	(1,240,439)
	No. of shares	
Weighted average number of ordinary shares for basic earnings per share	**46,859,563**	46,859,563
Shares deemed to be used for no consideration – performance rights & options	**727,234**	640,114
Weighted average number of ordinary shares used in the calculation of diluted EPS	**47,586,797**	**47,499,677**

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 EARNINGS PER SHARE (continued)

	Consolidated	
	30-Jun-19	30-Jun-18
	$	$
The following reflects the income used in the basic and diluted earnings per share for continuing operations computations:		
Basic earnings per share	**(0.012)**	(0.002)
Diluted earnings per share	**(0.012)**	(0.002)
Basic EPS for continuing operations disclosure		
Earnings used in EPS for continuing operations calculation	**(565,157)**	(75,280)
Net profit attributable to ordinary equity holders of the parent	**(565,157)**	(75,280)
	No. of shares	
Weighted average number of ordinary shares for basic earnings per share for continuing operations	**46,859,563**	46,859,563
Diluted EPS for continuing operations disclosure		
Earnings used in diluted EPS for continuing operations calculation	**(565,157)**	(75,280)
Net profit attributable to ordinary equity holders of the parent	**(565,157)**	(75,280)
	No. of shares	
Weighted average number of ordinary shares for basic earnings per share	**46,859,563**	46,859,563
Shares deemed to be used for no consideration – performance rights & options	**727,234**	640,114
Weighted average number of ordinary shares used in the calculation of diluted EPS	**47,586,797**	**47,499,677**

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

10 CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	$	$
Cash at bank and on hand	**329,275**	534,181
Short-term deposit	**3,590,622**	4,001,697
Total Cash and Cash Equivalents	**3,919,897**	4,535,877

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the group and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents for the consolidated group and parent entity is $3,919,897 (2018: $4,688,104).

Change in comparative figures

During the period, the Company has modified the statement of financial position where bank guarantee of $152,227 was previously included as part of short term deposits is now presented separately under "Other assets" in Note 15.

Comparative amounts in the statement of financial position were reclassified to be consistent with current year presentation. The effect of the above reclassification follows:

<u>Statement of Financial Position for the period ended 30 June 2018</u>

	As previously presented	Reclassification	As represented
Cash and cash equivalents	4,688,104	(152,227)	4,535,877
Other assets	-	152,227	152,227

Reconciliation of cash

For purposes of the Statement of Cash Flow, cash and cash equivalents as at 30 June 2019 and the prior year are as shown above.

11 STATEMENT OF CASH FLOW RECONCILIATION

Reconciliation of the net profit after tax to the net cash flows from operations

	Consolidated 2019 $	Consolidated 2018 $
Net profit	**(1,722,543)**	(1,240,439)
Less: Transfer to investing activities	**(56,157)**	(42,680)
Adjustments for non-cash items		
Depreciation and amortisation of non-current assets	**271,650**	424,138
Impairment loss for discontinued operations	**-**	555,586
Impairment loss for intangibles	**39,780**	-
Impairment loss for prepayments	**291,093**	-
Increase (Decrease) in employee benefits – LSL	**3,298**	(49,145)
Cancellation of performance rights	**(22,928)**	-
Grant of Performance rights	**52,808**	35,248
Changes in assets and liabilities		
(Increase) Decrease in trade and other receivables	**574,702**	1,214,737
Decrease (Increase) in deferred tax asset – AASB 15	**621,294**	-
Decrease (Increase) in deferred costs – AASB 15	**1,393,500**	-
Increase (Decrease) in deferred tax liability -AASB 15	**(2,259,250)**	-
Increase (Decrease) in deferred revenue -AASB 15	**(383,216)**	-
Decrease (Increase) in inventory	**986**	57,240
Decrease (Increase) in prepayments	**8,822**	(446,850)
Decrease in deferred tax asset	**(87,044)**	54,817
Decrease (Increase) in other assets	**(323,985)**	-
Increase (Decrease) in trade and other creditors	**421,896**	(626,214)
Increase (Decrease) in current other liabilities	**80,189**	-
Increase (Decrease) in non- current other liabilities	**545,418**	-
Decrease (Increase) in unearned income	**(777)**	(59,461)
Increase (Decrease) in income tax provision	**(8,079)**	-
Decrease in employee claims provision	**-**	(130,000)
Increase (Decrease) in bonus provision	**(41,501)**	41,501
Increase (Decrease) in dividend provision	**-**	22
Increase in employee benefits – annual leave	**(47,492)**	(50,406)
Net cash flow from operating activities	**(647,536)**	(261,906)

12 TRADE AND OTHER RECEIVABLES – CURRENT

	Consolidated 2019 $	2018 $
Trade receivables	**652,545**	1,319,588
Allowance for impairment loss (a)	**(73,475)**	(45,590)
	579,070	1,273,998
Other receivables	**259,030**	85,133
Carrying amount of trade and other receivables	**838,100**	1,359,311

(a) Allowance for impairment loss

Trade receivables (current), which generally have 30 day terms, are recognised initially at fair value less an allowance for impairment as per AASB 9 requirements.

