

°cryosite

# ANNUAL REPORT 2014



ABN 86 090 919 476

# Table of Contents

|                                                                | Page |
|----------------------------------------------------------------|------|
| <b>Corporate Information</b>                                   | 2    |
| <b>Directors' Report</b>                                       | 3    |
| <b>Auditor's Independence Declaration</b>                      | 15   |
| <b>Corporate Governance Statement</b>                          | 16   |
| <b>Directors' Declaration</b>                                  | 20   |
| <b>Consolidated Statement of Comprehensive Income</b>          | 21   |
| <b>Consolidated Statement of Financial Position</b>            | 22   |
| <b>Consolidated Statement of Changes in Equity</b>             | 23   |
| <b>Consolidated Statement of Cash Flow</b>                     | 24   |
| <b>Notes to the Financial Statements</b>                       |      |
| 1 Corporate Information                                        | 25   |
| 2 Summary of Significant Accounting Policies                   | 25   |
| 3 Significant Accounting Judgements, Estimates and Assumptions | 34   |
| 4 Segment Information                                          | 37   |
| 5 Revenue                                                      | 38   |
| 6 Expenses                                                     | 38   |
| 7 Income Tax                                                   | 39   |
| 8 Earnings Per Share                                           | 40   |
| 9 Dividends Paid and Proposed                                  | 41   |
| 10 Cash and Cash Equivalents                                   | 41   |
| 11 Cash Flow Statement Reconciliation                          | 41   |
| 12 Current Assets - Trade and Other Receivables                | 42   |
| 13 Current Assets – Inventories                                | 43   |
| 14 Current Assets – Prepayments                                | 43   |
| 15 Non-Current - Trade and Other Receivables                   | 43   |
| 16 Non-Current Assets – Investments in Subsidiaries            | 43   |
| 17 Non-Current Assets - Plant and Equipment                    | 44   |
| 18 Non-Current Assets - Intangible Assets                      | 44   |
| 19 Trade and Other Payables                                    | 45   |
| 20 Current Liabilities – Unearned Income                       | 45   |
| 21 Non-Current Liabilities - Unearned Income                   | 45   |
| 22 Non-Current Liabilities – Provisions                        | 46   |
| 23 Contributed Equity and Accumulated Losses                   | 47   |
| 24 Reserves                                                    | 47   |
| 25 Commitments and Contingencies                               | 47   |
| 26 Events After Balance Date                                   | 48   |
| 27 Auditors' Remuneration                                      | 48   |
| 28 Related Party Disclosures                                   | 49   |
| 29 Shared-Based Payments Expense                               | 49   |
| 30 Superannuation                                              | 51   |
| 31 Key Management Personnel                                    | 51   |
| 32 Financial Instruments                                       | 52   |
| 33 Parent Entity Financial Information                         | 55   |
| <b>Independent Audit Report</b>                                | 57   |
| <b>ASX Additional Shareholder Information</b>                  | 59   |

## Corporate Information

**ABN 86 090 919 476**

### **DIRECTORS**

Andrew Kroger (Non-Executive Chairman)  
Christina (Christy) Boyce (Non-Executive Director)  
Graeme Moore (Acting CEO)

### **COMPANY SECRETARY**

Bryan Dulhunty (CoSA Life Science - Corporate)

### **REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

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Telephone: +61 2 8865 2000  
Fax: +61 2 8865 2090

Email: [corporate@cryosite.com](mailto:corporate@cryosite.com)

### **SHARE REGISTER**

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

### **AUDITORS**

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

### **INTERNET ADDRESS**

[www.cryosite.com](http://www.cryosite.com)

# Directors' Report

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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 2014.

## DIRECTORS

The following people held the office of director during the year

Andrew Kroger (Non-Executive Chairman)  
Christina (Christy) Boyce (Non-Executive Director)  
Gordon Milliken (Managing Director) – resigned 9<sup>th</sup> April 2014  
Graeme Moore (Executive Director)

## Names, qualifications, experience and special responsibilities

### **Andrew Kroger, BEc, LLB Non-Executive Chairman**

Mr Kroger has had a career in stockbroking, law and general management including two years running Forsyth 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.

