Cryosite Limited

ABN 86 090 919 476

Appendix 4D

Six months ended 31 December 2019 ('current period') and 31 December 2018 ('previous corresponding period')

Results for announcement to the market

1. Details of Reporting Period

The financial information contained in this report is for the half year ended 31 December 2019. Comparative amounts (unless otherwise indicated) relate to the year ended 31 December 2018.

2. Results for Announcement to the Market

				$A'000
2.1 Revenue from ordinary activities:	Up	5.7%	to	4,179k
2.2 Profit (loss) from ordinary activities after tax attributable to members:	Up	-	to	1,246k
2.3 Net profit (loss) for the period attributable to members:	Up	-	to	1,246k

2.4 Dividends

The Board of Cryosite has on the 27th February 2020 determined that no interim dividend will be paid.

2.5 Commentary on the results to the market:

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

3.0 NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	(1.1) cents	(2.8) cents

CRYOSITE LIMITED
ABN 86 090 919 476

Half-Year Financial Report
31 December 2019

Cryosite Limited Half-Year Financial Report
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Cryosite Limited Half-Year Financial Report
Directors' Report

Your directors submit their report for the half-year ended 31 December 2019.

Directors

The directors in office of Cryosite Limited and its controlled entity (the "Company") during the half year and until the date of this Report are set out below. Directors were in office for this entire period unless otherwise stated.

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

Principal Activities

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

Cryosite operates through two operating segments:

- **Clinical Trials and Biorepository Services Logistics**
  This segment 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 Tissue Storage**
  This segment provides long term storage for cord blood and tissue samples.

Review of Operations

As I said in my Chairman's address to shareholders at this year's AGM "It has been a positive start to the year".

For the six months ended 31 December 2019 the Company recorded a profit of $1.25m after tax (previous corresponding period loss of $1.32m) and as at 31 December 2019 cash on hand of $4.95m was an increase of $1.0m from 30 June 2019.

The turnaround of $2.57m in profit was driven by 2 factors.

- $2.1m of the turnaround came from the receipt in this half year of a legal settlement of $1.0.m versus the previous corresponding period where a legal settlement generated a loss of $1.1m. Details of these legal matters are set out in Note 15 of the accompanying notes.

- $0.47m of the turnaround came from improvements in the underlying business. The underlying business returned to a profit before tax of $416k versus the previous corresponding periods loss of $56k. The turnaround in the operating performance was driven by:
  i. a growth in sales of 5.7% ($226k) from the previous corresponding period and
  ii. a reduction in expenses of 6.1% ($246k) from the previous corresponding period.

As previously stated, the aim of the directors is to return Cryosite to a company generating an appropriate return on capital. This will involve significant internal changes to ensure we adopt more cost-effective methods of operations.

In the past 6 months we have commenced implementing the changes necessary to achieve this outcome. This has resulted in growth in the gross profit of both of our business segments.

- The Clinical Trial Logistics and Biorepository segment profit performance improved by $573k generating a profit of $1.2m.
- The Cord Blood and Tissue segment profit performance improved by $93k generating a profit of $390k

Implementing changes comes with a cost. Unallocated costs of $1.3m increased by $195k. This is a result of numerous costs associated with the change implementation, offset by cost savings made.

While placing an emphasis on change management we have also kept a prudent eye on cash management. Total cash on hand increased by $1.0m. $955k of this inflow resulted from a legal settlement net of costs. Cash from operations returned to a positive cash inflow of $258k from the previous half year's net outflow of ($302k) offset by outflows from investing of ($58k) and financing charges of ($126k). It should be noted that costs related to financing charges had previously been included in operating outflows. This change in classification is a result of the adoption of a new leasing standard AASB 16 Leases.

Outlook

The second six months of the financial year will see an increased pace of change. The Board has committed to spending approximately $1.0m on infrastructure and operating system improvements, over the next 6 months. This expenditure is aimed to position Cryosite as the pre-eminent Clinical Trial Logistics and Biorepository company in Australia. We will set the standard others have to follow. The majority of this expenditure will be of a capital nature but a number of one-off restructuring costs will fall into our expense line.

Cord Blood revenue is expected to remain flat. The cord blood business continues to securely store cord and tissue for existing clients under a variety of contracts, the longest of which is 25 years. 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.