As per AASB 9, the Group's accounting for impairment losses for financial assets is based on a forward-looking expected credit loss (ECL) approach. The Group's ECL is based on an estimated percentage of past due receivables that are expected to default based on historical experience.

Movements in the provision for impairment loss were as follows:

	Consolidated 2019 $	2018 $
Balance at the beginning of the period	**45,590**	40,515
Increase(reduction) in impairment loss	**27,885**	5,075
Balance at the end of the period	**73,475**	45,590

(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 $
2019							
Current	**652,545**	**460,673**	**54,522**	**22,657**	**41,659**	**73,034**	**-**
Non-Current	**186,502**	**186,502**	**-**	**-**	**-**	**-**	**-**
Total Consolidated	**839,047**	**647,175**	**54,522**	**22,657**	**41,659**	**73,034**	**-**
2018							
Current	1,319,588	799,829	197,058	42,163	41,682	192,661	45,590
Non-Current	243,264	243,264	-	-	-	-	-
Total Consolidate	1,562,852	1,043,093	197,058	42,163	41,682	192,661	45,590

*For 2018, aging is based on pre AASB 9 requirements and was split into the following categories:

- Past due not impaired ("PDNI")
- Past due considered impaired ("CI")

12 TRADE AND OTHER RECEIVABLES – CURRENT (continued)

In 2019, as noted in 11(a), the impairment loss is based on ECL and not specific to certain debtors.

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) 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 INVENTORIES

	Consolidated	
	2019	2018
	$	$
Consumables at cost	**22,859**	23,845
Total Inventories at cost	**22,859**	23,845

14 PREPAYMENTS

	Consolidated	
	2019	2018
	$	$
Current		
Balance at beginning of period	**289,078**	132,433
Additions (reductions) during the year	**(9,721)**	156,645
Impairment loss	**(888)**	-
Balance at end of period	**279,369**	289,078
Non-Current		
Balance at beginning of period	**290,205**	-
Additions (reductions) during the year	**-**	290,205
Impairment loss	**(290,205)**	-
Balance at end of period	**-**	290,205

In 2018 prepayments included a payment for a new technology platform had been split into current of $72,551 and non-current of $290,205. During the year we expensed $71,663 of this new technology platform resulting in current balance of $888. In June 2019, an impairment review was conducted and it determined that this asset was fully impaired and subsequently this asset was written down to nil.

15 OTHER ASSETS

	Consolidated	
	2019	2018
	$	$
Bank guarantee*	**152,277**	152,277
Term Deposit**	**323,985**	-
Total	**476,262**	152,277

*Bank guarantee is a reclassification from cash on hand as outlined in Note 10.
** This term deposit matures on the 28th October 2019 with an annual interest of 1.75%.

16 TRADE AND OTHER RECEIVABLES – NON CURRENT

	Consolidated	
	2019	2018
	$	**$**
Trade receivables		
Trade receivables due under term payment plans	**186,502**	243,264

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

17 INVESTMENT IN CONTROLLED ENTITY

	Equity interest held by the consolidated entity		Investment	
Name – Cryosite Distribution Pty Limited	**2019**	2018	**2019**	2018
	%	%	**$**	$
Country of incorporation – Australia	100	100	20	20

18 PLANT AND EQUIPMENT

	Leasehold Improvements	Fixtures and fittings	Information Technology	Warehouse Equipment	Office furniture & equipment	Total
	$	$	$	$	$	$
Cost						
At 1 July 2017	200,000	108,635	234,555	4,214,685	14,358	4,772,233
Additions	11,613	25,194	28,823	98,989	16,896	181,515
At 30 June 2018	**211,613**	**133,829**	**263,378**	**4,313,674**	**31,254**	**4,953,748**
Additions	**-**	**-**	**-**	**26,155**	**-**	**26,155**
Disposals	**-**	**-**	**-**	**(632)**	**-**	**(632)**
At 30 June 2019	**211,613**	**133,829**	**263,378**	**4,339,197**	**31,254**	**4,979,271**
Depreciation and Impairment						
At 1 July 2017	(200,000)	(73,075)	(199,172)	(3,369,462)	(11,507)	(3,853,216)
Depreciation charge	(734)	(5,911)	(30,081)	(321,523)	(4,617)	(362,866)
Impairment loss*	-	-	-	(115,012)	-	(115,012)
At 30 June 2018	**(200,734)**	**(78,986)**	**(229,253)**	**(3,805,997)**	**(16,124)**	**(4,331,094)**
Depreciation charge	**(2,212)**	**(6,994)**	**(19,992)**	**(227,715)**	**(4,715)**	**(260,996)**
Disposals	**-**	**-**	**-**	**632**	**-**	**632**
At 30 June 2019	**(202,946)**	**(85,980)**	**(249,245)**	**(4,033,080)**	**(20,839)**	**(4,592,090)**
Net Book Value - 30 June 2018	10,879	54,843	34,125	507,677	15,130	622,654
Net Book Value - 30 June 2019	**8,667**	**47,849**	**14,133**	**306,117**	**10,415**	**387,181**

*In 2018 as result of the decision to cease the collection and processing of cord blood and tissue samples, the board reviewed the assets associated with these operations and, as a result of this review, concluded that these assets were impaired and consequently they have resolved to write down these assets by $115,012.