### **Christina (Christy) Boyce, BEc, MBA, GAICD, Non-Executive Director**

Ms Boyce has over 20 years strategic consulting and management experience. She is currently a director Port Jackson Partners, a consulting firm providing strategic advice to Boards, CEOs and senior management. Prior to this, she worked at McKinsey & Co for 14 years, where she was a partner. Ms Boyce has worked extensively with companies on growth, strategy development and business restructuring across a range of industries including retail, telecommunications and consumer goods, in Australia and overseas. Christy is currently a Non-Executive Director of Monash IVF Group. She holds a Masters of Management (with distinction) from the Kellogg Graduate School of Management at Northwestern University and a Bachelor of Economics from the University of Sydney. She was appointed to the Board in June, 2013.

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

Mr Milliken has extensive experience in a variety of positions in the commercial medical and veterinary technology fields. Mr Milliken is one of the founding members of Cryosite and has been instrumental in setting up the operational core of the Company. He has been involved with the Company on a full-time basis since it was established in 1999, and assumed the position of Managing Director in February 2002. Mr Milliken has a Diploma of Medical Technology and a Graduate Diploma in Operations Management. Mr Milliken was appointed to the board of Cryosite in March 2002 and resigned the 9<sup>th</sup> April 2014.

### **Graeme Moore, B.App.Sc (Biomed), MHA, Executive Director**

Graeme Moore was appointed acting CEO in April 2014 and had previously held positions as Chief Operating Officer and Quality and Regulatory Affairs Manager. Mr Moore joined Cryosite in July 2005 after a 20 year career in biomedical science, manufacture of therapeutic goods, quality management and regulatory affairs, and 9 years with the Australian Red Cross Blood Service. Mr Moore was appointed to the Board on 22 September, 2008.

## COMPANY SECRETARY

### **Bryan Dulhunty, BEc, CA**

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

Mr Dulhunty founded CoSA in 2001 after extensive experience in a major international accounting firm and both large and small publicly listed entities. Mr. Dulhunty is has been Executive Chairman, Managing Director non-executive director and company secretary of a number of listed and unlisted biotechnology companies

# Directors' Report continued

As at the date of this report the relevant interests of the directors in the shares and options of Cryosite Limited were:

| Director        | Ordinary shares | Options over ordinary shares |
|-----------------|-----------------|------------------------------|
| Andrew Kroger   | 11,706,943      | -                            |
| Graeme Moore    | -               | 300,000                      |
| Christina Boyce | 60,637          | -                            |

## EARNINGS PER SHARE

|                            |                               |
|----------------------------|-------------------------------|
| Basic earnings per share   | 1.08 cents (2013: 2.68 cents) |
| Diluted earnings per share | 1.07 cents (2013: 2.65 cents) |

## DIVIDENDS

A final unfranked dividend for the year ended 30 June 2013 of 1.0 cents per ordinary share was declared and paid during the financial year. An interim unfranked dividend of 0.5 cents per ordinary share in respect of the 2014 financial year was declared and paid during the financial year.

The total dividends declared and paid were \$700,693 (2013: \$466,397). No further dividends have been recommended at the date of this report

## CORPORATE INFORMATION

### Corporate structure

Cryosite Limited is a company limited by shares that is incorporated and domiciled in Australia. Cryosite Limited is the ultimate parent company. Cryosite Limited has prepared a consolidated financial report which incorporates Cryosite Distribution Pty Limited, a company incorporated and domiciled in Australia that it controlled during the financial year.

### Nature of operations and principal activities

Cryosite (ASX: CTE) is a unique Australian biotech company that pioneered private autologous Cord Blood Banking in 2002, directed allogeneic Family Banking in 2011, and in 2014 has developed and commercialised methods for the cryopreservation and expansion of MCS's from umbilical cord tissue.