There is much to be done at Cryosite to ensure shareholders receive an appropriate return on their investment, however as stated above, we have made a positive start and have a clear plan to achieve this outcome. The Board and Management are grateful for the continuing support of the Company by the shareholders.

Bryan Dulhunty
Executive Chair
Sydney
27th February 2020

AUDITORS' INDEPENDENCE DECLARATION

In relation to our review of the financial report of Cryosite Limited and its controlled entity for the half-year ended 31 December 2019, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cryosite Limited and its controlled entity during the half-year ended 31 December 2019.

MAZARS RISK & ASSURANCE PTY LIMITED

Rose Megale
Director
Dated in Sydney, this 27th day of February 2020.

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Cryosite Limited Half-Year Financial Report
Directors' Declaration

The Directors of Cryosite Limited declare that:

- The financial statements and notes of Cryosite Limited and its controlled entity for the half-year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:

    - giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
    - complying with Accounting Standards AASB 134 Interim Financial Reporting.

- There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Bryan Dulhunty
Chair
Sydney
27th February 2020

Cryosite Limited Half-Year Financial Report
Consolidated Statement of Profit and Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	31 Dec 2019	31 Dec 2018
		$	$
Revenues	**5**	**4,179,275**	3,952,761
Expenses			
Costs of providing services		**(1,622,193)**	(2,275,022)
Depreciation and amortisation expense		**(263,437)**	(186,302)
Marketing expenses		**(51,005)**	(212,000)
Occupancy expenses		**(171,835)**	(314,501)
Administration expenses		**(1,654,017)**	(1,021,599)
Other	**15**	**958,983**	-
Profit (loss) from continuing operations before tax		**1,375,771**	(56,663)
Income tax (expense) benefit	**6 (a)**	**(130,257)**	(127,158)
Profit (loss) after tax from continuing operations		**1,245,514**	(183,821)
Legal settlement ACCC	**15**	**-**	(1,135,689)
Net Profit (loss) attributable to members of the parent		**1,245,514**	(1,319,510)
Total comprehensive income (loss) for the half-year		**1,245,514**	(1,319,510)
Earnings per share (cents per share)			
Basic EPS for the half-year		**2.658**	**(2.812)**
Diluted EPS for the half-year		**2.518**	**(2.757)**

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

Cryosite Limited Half-Year Financial Report
Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

	Notes	31 Dec 2019 $	30 Jun 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	11	**4,949,169**	3,919,897
Trade and other receivables		**940,173**	838,100
Inventories		**34,541**	22,859
Prepayments		**196,908**	279,369
Income tax receivable		**-**	29,081
Other assets		**159,329**	476,262
Deferred costs		**1,356,878**	1,381,183
Total Current Assets		**7,636,998**	6,946,751
Non-Current Assets			
Trade and other receivables		**209,630**	186,502
Lease Asset	4	**1,327,091**	-
Deferred tax asset, net	6 (b)	**2,290,702**	2,412,234
Deferred costs		**12,566,065**	13,232,356
Plant and equipment	12	**347,998**	387,181
Intangible assets	14	**3,956**	6,978
Total Non-Current Assets		**16,745,442**	16,225,251
TOTAL ASSETS		**24,382,440**	23,172,002
LIABILITIES			
Current Liabilities			
Trade and other payables		**575,746**	876,942
Unearned income		**89,065**	23,066
Deferred revenue		**2,189,509**	2,250,487
Other liabilities	15	**47,464**	47,464
Lease Liability	4	**188,377**	-
Provisions		**173,078**	155,804
Total Current Liabilities		**3,263,239**	3,353,763
Non-Current Liabilities			
Trade and other payables		**441,680**	441,682
Deferred revenue		**19,212,065**	20,276,684
Other liabilities	15	**578,143**	578,144
Lease Liability	4	**1,165,953**	-
Provisions		**251,304**	237,799
Total Non-Current Liabilities		**21,649,145**	21,534,309
TOTAL LIABILITIES		**24,912,384**	24,888,072
NET ASSETS		**(529,944)**	(1,716,070)

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

Consolidated Statement of Financial Position continued

AS AT 31 DECEMBER 2019	Notes	31 Dec 2019 $	30 Jun 2019 $
EQUITY			
Contributed equity		**5,861,788**	5,861,788
Share rights reserves		**10,144**	69,532
Accumulated losses		**(6,401,876)**	(7,647,390)
TOTAL EQUITY		**(529,944)**	(1,716,070)