19 INTANGIBLE ASSETS

	Consolidated	
	2019	**2018**
	$	**$**
Licenses		
Licence fee - at cost	**255,310**	255,310
less Accumulated amortisation and impairment expense	**(255,310)**	(255,310)
Net Carrying Amount	**-**	-
Software development		
Software development -at cost	**294,615**	294,615
less Accumulated amortisation and impairment expense	**(287,637)**	(237,835)
Net Carrying Amount	**6,978**	56,780
Intellectual property		
Stemlife storage contracts - at cost	**152,763**	152,763
less Accumulated amortisation and impairment expense	**(152,763)**	(152,763)
Net Carrying Amount	**-**	-
Total Net Carrying Amount	**6,978**	56,780

19 INTANGIBLE ASSETS (continued)

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Licences	Software development	Intellectual property	Total
	$	$	$	$
Balance at 30 June 2017	234,610	224,625	100,000	559,235
Additions	-	-	-	-
Amortisation for the year	(2,750)	(50,641)	(8,490)	(61,881)
Impairment loss	(231,860)	(117,204)	(91,510)	(440,574)
Balance at 30 June 2018	**-**	**56,780**	**-**	**56,780**
Additions	**-**	**-**	**-**	**-**
Amortisation for the year	**-**	**(10,022)**	**-**	**(10,022)**
Impairment loss	**-**	**(39,780)**	**-**	**(39,780)**
Balance at 30 June 2019	**-**	**6,978**	**-**	**6,978**

Licence Fee

During the 2014 financial year, the Company entered into an exclusive licensing agreement within Australia and New Zealand to assist with the in-house development of new technologies to develop the range of stem cell service offerings. The Directors have assessed a finite life to the licence in line with the underlying patents and associated methodologies. The assessment of useful life is reviewed annually by the Directors to determine whether the assumptions made continue to be appropriate and supportable. If not, the useful life assessment is changed on a prospective basis. In 2018, the Company has ceased the collection and processing of new cord blood and cord tissue samples. As a result, the remaining net book value of the licence fee is fully impaired during the year. Refer to Note 34.

Software Development

During the 2016 and 2017 financial years, the Company has invested in the development of in-house software to enhance its operating capability. These costs include the direct costs of external consultants and any supporting software acquired from a third party. The assessment of useful life is reviewed annually by the Board to determine whether the assumptions made continue to be appropriate and supportable. If not, the useful life assessment is changed on a prospective basis.

In 2018, the Company has ceased the collection and processing of new cord blood and cord tissue samples. As a result, software associated with this segment is considered fully impaired during the year. Refer to Note 34.

Intellectual Property

In 2017, the Company acquired the storage contracts from a liquidated company called Stemlife. The cost reflects the direct costs paid to Stemlife and the legal fees incurred in the transaction. The assessment of useful life is reviewed annually by the Directors to determine whether the assumptions made continue to be appropriate and supportable. If not, the useful life assessment is changed on a prospective basis.

In 2018, the Company has ceased the collection and processing of new cord blood and cord tissue samples. As a result, the remaining net book value of intellectual property is fully impaired during the year. Refer to Note 34.

20 DEFERRED COSTS

	Consolidated	
	2019	2018
	$	$
Current	**1,381,183**	-
Non-current	**13,232,356**	-
	14,613,539	

Deferred costs represent upfront costs, such as laboratory fees, attributable for the collection and processing of cord blood and tissue samples. These are capitalised and amortised over the remaining life of the storage contracts as required under AASB 15.

21 TRADE AND OTHER PAYABLES

	Consolidated	
	2019	2018
	$	**$**
CURRENT LIABILTIES		
Trade payables	**239,694**	163,486
Other payables	**637,248**	291,560
Total current payables	**876,942**	455,046
NON-CURRENT LIABILTIES		
Client deposits	**441,682**	441,682
Total non-current payables	**441,682**	441,682

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 month terms. Their carrying value is assumed to be fair value.

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

	Total	**Not Yet due**	**0-30 Days**	**31-60 Days**	**61-90 Days**	**+91 Days**
	$	**$**	**$**	**$**	**$**	**$**
2019 Consolidated	**239,694**	**-**	**172,279**	**57,719**	**9,696**	**-**
2018 Consolidated	163,486	114,149	43,379	-	5,958	-

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

22 UNEARNED INCOME

	Consolidated	
	2019	2018
	$	$
Current	**23,066**	425,414
Non-current	**-**	3,998,804
	23,066	4,424,218

Prior to adoption of AASB 15, the majority of unearned income represented cord blood and tissue storage income received in advance for services to be rendered under long-term storage contracts. Subsequent to the adoption of AASB 15 on 1 July 2018, the full amount associated with cord blood and tissue storage is reclassed to deferred revenue.