Cryosite also provides specialised Bio-repository, Clinical Trials Logistics, Commercial Drug Distribution, contract Cellular Therapies manufacturing and associated consultancy services to commercial clients both within Australia and internationally. Cryosite's facilities are NATA accredited (ISO15189, ISO17025) and its Cord Blood Stem Cell cryopreservation and storage laboratories are fully licensed by the TGA.

The company's highly specialised biologistics-based services are grouped into two reporting segments:

- Biological Services, and
- Warehousing & Distribution Services.

### Biological Services

Biological Services includes the private cord blood and tissue banking service, adult stem cell storage, bioarchive & biorepository services and contract GMP manufacturing service.

### Warehousing & Distribution Services

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

# Directors' Report continued

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## Employees

The consolidated entity has 34 full-time equivalent employees as at 30 June 2014 (2013: 35 employees).

## OPERATING RESULTS FOR THE YEAR

The Directors have pleasure in reporting to shareholders the results for the last year's operations. Profit for the year after income tax was \$505,602 (2013: \$1,249,961).

The financial performance of the Group in the second half of the financial year suffered as anticipated in the announcement to the market on 23 December 2013. This deterioration was a result of the Group's decision to implement a long term business growth strategy involving new development activities in both the biological services and warehousing and distribution segments. This, together with termination payments made to the previous Managing Director and legal expenses associated with the evaluation of business development opportunities, contributed to the decrease in profit from operations in 2014. We are pleased to be able to advise that as a result of these investments we are beginning to see growth across all segments of the Group reflected in an improvement on the previously advised full-year profit forecast from continuing operations before income tax from a range of \$500k - \$600k to an actual of \$678,314.

The results of the Group's implemented strategies were not only reflected in the operating profit but also in the operating cash flow inflows of \$1,542,536 (2013: \$1,939,971). Net capital expenditure for year was \$427,670 (2013: \$379,160). The Company continues to generate positive cash flows with cash and cash equivalents at the end of the year being \$6,252,193 (2013: \$5,777,097).

## REVIEW OF OPERATIONS

During 2014 the Company made significant investments in sales & marketing and R&D to improve competitiveness in its existing operations and to develop additional revenue streams in new markets. These investments together with \$271,400 related to one-off expenses associated with personnel changes and legal fees incurred in relation to evaluation of business development opportunities, have resulted in a short term decline in Group's EBITDA performance reflected in the financial report. The absence of these one off costs together with our investments in sales, marketing and R&D, have positioned the Company for continuing growth performance in the following years.

## Biological Services Segment

### Cord blood & Tissue

Cryosite pioneered private banking of cord blood to treat a range of haematological conditions in Australia in 2002. At that time Cryosite was the only TGA licensed cord blood bank, and the stem cells were only available for autologous use. The next significant milestone in the Australian cord blood market occurred in 2012 when Cryosite obtained the first TGA license for the directed allogeneic release of cord blood. While the introduction of Family Banking provided an initial marketing advantage, 2014 has seen increased competition and discounting within the cord banking sector, and Cryosite has needed to invest in additional sales and marketing capacity to maintain its 2013 sales. These factors have led to a reduction in cord blood operating profit contribution relative to last year though we expect improved performance as a result of these investments.

To grow market share and profitability in its cord blood operations, Cryosite invested in R&D and advanced GMP cell processing capability during 2014 and has successfully commercialised a method to cryopreserve and expand a patent protected source of mesenchymal stem cells (MSC's) from umbilical cord tissue. MSC's are a different type of stem cell to those currently banked from cord blood. Commencing Q3 2014, Cryosite will offer cord tissue MSC banking and future cell expansion options to parents. MSC banking complements Cryosite's existing business model and is expected to add an important additional revenue stream to Cryosite's existing cord blood operations. While cord tissue derived MSCs are not currently licensed for use as a therapeutic product in Australia, our market research has identified that Cryosite's highly developed and differentiated MSC product will yield a significant uptake rate from parents who currently choose to bank their child's cord blood.