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

Cryosite Limited Half-Year Financial Report
Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	Contributed capital $	Accumulated losses $	Reserves $	Total equity $
At 1 July 2019		**5,861,788**	**(7,647,390)**	**69,532**	**(1,716,070)**
Profit (loss) for the period		**-**	**1,245,514**	**-**	**1,245,514**
Performance rights cancelled		**-**	**-**	**(59,388)**	**(59,388)**
At 31 December 2019		**5,861,788**	**(6,401,876)**	**10,144**	**(529,944)**
At 1 July 2018		5,861,788	(3,958,712)	40,339	1,943,415
AASB 15 adjustment		-	(1,966,135)	-	(1,966,135)
Profit (loss) for the period		-	(1,319,509)	-	(1,319,509)
Performance rights granted		-	-	26,164	26,164
At 31 December 2018		5,861,788	(7,244,356)	66,503	(1,316,065)

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

Consolidated Statement of Cashflows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	31 Dec 2019 $	31 Dec 2018 $
Cash flows from operating activities			
Receipts from customers		**3,150,013**	3,233,326
Payments to suppliers and employees		**(2,892,125)**	(3,538,927)
Legal settlement, net		**954,881**	-
Finance income		**-**	3,124
Net cash flows from operating activities		**1,212,769**	(302,477)
Cash flows from investing activities			
Purchase of plant and equipment		**(69,102)**	(12,938)
Interest received – term deposits		**11,535**	29,965
Net cash flows (used in) from investing activities		**(57,567)**	17,027
Cash flows from Financing activities			
Operating lease payments		**(125,930)**	-
Net cash flows (used in) financing activities		**(125,930)**	-
Net increase/(decrease) in cash and cash equivalents		**1,029,272**	(285,450)
Cash and cash equivalents at beginning of period		**3,919,897**	4,535,827
Cash and cash equivalents at end of period	**11**	**4,949,169**	4,250,377

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

1. CORPORATE INFORMATION

The financial report of Cryosite Limited and the controlled entity (the Group) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 27th February 2020.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.Compliance with AASB 134 *Interim Financial Reporting* ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2019 and considered together with any public announcements made by Cryosite Limited during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statement except for *AASB 16 Leases,* which recognise the right of use assets and liabilities arising from all leases, with exceptions for low value and short-term leases.

(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

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

- AASB 1023 Interpretation 23 – Uncertainty over Income Tax Treatment

The adoption of amending Standards does not have any impact on the disclosures or the amount recognised in the Group's interim consolidated financial statements.

New Standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019. The Group has elected not to early adopt any other standard, interpretation or amendment that has been issued, but is not yet effective.

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

The impact of adopting AASB 16 on the half-year financial report is presented in Note 4.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Cryosite Limited and its subsidiary ('the Group') as at the half-year ended 31 December 2019.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

(d) Foreign currency translation

Both the functional and presentation currency of Cryosite Limited and its Australian subsidiary is Australian dollars ($AUD). 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 are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant & equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred.

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

Major depreciation rates are:	**2019**	2018
Leasehold improvements	Lease term- October 2025	Lease term- October 2022
Plant and equipment:		
- Fixtures and fittings	5 – 10 years	5 – 10 years
- Information technology	2 - 3 years	2 - 2.5 years
- Warehouse equipment	4 - 10 years	4 - 10 years
- Office furniture & equipment	2.5 – 8 years	2.5 – 8 years
Plant & equipment under lease	5 years	5 years

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have 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 are 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.

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.

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

Costs incurred in relation to the implementation & development of applications are capitalised as a prepayment reflecting the economic benefits to be consumed over the contract service period. Any costs in relation to training & data conversion are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Trade receivables (non-current), which generally have terms in excess of 24 months, are carried at their net present value. The expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate of 13.9% (2018:13.9%).

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Unused sick leave on termination of employment is forfeited.

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').

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 option reserves are transferred to retained earnings.

(p) Leases

AASB 16 has been applied as of 1 July 2019 and the Company will use what is known as the "modified retrospective" transition method, under which a liability is recognised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Contributed equity

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

(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.

(w) Fair value measurement

Fair value is the price that would be received to sell an asset or paid 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 is 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 twelve 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 non-current. 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 twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve 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.