23 DEFERRED REVENUE

	Consolidated	
	2019	2018
	$	$
Current	**2,250,487**	-
Non-current	**20,276,684**	-
	22,527,171	-

Prior to adoption of AASB 15, the Group immediately recognises to revenue the amount received for collection and processing of cord blood and cord tissue. Subsequent to adoption of AASB 15 on 1 July 2018, upfront revenue was reclassed to deferred revenue, which is amortised over the term of the contract.

24 PROVISIONS

	Consolidated	
	2019	2018
	$	**$**
Current		
Annual leave	**130,403**	177,895
Long service leave	**24,019**	40,358
Provision for bonuses	**-**	41,501
Dividend payable	**1,382**	1,382
	155,804	261,156
Non-current		
Long service leave	**37,799**	18,162
Lease make good	**200,000**	200,000
	237,799	218,162

Movements in provisions

Annual leave		
Balance at beginning of the year	**177,895**	228,301
Arising /(taken) during the year	**(47,492)**	(50,406)
	130,403	177,895
Long Service Leave		
Balance at beginning of the year	**40,358**	72,449
Arising / (taken) during the year	**21,460**	(32,091)
	61,818	40,358

Nature and timing of long service leave provision is based on the accounting policy and the significant estimations and assumptions applied in the measurement of this provision as in Note 3.

24 PROVISIONS (Continued)

	2019	2018
	$	$
Provision for Bonuses		
Balance at beginning of the year	**41,501**	-
Raised (paid) during the year	**(41,501)**	41,501
	-	41,501

Nature and timing of lease make-good provision

In accordance with the current lease agreement with Allsup Pty Limited for the premises in Granville, at the end of the lease term in October 2019, the Group may either restore the leased premises in Granville to its original condition or alternatively remove unfixed chattels and equipment and pay an amount of $150,000 (excluding GST). In June 2019 the current lease agreement was extended for another 3 years until 31 October 2022 and this make good provision was increased to $165,000. This was considered adequate based on the Company's current agreement with Allsup Pty Limited and the understanding reached to date.

The provision of $200,000 has been raised in respect of the Group's obligation to reflect this arrangement regarding the leased premises and 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 renegotiated and finalised with Allsup Pty Limited covering either a renewal of the existing or negotiating a new lease with them though $200,000 is considered fairly stated in either circumstance.

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

25 CONTRIBUTED EQUITY AND ACCUMULATED LOSSES

	Consolidated	
	2019	2018
	$	$
Ordinary shares	**5,861,788**	5,861,788

Movement in ordinary shares on issue

	2019		2018	
	Shares No.	**$**	Shares No.	$
Beginning of the financial year	**46,859,563**	**5,861,788**	46,859,563	5,861,788
End of the financial year	**46,859,563**	**5,861,788**	46,859,563	5,861,788

Terms of conditions of contributed equity

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.

25 CONTRIBUTED EQUITY AND ACCUMULATED LOSSES (continued)

Movement in accumulated losses

	Consolidated	
	2019	2018
	$	$
Balance at the beginning of the year	**(3,958,712)**	(2,718,273)
AASB 15 adjustment	**(1,966,135)**	-
Net profit for the year	**(1,722,543)**	(1,240,439)
Balance at the end of the year	**(7,647,390)**	(3,958,712)

26 RESERVES

	Consolidated	
	2019	2018
	$	$
Share rights reserve	**69,532**	40,339

Movement in share options/rights reserve

	Consolidated	
	2019	2018
	$	$
Balance at the beginning of the year	**40,339**	5,901
Performance rights/options granted	**52,121**	35,248
Performance rights/options cancelled	**(22,928)**	(8,677)
Balance at the end of the year	**69,532**	40,339

The purpose of the share rights reserve is to record the value of share-based payments provided to employees as part of their remuneration. Refer to Note 30 for further details of these plans.

27 COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – Group as lessee

Group as lessee

Commercial property
On 1 November 2016, the company entered into a four-year lease over a commercial property at South Granville in Sydney. This lease was renewed in June 2019 and extended another 3 years to 31st October 2020.

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

	Consolidated	
	2019	2018
	$	**$**
Within one year	**254,600**	247,490
After one year but not more than five years	**616,003**	83,040
	870,603	330,530

27 COMMITMENTS AND CONTINGENCIES (continued)

Commercial Property Security deposits

The security deposit for the lease at Granville is covered by a bank guarantee for $152,227 issued by the Commonwealth Bank of Australia. Cash deposit is held as security as per note 15.

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 five 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 are as follows:

	Consolidated	
	2019	2018
	$	$
Within one year	**4,880**	14,640
After one year but not more than five years	**-**	4,880
	4,880	19,520

(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.