# Directors' Report continued

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## Contract GMP manufacturing

The extension of Cryosite's current GMP manufacturing capabilities to include advanced stem cell processing and expansion has also enabled Cryosite to identify new business opportunities and expand the range of specialised services it can provide to commercial clients in both the Biological Services and Warehouse & Distribution Services segments. These services now include contract Good Manufacturing Practice (GMP) manufacturing of specialised cell therapy products and the provision of associated consultancy services. Cryosite's expertise in the storage and distribution of frozen and cryogenic biologics and medicines, clinical trials logistics and the Australian regulatory environment, enables the Company to also provide clients with sophisticated storage and distribution options for their manufactured products.

In 2013, Cryosite entered into an agreement with the regenerative medicine company Regeneus (ASX: RGS) to develop methods to cryopreserve adipose derived stem cells for OE and other indications. Cryosite now provides routine contract manufacturing, storage and distribution services for this commercial product (HiQCell+®). In 2014, contract GMP manufacturing made a pleasing contribution to Biological Services revenue and segment operating profit and this is expected to be maintained during 2015. Cryosite has also entered into an agreement to provide GMP manufacturing services to Regeneus to cost effectively fast-track the production of Regeneus' off-the shelf Progenza® product for preclinical and clinical trials for market entry into Japan, and to explore other opportunities for the development and manufacture of new stem cell products for human application.

## Bio repository

The trend in types of material under management by the Biorepository service is consistent with the range of specialised "high end" services Cryosite is able to provide. Client material now often comprises cell and seed banks, modified bacterial and virus stock, and GMOs intended for use in the manufacture of phase 1/phase 2 investigational products for international clinical trials, and research material that may have considerable future commercial value. This material requires GMP level storage, distribution and traceability as its quality and commercial value may be compromised by loss of environmental control or failure to anticipate long term regulatory requirements. In addition to a comprehensive range storage options, Cryosite also offers segregation by risk category and value added services including assistance with risk assessment, import, export and containment requirements, temperature controlled distribution and regulatory advice.

Revenue and operating profit from Biorepository services increased in 2014. The revenue improvement has been primarily driven through the provision of higher value Biorepository services to existing clients, and the provision of contract manufacturing services to new clients. As stated above, Cryosite is well positioned to support clients' changing needs for more comprehensive and integrated services.

## Segment Summary

In summary, Biological Services segment results were encouraging. Revenue increased during 2014 although with additional investments made in this segment the overall operating profit was marginally down on last year's result. The success of Cryosite's new contract manufacturing service made a timely contribution to segment revenue and largely compensated for the decrease in operating profit from cord blood services that resulted from the Company's investment in the development of its new Cord Tissue service and additional marketing capability. Despite increasing competition for cord blood sales, the launch of Cryosite's new Cord Tissue service and increased marketing capacity is expected to enable an increase in segment operating profit in 2015. The additional revenue from contract manufacturing services is expected to be maintained during 2015, resulting in an overall positive outlook for the segment.

## **Warehousing and Distribution Segment**

### Clinical Trials

Cryosite's Clinical Trials Logistics service has established itself over many years as a high quality and cost effective partner for local and international trial sponsors (pharmaceutical and biopharmaceutical companies) and Contract Research Organisations (CROs) for the warehousing and distribution of investigational drugs. Cryosite's expertise in cold, frozen and cryogenic storage and distribution has enabled the Company to successfully support client's changing needs for management of biologic based drugs, and for these services to comply with applicable international standards.

# Directors' Report continued

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By leveraging the expertise and systems in its Biological Services segment, Cryosite has also been able to provide an expanded range of value added services, including complex protocol development and process qualification, which are particularly applicable to the global growth in cold chain biologic based drugs. It should be noted that these sophisticated services are able to be provided cost effectively as they comprise routine operations within Cryosite's Biological Services segment. While the number of individual clinical trials under management has increased, it is the ability to identify and meet client's demands to support highly customised trials of increasing complexity, and the provision of value added services, that has enabled Clinical Trials operations to maintain their contribution to segment revenue in 2014. To identify and capitalise on these opportunities Cryosite has invested in additional marketing and business development resources, which while positioning the Company in this sector going forward, has resulted in a net reduction in operating profit compared to the previous year.