3. SIGNIFICANT EVENTS AND TRANSACTIONS

Cryosite receive $1M in settlement of legal claim
On 13 February 2019, in the matter of ACCC v Cryosite [2019] FCA 116, Cryosite was ordered to pay $1,100,000 in penalty and costs with respect to certain contraventions of the Competition and Consumer Act 2010. Those proceedings arose out of a proposed transaction in 2017 under which Cryosite had reached an agreement, which was ultimately not completed, to sell certain assets of its business of CBT banking services.

3. SIGNIFICANT EVENTS AND TRANSACTIONS (continued)

Cryosite entered into a deed of settlement under which the company was paid $1,000,000 on 30 September 2019, in settlement of the claim for loss and damage relating to legal services received by Cryosite in connection with the proposed 2017 transaction.

The settlement sum is in full and final settlement of all claims by Cryosite relating to this matter. Both of these matters are detailed in Note 15.

4. TRANSITION TO AASB 16

The entity has adopted AASB 16 with effect from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The entity leases the premises housing its principle place of business. Until the 2019 financial year, such leases were classified as operating leases with payments being charged to the profit and loss. From 1 July 2019, in line with AASB 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is amortised over the lease term on a straight-line basis.

The reclassifications and the adjustments arising from the new leasing rules have been recognised in the opening balance sheet on 1 July 2019.

a. Recognition of right-of-use assets amounting to $1,440,841
b. Recognition of current lease liability of $178,522 and non-current lease liability of $1,262,319

Lease liabilities have been measured at the present value of the remaining lease payments, discounted using the RBA June 2019 Lending Rate - Small business variable rate as of 1 July 2019.

The movement from lease commitments to lease liabilities is reconciled as follows:

	31 Dec 2019
	$
Operating lease commitments disclosed as at 30 June 2019	**870,603**
Option of the lease extension of 3 years recognized as at 1 July 2019	**835,768**
Discounted using the RBA June 2019 Lending Rate - Small business variable rate of 5.45%	**(265,530)**
Lease liability recognised as at 1 July 2019	**1,440,841**
Lease payments made from 1 July 2019 to 31 December 2019	**(86,511)**
Lease liability as at 31 December 2019	**1,354,330**

The recognised right-of-use assets relates to property and is comprised as follows:

Property right of use recognised as at 1 July 2019	**1,440,841**
Accumulated Amortisation for the 6 months to 31 December 2019	**(113,750)**
Lease Asset as at 31 December 2019	**1,327,091**

4. TRANSITION TO AASB 16 (continued)

The consolidated entity has elected to adopt a modified retrospective application of the standard as permitted by AASB 16.

The balance at 31 December 2019 is made up of:

	31 Dec 2019 $	30 June 2019 $
Lease asset – non-current	**1,327,091**	-
Total Assets	**1,327,091**	-
Lease liability – current	**188,377**	-
Leases liability – non-current	**1,165,953**	-
Total Liabilities	**1,354,330**	-

5. REVENUE AND EXPENSES

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

(i) Revenue

	2019 $	2018 $
Customer contract revenues		
Sales of goods and rendering of services	**3,022,567**	2,562,247
Storage Revenue	**1,135,052**	1,333,913
Interest income on customer contracts	**-**	23,504
	4,157,619	3,919,664
Other revenue		
Bank interest	**21,656**	33,097
	21,656	33,097
	4,179,275	3,952,761

(ii) Expenses

Major items included within expenses follow:

	2019 $	2018 $
Employee benefits	**1,037,182**	1,246,136

6. INCOME TAX

(a) Income Tax Expense

	2019	2018
	$	$
Accounting profit/(loss) before tax	**1,375,768**	(1,192,351)
At the statutory income tax rate of 27.5%	**378,336**	327,896
Tax Losses recognised	**(63,643)**	-
Other items (net)	**(184,436)**	(455,054)
Income tax benefit /(expense)reported in the statement of comprehensive income	**(130,257)**	(127,158)
Income tax benefit/(expense) is attributable to the following:		
- Continuing operations	**(130,257)**	(127,158)

(b) Recognised deferred tax assets and liabilities

Deferred taxes at 31 December 2019 and 30 June 2019 relates to the following:

	2019	2018
	$	$
Deferred taxes arising from AASB 15 adoption		
Deferred tax asset on deferred revenue	**5,885,529**	6,194,971
Deferred tax liability on deferred costs	**3,828,808**	(4,018,719)
Net deferred tax asset – AASB 15	**2,056,721**	2,176,252
Deferred taxes arising from normal business operations		
Post-employment benefits	**61,705**	56,492
Provision for tax and audit fees	**13,237**	16,225
Provision for doubtful debts	**25,228**	20,206
Superannuation Payable	**3,640**	-
Accruals	**-**	6,322
Lease Liability	**7,234**	-
Tax Losses carried forward	**63,643**	75,663
Impairment and depreciation of plant & equipment	**69,830**	67,787
Prepayments	**(1,037)**	(875)
Consumables	**(9,499)**	(6,286)
Net deferred tax asset	**233,981**	235,982
Net deferred tax assets	**2,290,702**	2,412,234

At 31 December 2019 the Group has unconfirmed tax losses arising in Australia of $1,802,128, of which $231,429 have been brought to account as deferred tax asset, (June 2019: $2,418,851) that are available for offset against future taxable profits of the company.

7. DIVIDENDS PAID OR PROPOSED

No dividends have been provided for at the reporting date (30 June 2019: Nil).

8. CONTINGENT LIABILITIES

The Company is not aware of any contingent liabilities or contingent assets at reporting date.

9. SUBSEQUENT EVENTS

The Company is not aware of any material subsequent events since reporting date.

10. 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:

a) **Clinical Trials and Biorepository 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.

b) **Cord Blood and Tissue Storage**
This business provides long term storage for cord blood and tissue samples.

The accounting policies used by the Company in reporting segments internally are the same as those contained in note 1 to the accounts and in the 30 June 2019 annual financial report.

Operating Segment 2019	**Clinical Trials and Biorepository Services Logistics $**	**Cord Blood and Tissue $**	**Unallocated $**	**Total $**
Revenue	**2,808,174**	**1,349,445**	**21,656**	**4,179,275**
Net profit before tax	**1,220,840**	**509,709**	**(1,313,761)**	**416,788**
Tax	**-**	**(119,532)**	**(10,725)**	**(130,257)**
Net profit after tax	**1,220,840**	**390,177**	**(1,324,486)**	**286,531**
Legal Settlement	**-**	**-**	**958,983**	**958,983**
Total Comprehensive Income net of tax	**1,220,840**	**390,177**	**(365,503)**	**1,245,514**

10.SEGMENT INFORMATION (continued)

Operating Segment 2019 (continued)	**Clinical Trials and Biorepository Services Logistics $**	**Cord Blood and Tissue $**	**Unallocated $**	**Total $**
Segment Assets 31 December 2019	**790,222**	**16,923,534**	**6,661,450**	**24,382,440**
Segment Liabilities 31 December 2019	**338,472**	**21,843,255**	**2,730,657**	**24,912,384**
Depreciation and Amortisation	**(32,075)**	**(57,369)**	**(173,994)**	**(263,437)**

Operating Segment 2018				
Revenue	2,562,247	1,357,417	33,097	3,952,761
Net profit before tax	647,706	416,458	(1,120,827)	(56,663)
Tax		(119,034)	(8,124)	(127,158)
Net profit after tax	647,706	297,424	(1,128,951)	(183,821)
Legal Settlement ACCC, net of tax	-	-	(1,135,689)	(1,135,689)
Total Comprehensive Income net of tax	647,706	297,424	(2,264,640)	(1,319,510)
Segment Assets 31 December 2018	1,315,191	22,401,214	5,054,473	28,770,878
Segment Liabilities 31 December 2018	189,893	28,334,864	1,562,186	30,086,943
Depreciation and Amortisation	(57,859)	(62,370)	(66,073)	(186,302)

Tax comparative for 2018 has been and split between Cord Blood & Tissue and Unallocated in line with 2019.

11. CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2019:

	31 Dec 2019 $	30 June 2019 $
Cash at bank and in hand	**949,154**	329,275
Short-term deposits	**4,000,015**	3,590,622
	4,949,169	3,919,897

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2019, the Company acquired assets with a cost of $69,102. (30 June 2019: $26,155).