28 AUDITORS REMUNERATION

	Consolidated	
	2019	2018
	$	$
Amounts received or due and receivable by Mazars for:		
- Audit or review of the financial report of the entity and any other entity in the consolidated group	**70,717**	75,104
- Other services in relation to the entity and any other entity in the consolidated group	**5,750**	4,300
	76,467	79,404

29 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 17.

During the year total payments of $130,264 were made to COSA Pty Ltd which is owned by Bryan Dulhunty, a director of the Company. COSA Pty Ltd charged the Company $48,502 for consulting fees and $81,762 (directors fees of $75,000 plus 9.5% superannuation) in respect to services provided by Bryan Dulhunty as a director and company secretary of the company during the year.

29 RELATED PARTY DISCLOSURES (continued)

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 has entered 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 8.

Cryosite Limited has received a dividend from Cryosite Distribution Pty Limited for $3,708,145 (2018: $3,500,000).

30 SHARE-BASED PAYMENTS EXPENSE

	Consolidated	
	2019	2018
	$	$
Total Expense (income) recognized in the profit and loss relating to share based payments		
Performance rights and options granted	**52,121**	35,248
	52,121	35,248

<u>Long Term Incentive Plan: Cryosite Employee Incentive Plan (CEIP)</u>

On the 23rd February 2017, the Cryosite Employee Incentive Plan (CEIP) was established by the Company. On invitation, the CEIP provides executives the opportunity to receive a long-term equity based incentive in each financial year and is governed by the CEIP Plan Rules.

Full details of the performance rights and options issued to executives are noted in the remuneration report which forms part of the Directors' Report.

Performance Rights

Since the establishment of the CEIP, the company has granted a number of performance rights. This grant value, subject to shareholder approvals, is defined as a % of fixed remuneration or as otherwise agreed. The following %'s of fixed remuneration were used in determining the grant value for each executive. The grant value was converted into the number of performance rights to be issued using the WVAP of Cryosite shares in the 30 trading days following the release of the Annual Report.

The following components of the CEIP for performance rights are as follows;

Vesting date	Up to 36 months from date of grant.
Vesting conditions	Performance rights will only vest after certain performance and conditions are met.
Performance conditions	Compound Annual Growth Rates (CAGR) of the Earnings per Share (EPS) over measurement period need to be achieved from a base year.
Service conditions	Continuous employment with Cryosite from the date of the performance rights are granted until the vesting date.
Expiry date	Performance rights will expire 1 month after the vesting date
Exercise of Rights	Any Performance rights which meet the Vesting conditions will be available for exercise up until the Expiry date.

30 SHARE-BASED PAYMENTS EXPENSE (continued)

The board has granted performance rights during the year to the following personnel:

	No of Performance Rights 2019	No of Performance Rights 2018
Key management personnel	-	503,944
Staff	-	294,303
	-	798,247

	Key management personnel No	Staff No	Total No
Balance granted as at 1st July 2017	**211,002**	**-**	**211,002**
Performance Rights granted 27/11/2017	295,647	294,303	589,950
Performance Rights granted 7/2/2018	208,297	-	208,297
Balance granted as at 30th June 2018	**714,946**	**294,303**	**1,009,249**
Performance Rights cancelled	**-**	**(294,303)**	**(294,303)**
Balance granted as at 30th June 2019	**714,946**	**-**	**714,946**

Conditions

Grant date	27 February 2017	**27 November 2017**	**7th February 2018**
Vesting date	1 September 2019	**1 September 2020**	**1 September 2020**
Expiry date	30 September 2019	**30 September 2020**	**30 September 2020**
Period	1/7/2016 to 30/6/2019	**1/7/2017 to 30/6/2020**	**1/7/2017 to 30/6/2020**
Base Year	2016	**2017**	**2017**
Basic EPS	0.64 cents	**0.48 cents**	**0.48 cents**
Measure	Earnings per Share (EPS) Compound Annual Growth Rate (CAGR)		

Targets for performance rights

CAGR of EPS over measurement Period relative to base year	EPS (cents)Target per plan			Percentage of Performance Rights that vest
Grant Date	27-Feb-17	**27-Nov-17**	**7-Feb-18**	
< 20%	< 1.10592	**<0.83**	**<0.83**	0%
20% to 25%	1.105592 to 1.25	**0.83 to 0.94**	**0.83 to 0.94**	50-100% (pro-rata)
>25%	>1.25	**>0.94**	**>0.94**	100%

As at 30 June 2019, no performance rights had vested.

30 SHARE-BASED PAYMENTS EXPENSE (continued)

Options

On the 27th June 2019, the board granted options to the following personnel:

	No of Options* 2019
Key personnel management	1,300,000
Staff	1,300,000
	2,600,000

*In relation to the options to be issued to the key personnel management, there is a restriction on settlement as they have been granted without shareholder approval and therefore settlement will be restricted to on market purchase pursuant to ASX Listing Rule 10.15B. Shareholder approval will be sought at the 2019 AGM and, if received, this restriction may no longer apply.