## Commercial drug distribution

Cryosite's expertise in warehousing, distribution and biological services enabled Cryosite to secure its first contract for distribution of a highly temperature sensitive commercial drug in 2013. Commercial distribution has now been successfully integrated into routine operations, making an important contribution to Clinical Trials results in 2014.

## ATCC

The renegotiated agreement with ATCC has resulted in an increase in revenue and operating profit from the ATCC distribution services during 2014.

## Segment Summary

In summary, results for the Warehousing & Distribution Services segment reflected incremental organic growth in Clinical Trials operations, new business created through provision of specialised commercial drug distribution, and the increase in revenue and GP from the renegotiated ATCC distribution contract. While the investment in additional marketing and business development has resulted in a net reduction in operating profit compared to the previous year, we expect these investments to facilitate improvement in segment operating profits in 2015.

## **BUSINESS GROWTH AND OUTLOOK**

### **Competitive Environment**

#### Business outlook summary

While traditional operations within the Biological and Warehousing & Distribution Service segments will be subject to an increasingly competitive business environment during 2015, both segments are expected to provide incremental organic growth due to the increasingly specialised value added service offerings each segment can provide.

The past year has seen Cryosite identify and implement new business operations in both market segments. The Biological Services segment now provides cord tissue MSC banking to parents, and specialised contract GMP manufacturing and associated consultancy services to therapeutic and regenerative medicine companies involved in the development and commercialisation of proprietary technologies. The Warehousing and Distribution segment now provides specialised commercial drug distribution, and has commenced protocol development for cryogenic and GMO investigational products for a large international client. These initiatives are expected to improve revenue and net operating profit in 2015 and further position the Company to maintain growth in the longer term.

Leveraging Cryosite's unique combination of Biorepository, Clinical Trials Logistics and TGA licensed stem cell manufacturing services to create specialised service offerings for existing as well as new clients, offers the promise of an exciting future for the Company. The initial successes reported in commercial drug distribution and contract GMP manufacturing, are early indicators of the Company's ability to adapt and succeed in both market segments.

# Directors' Report continued

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## SHARE OPTIONS

As at the date of this report, there were 300,000 (2013: 520,000) unissued ordinary shares under options. Refer to the remuneration report for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

There were no significant events after the balance date that will have a material effect on the operations of the consolidated entity.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board is confident that subject to any unforeseen circumstances, the benefits of its common infrastructure and operations systems to support the business units will allow it to increase revenue, improve margins and overall financial performance of the Company during the next financial year.

## REGULATORY ENVIRONMENT

The Company provides a range of services that require compliance to a variety of regulatory and statutory bodies, including the Therapeutic Goods Administration (TGA), the Department of Agriculture, Fisheries and Forestry (DAFF), 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. Cryosite also holds accreditation for ISO 15189 (Medical laboratories) and ISO/IEC 17025 (testing and calibration laboratories) from Australian National Association of Testing Authorities (NATA).

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

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

Most of the services that Cryosite provide to generate income require some form of statutory licensing or compliance authority. The failure by Cryosite to attain and maintain such licences and approvals would have a significant negative effect on the Company's ability to continue to provide such services and to maintain its viability. As referred to in other parts of this report, Cryosite is committed to 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 wilful breach of duty, of a nature that is required to be disclosed under section 300 (8) of the Corporations Act 2001. In accordance with commercial practice, further details of the nature of the liabilities insured against and the amount of the premium have not been disclosed.

## Directors' Report continued

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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 case for the defence should the event arise.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor.

### REMUNERATION REPORT

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

This has been audited by Duncan Dovico Risk & Assurance Pty Limited and is included within the scope of the audit report on pages 60 and 61.

#### Remuneration philosophy

The Company recognises the importance of structuring remuneration packages of its key management personnel so as to attract and retain people with the qualifications, skills and experience to help the Company achieve the required objectives. However, the Company understands that whilst it is still in the development phase of its growth, a prudent position must be observed in the total remuneration expense.