	Leasehold improvements	Fixtures and fittings	Information technology	Warehouse equipment	Office furniture & equipment	Total
	$	$	$	$	$	$
Cost						
At 30 June 2019	**211,613**	**133,829**	**263,378**	**4,339,197**	**31,254**	**4,979,271**
Additions	**-**	**-**	**-**	**58,720**	**10,382**	**69,102**
At 31 December 2019	**211,613**	**133,829**	**263,378**	**4,397,917**	**41,636**	**5,048,373**
Accumulated Depreciation						
At 30 June 2019	**(202,946)**	**(85,980)**	**(249,245)**	**(4,033,080)**	**(20,839)**	**(4,592,090)**
Depreciation charge for the 6 months	(1,106)	(3,497)	(4,930)	(94,212)	(4,540)	(108,285)
At 31 December 2019	**(204,052)**	**(89,477)**	**(254,175)**	**(4,127,292)**	**(25,379)**	**(4,700,375)**
Net book value 30 June 2019	**8,667**	**47,849**	**14,133**	**306,117**	**10,415**	**387,181**
Net book value 31 December 2019	**7,516**	**44,352**	**9,203**	**270,625**	**16,257**	**347,998**

13. RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions which have been entered into with related parties during the six-month periods ending 31 December 2019 and 31 December 2018 as well as balances with related parties as at 30 June 2019:

	31 Dec 2019	31 Dec 2018
	$	$
Owed to Cryosite Distribution Pty Ltd	**483,478**	1,544,427

14. NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Software $	Total $
Cost		
At 30 June 2019	**131,232**	131,232
Additions	**-**	-
At 31 December 2019	**131,232**	131,232
Amortisation and impairment		
At 30 June 2019	**(124,254)**	(124,254)
Amortisation for the 6 months	**(3,022)**	(3,022)
At 31 December 2019	**(127,276)**	(127,276)
Net book value – 30 June 2019	**6,978**	6,978
Net book value – 31 December 2019	**3,956**	3,956

The Company assesses the impairment of non-financial assets at each reporting date. The Company assessed these software assets and concluded that these assets were not impaired.

15. OTHER

	31 Dec 2019 **$**	31 Dec 2018 $
Penalty from ACCC	**-**	(1,050,000)
Less discount factor due to payment plan	**-**	224,393
Discounted penalty from ACCC	**-**	(825,607)
Legal fees paid to ACCC	**-**	(50,000)
Final ACCC settlement	**-**	(875,607)
Final settlement		
Legal expenses incurred	**-**	(260,082)
Pre-tax profit/(loss) for the financial year	**-**	(1,135,689)
Income tax credit/(expense)	**-**	-
Post-tax profit/(loss) for the financial year from legal settlement	**-**	(1,135,689)

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.

15. OTHER (continued)

The balance at 31 December 2019 is made up of:

	31 Dec 2019 **$**	30 June 2019 $
Other Liabilities – current	**47,464**	47,464
Other Liabilities – non-current	**578,143**	578,144
Total	**625,607**	625,608

Cryosite receive $1M in settlement of legal claim

Arising from the ACCC settlement as outlined above, Cryosite entered into a deed of settlement under which the company was paid $1,000,000 on 30 September 2019, in settlement of the claim for loss and damage relating to legal services received by Cryosite in connection with the proposed 2017 transaction.

The settlement sum is in full and final settlement of all claims by Cryosite relating to this matter.

	31 Dec 2019 **$**	31 Dec 2018 $
Legal Settlement	**1,000,000**	-
Legal fees incurred	**(41,017)**	-
Net legal settlement	**958,983**	-

16. COMMITMENTS AND CONTINGENCIES

(a) 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 included in the balance sheet as part of Other assets.

(b) Capital expenditure commitments

In December 2019 the Board of Directors approved a program to upgrade the infrastructure base, over the next twelve months, up to approximately $1 million.

At the date of this report purchase orders to the value of $429,000 have been raised.

Independent Auditor's Review Report to the members of Cryosite Limited

Report on the Condensed Half-year Financial Report

We have reviewed the accompanying half-year financial report of Cryosite Limited and its controlled entity, which comprises the statement of financial position as at 31 December 2019 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the half-year end or from time to time during the half-year ended 31 December 2019.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors' determine is necessary to enable the presentation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Cryosite Limited and its controlled entity during the half-year ended 31 December 2019, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cryosite Limited and its controlled entity is not in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

MAZARS RISK & ASSURANCE PTY LIMITED

R. Megale

Rose Megale
Director
Dated in Sydney, this 27th day of February 2020.

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