	Key management personnel No	Staff No	Total No
Options granted 27th June 2019	**1,300,000**	**1,300,000**	**2,600,000**
Balance granted as at 30th June 2019	**1,300,000**	**1,300,000**	**2,600,000**

The following components of the CEIP for options are as follows;

Vesting date	Up to 25 months from date of grant.
Option price	6 cents
Vesting conditions	Options will only vest after certain performance and conditions are met.
Performance conditions	Earnings per Share (EPS), Positive operating cashflow
Service conditions	Continuous employment with Cryosite from the date of the options are granted until the vesting date.
Expiry date	Options will expire 36 months after the vesting date.
Exercise of Options	Any options which meet the Vesting conditions will be available for exercise up until the Expiry date.

Conditions of options

Grant date	**27 June 2019**
Vesting date	**1 September 2021**
Expiry date	**1 September 2024**
Period	**27/6/2019 to 1/9/2021**
Exercise price	**6 cents**

Targets for options

Conditions of Vesting	Target date	Percentage of Performance Rights that vest
Positive Earnings per share (EPS)*	30 June 2021	33.3%
Positive Cashflow from Operations*	30 June 2021	33.3%
Continuous service	30 June 2021	33.3%

* Based on the 2021 audited accounts

As at 30 June 2019, no performance rights or options had vested.

30 SHARE-BASED PAYMENTS EXPENSE (continued)

Assumptions used to determine fair value of performance rights and options

The fair value of the performance rights and options granted was calculated using a Black Scholes model
using the following assumptions:

Date of effective valuation:	27-Feb-17	27-Nov-17	7-Feb-18	**27-Jun-19**
Fair value at valuation date	$0.178	$0.135	$0.100	**$0.0169**
Risk-free rate:	1.93%	1.90%	2.11%	**0.99%**
Standard deviation (annualised):	45%	50%	50%	**50%**
Closing share price at Effective Date:	$0.200	$0.135	$0.100	**$0.051**
Exercise price:	$0.000	$0.000	$0.000	**$0.060**
Expected life	2.51	2.77	2.54	**3.00**
Annualised dividend rate	4.6%	0.0%	0.0%	**0.0%**

31 KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel

Non-Executive Directors

Mr Bryan Dulhunty	Chairman (Non-executive) *
Mr Andrew Kroger	Director
Mrs Nicola Swift	Director

*Bryan Dulhunty was appointed Executive Chairman on the 27th June 2019.

Executive

Mr Mark Byrne	Chief Executive Officer

Due to the relatively small number of employees, there is only one key management personnel having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

31 KEY MANAGEMENT PERSONNEL (continued)

(b) Compensation for key management personnel

	Consolidated	
	2019	2018
	$	**$**
Non-executive directors		
Short-term employee benefits*	250,265	221 ,913
Post-employment benefits	11,400	16,201
Share base payments	110	-
Sub-total non-executive directors	261,775	238,114
Key Management Personnel		
Short-term employee benefits	228,310	246,026
Post-employment benefits	21,689	21,472
Share base payments	37,571	31,740
Sub-total key management personnel	387,570	299,238
Total compensation	549,345	537,352

*This includes payments to made to COSA Pty which is owned by Bryan Dulhunty. During the year the company charged the Company $48,502 for consulting services and $81,762(directors fees of $75,000 plus 9.5% superannuation) (2018 $51,375) in respect to services provided by Bryan Dulhunty as a director and company secretary of the company. Bryan Dulhunty became executive chairman on the 27th June 2019.

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; and
- assessments of appropriate discount rates for deferred arrangements.

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:

32 **FINANCIAL INSTRUMENTS (continued)**

2019	Note	Weighted average effective interest %	Floating Interest $	Non-Interest bearing $	Total $
Financial assets					
Interest bearing deposits	10	**2.13%**	**3,597,839**	**-**	**3,597,839**
Cash and equivalents	10	**0.46%**	**322,839**	**-**	**322,839**
Current receivables	12	**-**	**-**	**838,100**	**838,100**
Non-Current receivables	16	**-**	**-**	**186,502**	**186,502**
Total			**3,920,678**	**1,024,602**	**4,945,280**
Financial Labilities					
Trade creditors and accruals	21	**2.20%**	**-**	**239,693**	**239,693**

2018	Note	Weighted average effective interest %	Floating Interest $	Non-Interest bearing $	Total $
Financial assets					
Interest bearing deposits	10	1.85%	4,153,923	-	4,153,923
Cash and equivalents	10	0.59%	534,181	-	534,181
Current receivables	12	-	-	1,380,811	1,380,811
Non-Current receivables	16	-	-	243,264	243,264
Total			4,688,104	1,624,075	6,312,179
Financial Labilities					
Trade creditors and accruals	21	2.20%	114,149	340,897	455,046

Interest rate sensitivity analysis

The Group has no material exposure to any probable interest volatility.

(b) 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.

32 FINANCIAL INSTRUMENTS (Continued)

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.

(c) 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. As part of regular reviews, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2017. 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.