A fixed remuneration package is determined by the Chairman for the Managing Director or CEO. Any additional compensation is determined by the Board as deemed appropriate.

#### Non-Executive Directors

Total remuneration paid to non-executive directors is determined by the Board from time to time for presentation to and resolution by shareholders at the Annual General Meeting. The current maximum aggregate remuneration paid to non-executive directors is \$350,000 per year.

The directors are paid a set amount per year and apart from reimbursement of expenses incurred on the Company's behalf, are not eligible for any additional payments.

Executive directors and other key management personnel are employed on rolling contracts.

Any options that have vested will be forfeited, if not exercised, within three months of cessation of employment. 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 options that have vested but not been exercised will be forfeited.

Due to the size of the Company, a Remuneration Committee has not been established. The Company does compare remuneration paid to key management personnel with other similar companies to ensure consistency.

# Directors' Report continued

## 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:-

|                 |                                     |
|-----------------|-------------------------------------|
| Andrew Kroger   | Chairman (Non-executive)            |
| Christina Boyce | Director (Non-executive)            |
| Gordon Milliken | Managing Director (Part year)       |
| Graeme Moore    | Executive Director                  |
| Philip Alger    | Chief Financial Officer (Part year) |
| Mark Marshall   | Chief Financial Officer (Part year) |

Due to the relatively small number of employees, apart from Gordon Milliken, Graeme Moore , Philip Alger and Mark Marshall , 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.

## COMPENSATION FOR KEY MANAGEMENT PERSONNEL

|                                       | Short term benefits |                     | Post-employment benefits | Other long term benefits | Share-based payments | Total          |
|---------------------------------------|---------------------|---------------------|--------------------------|--------------------------|----------------------|----------------|
|                                       | Salary & Fees       | Other cash benefits | Super-annuation          | Long service leave       | Options              |                |
|                                       | \$                  | \$                  | \$                       | \$                       | \$                   | \$             |
| <b>Year ended 30 June 2014</b>        |                     |                     |                          |                          |                      |                |
| <b>Non-executive Directors</b>        |                     |                     |                          |                          |                      |                |
| Andrew Kroger                         | 75,000              | -                   | 6,938                    | -                        | -                    | 81,938         |
| Christina Boyce                       | 60,000              | -                   | 5,563                    | -                        | -                    | 65,563         |
| Sub-total: non-executive directors    | 135,000             | -                   | 12,501                   | -                        | -                    | 147,501        |
| <b>Executive directors</b>            |                     |                     |                          |                          |                      |                |
| Gordon Milliken (i) (ii)              | 226,174             | 25,000              | 34,771                   | 35,733                   | -                    | 321,678        |
| Graeme Moore                          | 182,019             | 21,600              | 16,837                   | 3,044                    | -                    | 223,500        |
| <b>Other key management personnel</b> |                     |                     |                          |                          |                      |                |
| Mark Marshall (i)                     | 67,332              | -                   | 20,321                   | -                        | -                    | 87,653         |
| Philip Alger (i) (ii)                 | 59,557              | -                   | 30,640                   | 20,271                   | -                    | 110,468        |
| Sub-total executive KMP               | 535,082             | 46,600              | 102,569                  | 59,048                   | -                    | 743,299        |
| <b>Total</b>                          | <b>670,082</b>      | <b>46,600</b>       | <b>115,070</b>           | <b>59,048</b>            | <b>-</b>             | <b>890,800</b> |

- (i) Where directors or key personnel resigned or were appointed during the year payments shown above are for the period served.
- (ii) Amounts paid are inclusive of eligible termination payments paid in respect of the period of service

# Directors' Report continued

## COMPENSATION FOR KEY MANAGEMENT PERSONNEL CONTINUED

|                                       | Short term benefits |                     | Post-employment benefits | Other long term benefits | Share-based payments | Total          |
|---------------------------------------|---------------------|---------------------|--------------------------|--------------------------|----------------------|----------------|
|                                       | Salary & Fees       | Other cash benefits | Super-annuation          | Long service leave       | Options              |                |
|                                       | \$                  | \$                  | \$                       | \$                       | \$                   | \$             |
| <b>Year ended 30 June 2013</b>        |                     |                     |                          |                          |                      |                |
| <b>Non-executive Directors</b>        |                     |                     |                          |                          |                      |                |
| Andrew Kroger (i)                     | 75,000              | -                   | 6,750                    | -                        | -                    | 81,750         |
| Christina Boyce (i)                   | 5,000               | -                   | 450                      | -                        | -                    | 5,450          |
| Sub-total: non-executive directors    | 80,000              | -                   | 7,200                    | -                        | -                    | 87,200         |
| <b>Executive directors</b>            |                     |                     |                          |                          |                      |                |
| Gordon Milliken                       | 145,063             | 30,000              | 24,937                   | 3,699                    | -                    | 203,699        |
| Graeme Moore                          | 173,469             | 21,600              | 24,932                   | 3,673                    | -                    | 223,674        |
| <b>Other key management personnel</b> |                     |                     |                          |                          |                      |                |
| Philip Alger                          | 120,078             | -                   | 24,923                   | 2,217                    | -                    | 147,218        |
| Sub-total executive KMP               | 438,610             | 51,600              | 74,792                   | 9,589                    | -                    | 574,591        |
| <b>Total</b>                          | <b>518,610</b>      | <b>51,600</b>       | <b>81,992</b>            | <b>9,589</b>             | <b>-</b>             | <b>661,791</b> |

- (i) Where directors or key personnel resigned or were appointed during the year payments shown above are for the period served.
- (ii) Amounts paid are inclusive of eligible termination payments paid in respect of the period of service.

## OPTIONS GRANTED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2014

There were no options granted during the year (2013: Nil).

## OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

|                                     | Graeme Moore<br>No | Philip Alger<br>No.* | Total<br>No.   |
|-------------------------------------|--------------------|----------------------|----------------|
| <b>Balance held at 1 July 2013</b>  | <b>300,000</b>     | <b>220,000</b>       | <b>520,000</b> |
| Options Exercised                   | -                  | (220,000)            | (220,000)      |
| <b>Balance held at 30 June 2014</b> | <b>300,000</b>     | <b>-</b>             | <b>300,000</b> |

\* Options issued under the Employee Share Options Scheme.

|                              | Graeme Moore<br>No | Philip Alger<br>No.* | Total<br>No. |
|------------------------------|--------------------|----------------------|--------------|
| Balance held at 1 July 2012  | 300,000            | 220,000              | 520,000      |
| Balance held at 30 June 2013 | 300,000            | 220,000              | 520,000      |

\* Options issued under the Employee Share Options Scheme.

# Directors' Report continued

## OPTIONS VESTED OF KEY MANAGEMENT PERSONNEL

|                                | Graeme Moore<br>No. * | Philip<br>Alger<br>No. * | Total<br>No. |
|--------------------------------|-----------------------|--------------------------|--------------|
| Balance vested at 1 July 2013  | 300,000               | 220,000                  | 520,000      |
| Options exercised              | -                     | (220,000)                | (220,000)    |
| Balance vested at 30 June 2014 | 300,000               | -                        | 300,000      |
| Exercisable                    | 300,000               | -                        | 300,000      |

\* Options issued under the Employee Share Options Scheme.

|                                | Graeme Moore<br>No. * | Philip<br>Alger<br>No. * | Total<br>No. |
|--------------------------------|-----------------------|--------------------------|--------------|
| Balance vested at 1 July 2012  | 300,000               | 220,000                  | 520,000      |
| Balance vested at 30 June 2013 | 300,000               | 220,000                  | 520,000      |
| Exercisable                    | 300,000               | 220,000                  | 520,000      |

\* Options issued under the Employee Share Options Scheme.

### *Terms and conditions of options issued under employee share scheme details*

On 18 February 2002, Cryosite established an Employee Share Option Plan ("the Plan"). The Plan is designed to assist in the retention and motivation of employees and directors of the Company.