(d) 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. The fair value of the assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair values of balances related to long term revenue contracts are determined using a discounted cash flow method using discount rates that reflect the appropriate level of risk over the life of the long term revenue stream.

(e) Liquidity Risk

The Group has assessed liquidity risk to be low at balance date and at the date of this report based on total current assets, including cash and equivalents, of $6,622,766 (2018: $6,381,838) at balance date less current liabilities of $3,029,778 (2018: $1,141,616) an excess of current assets over current liabilities amounting to $3,592,988 (2018: $4,967,222) The Group generated a negative $647,536 (2018: $261,906) cash flow from operations during the current year. Liquidity risks are managed by matching the payment and receipt cycle.

32 FINANCIAL INSTRUMENTS (Continued)

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

Year ended 30 June 2019	Less than 6 months $	6-12 months $	1-5 years $	Greater than 5 $	Total $
Consolidated Financial Assets					
Cash and cash equivalents	**3,919,897**	**-**	**-**	**-**	**3,919,897**
Trade and other receivables	**841,444**	**25,737**	**178,794**	**7,708**	**1,053,683**
Other assets	**323,985**	**-**	**-**	**-**	**323,985**
	5,085,326	**25,737**	**178,794**	**7,708**	**5,297,765**
Consolidated Financial liabilities					
Trade and other payables	**876,942**	**-**	**-**	**-**	**876,942**
Net maturity	**4,208,384**	**25,737**	**178,794**	**7,708**	**4,420,623**

Year ended 30 June 2018	Less than 6 months $	6-12 months $	1-5 years $	Greater than 5 $	Total $
Consolidated Financial Assets					
Cash and cash equivalents	4,535,827	-	-	-	4,535,827
Trade and other receivables	1,266,988	113,823	233,098	10,166	1,624,075
	5,802,815	113,823	233,098	10,166	6,159,902
Consolidated Financial liabilities					
Trade and other payables	455,046	-	-	-	455,046
Net maturity	5,347,769	113,823	233,098	10,166	5,704,856

The risk implied from the values shown in the table above, 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.

33 PARENT ENTITY FINANCIAL INFORMATION

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

	2019	2018
	$	$
(a) ASSETS		
Total Current Assets	**7,333,042**	5,777,743
Total Non-Current Assets	**19,625,106**	1,361,861
TOTAL ASSETS	**26,958,148**	7,139,603
(b) LIABILITIES		
Total Current Liabilities	**3,592,160**	1,161,023
Total Non-Current Liabilities	**25,140,477**	4,658,649
TOTAL LIABILITIES	**28,732,637**	5,819,672
(c) EQUITY		
Contributed equity	**5,861,788**	5,861,788
Share option reserves	**69,532**	40,339
Accumulated losses	**(7,705,809)**	(4,582,196)
TOTAL EQUITY	**(1,774,489)**	1,319,931
(d) TOTAL COMPREHENSIVE INCOME		
Net Profit of the parent entity for the year net of income tax	**(1,159,117)**	(1,364,490)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,159,117)**	(1,363,490)

(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 27.

34 DISCONTINUED OPERATIONS

In October 2017, the Company completed the closure of the laboratory operations and the departure of staff associated with the collection and processing of cord blood and tissue samples. The Company will continue to service its existing storage contracts until the full contract terms of either 18 or 25 years.

As result of the decision to cease the collection and processing of cord blood and tissue samples, the board reviewed all non-financial assets associated with these operations and, as a result of this review, concluded that these assets were impaired. Consequently, they resolved to write down these assets by the following amounts:

	2019	2018
	$	$
Property, plant and equipment	-	115,012
Licence fees	-	231,860
Intellectual property	-	91,510
Software	-	117,204
Total impairment loss	-	555,586

No impairment was deemed necessary for the assets related to the storage and maintenance of cord blood and tissue samples.

The results of operations related to collection and processing of cord blood and tissue samples are presented below:

	2019	2018
	$	$
Revenue	-	240,108
Expenses	-	(963,554)
Impairment loss	-	(555,586)
Pre-tax profit/(loss) for the financial year	-	(1,279,032)
Income tax credit/(expense)	-	283,289
Post-tax profit/(loss) for the financial year from discontinued operations	-	**(995,743)**

The storage revenue from existing cord blood and storage contracts are presented as part of continuing operations from Cord Blood and Tissue segment (see Note 5 and Note 6).

35 LEGAL SETTLEMENT

		Consolidated 2019 $	2018 $
Penalty from ACCC		**(1,050,000)**	-
Less discounted factor due to payment plan	(a)	**224,393**	-
Discounted penalty from ACCC		**(825,607)**	-
Legal fees paid to ACCC		**(50,000)**	-
Final ACCC settlement	(a)	**(875,607)**	-
Final settlement to employee	(b)	**-**	(195,000)
Legal expenses incurred		**(407,626)**	(198,677)
Provision for employee claims reversed		**-**	130,000
Accruals reversed		**-**	30,000
Pre-tax expense		**(1,283,233)**	(233,677)
Income tax credit		**125,847**	64,261
Post tax loss from legal settlement		**(1,157,386)**	(169,416)

a) Legal settlement to ACCC

On the 13th February 2019, the Company settled with the Australian Competition and Consumer Commission (ACCC) in relation to the proceeding against Cryosite in the Federal Court of Australia.

Under the terms of the settlement, the Company agreed to pay a pecuniary penalty of $1.1m (including costs) to the ACCC, with Cryosite being allowed to pay the penalty in instalments with $250,000 (including $50,000 in legal costs) to be paid within 30 days of the Court's order and the balance to be paid in 10 equal annual instalments from 2020 to 2029. Background details to this settlement are outlined in the Directors Report.

The initial accounting treatment of the ACCC penalty was as follows:

	Penalty $	Income Statement Impact $	Balance Sheet Impact $	Classification
Legal fees	50,000	50,000	50,000	Other payables - current
Initial payment	200,000	200,000	200,000	Other liabilities - current
Payment plan *	850,000	625,608	625,608	Other liabilities – non-current
Total	**1,100,000**	**875,608**	**875,608**	

On the 8th March 2019, Cryosite paid $250,000 resulting in a balance of $625,607 outstanding on 30th June 2019 made up of:

	$
Other liabilities – current	47,464
Other liabilities – non-current	578,144
Total liabilities	625,608

*The payment plan of $850,000 has been discounted by $224,393 over a 10 year period using a discount rate of 6% to reflect the 10 equal annual instalments of $85,000.

b) Legal settlement to employee

A former Director and former employee made a claim against the company in respect to statutory entitlements and an additional termination entitles. This claim was subsequently settled by the Group in 2018.

MAZARS

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF CRYOSITE LIMITED AND CONTROLLED ENTITY

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Cryosite Limited and controlled entity (the "Group"), which comprises the statement of financial position as at 30 June 2019 and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, other selected explanatory notes and the directors' declaration as set out on pages 19 to 69.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards to the extent described in Note 2 and the Corporations Regulations 2001.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accounts* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report for the current year. We have determined that there are no key audit matters to communicate in our report.

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MAZARS

Other Information

The directors of the group are responsible for the other information. The other information comprises the information included in the “Annual Report”, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors’ responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

MAZARS

Report on the Remuneration Report

We have audited the Remuneration Report for the year ended 30 June 2019 as outlined on pages 8 to 13 of the financial report. 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 2019, complies with section 300A of the Corporations Act 2001.

Yours sincerely,

MAZARS RISK AND ASSURANCE PTY LTD

P. M. Collins.

Paul Collins
Director

Sydney, on this 21st day of August 2019

ASX Additional Shareholder Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 12 August 2019.

SUBSTANTIAL SHAREHOLDERS

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

	2019		2018	
Shareholder	**No of shares**	**% of issued capital**	No of shares	% of issued capital
Andrew Kroger and related entities	**17,315,291**	**36.95**	17,315,291	36.95
Cell Care Australia Pty Ltd	**9,229,995**	**19.70**	9,229,995	19.70

TWENTY LARGEST SHAREHOLDERS

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

SHAREHOLDERS	**LISTED ORDINARY SHARES**	
	No of shares	% of ordinary shares
Andrew Kroger and related entities	17,315,291	36.95
Cell care Australia Pty Ltd	9,229,995	19.70
Mr Alistair David Strong	2,000,000	4.27
BNP Paribas Nominees Pty Ltd	1,826,861	3.90
Bell Potter Nominees Ltd	1,758,236	3.75
Mrs Jane Susan Milliken	1,302,917	2.78
Mr Stephen Roberts	967,662	2.07
Sunnyit Pty Ltd	851,000	1.82
Mr Theodore Onisforou	642,477	1.37
Talston Pty Ltd	500,000	1.07
H F A Administration Pty Limited	480,000	1.02
Mr Peter Howells	465,730	0.99
CVF Australia Pty Ltd	459,085	0.98
Wifam Investments Pty Ltd	300,000	0.64
Castlereagh Equity Pty Ltd	300,000	0.64
Mr Ashley McKeon	300,000	0.64
Integument Pty Ltd	262,013	0.56
Mr Gabriel Hewitt	234,112	0.50
Wheen Finance Pty Limited	228,454	0.49
Dr Anthony Francis Chan	215,000	0.46
	39,638,833	84.59

ASX Additional Shareholder Information

DISTRIBUTION OF EQUITY SECURITIES

Number of Shareholders by Size of Holding

Range	No of Holders	No of ordinary shares
1 to 1,000	38	12,549
1,001 to 5,000	207	793,256
5,001 to 10,000	58	464,231
10,001 to 100,000	106	3,307,085
100,001 and Over	43	42,282,442
Total	452	46,859,563

Voting Rights

All ordinary shares carry one vote per share without restriction.

Number of shareholders holding less than a marketable parcel

The number of shareholders holding less than a marketable parcel of shares is 283 and they hold 1,070,036 shares.