### *The terms and conditions of the Plan are as follows:*

Options may be granted under the Plan to an employee or director of the Company or any of its subsidiaries, or to a person who renders services to the Company, or to any of its subsidiaries and is eligible to be a participant in the Plan under the terms of the Income Tax Assessment Act 1936 and Income Tax Assessment Act 1997 and by any instrument issued by ASIC and applicable to the Company ("eligible participant").

The Cryosite Board will determine the number of share options granted to each eligible participant.

The total number of share options granted under the Plan will be limited to 5% of the total number of issued shares at the time the offer or grant of options is made. Options will be issued for no consideration.

The Board will determine the Option Exercise Price after considering the volume weighted average of the prices at which shares were traded on ASX during the one month period before the date of the offer.

Options will expire at the end of eight years from the option grant date or if the participant ceases to be an employee or director of, or render services to the Company or any of its Subsidiaries for any reason whatsoever.



# Directors' Report continued

## SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

| Shares held in<br>Cryosite Limited | Balance<br>1 July 2013<br>Ord. | Balance on<br>appointment/<br>(resignation)<br>Ord. | On market<br>purchases<br>Ord. | Balance<br>30 June 2014<br>Ord. |
|------------------------------------|--------------------------------|-----------------------------------------------------|--------------------------------|---------------------------------|
| Andrew Kroger                      | 10,706,943                     | -                                                   | 1,000,000                      | 11,706,943                      |
| Christina Boyce                    | 60,637                         | -                                                   | -                              | 60,637                          |
| Gordon Milliken                    | 1,290,415                      | (1,290,415)                                         | -                              | -                               |
| Graeme Moore                       | -                              | -                                                   | -                              | -                               |
| Mark Marshall                      | -                              | -                                                   | -                              | -                               |
| Philip Alger                       | -                              | -                                                   | -                              | -                               |
| <b>Total</b>                       | <b>12,057,995</b>              | <b>(1,290,415)</b>                                  | <b>1,000,000</b>               | <b>11,767,580</b>               |

| Shares held in<br>Cryosite Limited | Balance<br>1 July 2012<br>Ord. | Balance on<br>appointment/<br>(resignation)<br>Ord. | On market<br>purchases<br>Ord. | Balance<br>30 June 2013<br>Ord. |
|------------------------------------|--------------------------------|-----------------------------------------------------|--------------------------------|---------------------------------|
| Andrew Kroger                      | 9,314,276                      | -                                                   | 1,392,667                      | 10,706,943                      |
| Christina Boyce                    | -                              | 21,696                                              | 38,941                         | 60,637                          |
| Gordon Milliken                    | 1,290,415                      | -                                                   | -                              | 1,290,415                       |
| Graeme Moore                       | -                              | -                                                   | -                              | -                               |
| Philip Alger                       | -                              | -                                                   | -                              | -                               |
| <b>Total</b>                       | <b>10,604,691</b>              | <b>21,696</b>                                       | <b>1,431,608</b>               | <b>12,057,995</b>               |

## LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to key management personnel at the beginning of the year, at any time during the year, or at the end of the year.

## OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

There were no other transactions during year with key management personnel or with any key management personnel related entities.

## DIRECTORS' MEETINGS

During the financial year, 11 meetings of directors were held. Attendances were as follows:

| Directors       | Directors Meetings<br>Eligible to attend | Directors Meetings<br>Attended |
|-----------------|------------------------------------------|--------------------------------|
| Andrew Kroger   | 11                                       | 11                             |
| Gordon Milliken | 9                                        | 9                              |
| Graeme Moore    | 11                                       | 11                             |
| Christina Boyce | 11                                       | 11                             |

# Directors' Report continued

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## PROCEEDING ON BEHALF OF THE COMPANY

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

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

## AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

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

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

Non-audit services were provided by the entity's auditor, Duncan Dovico Chartered Accountants during the financial year. Details of the services provided are disclosed in Note 27 of the Financial Statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services disclosed in Note 27 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.

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

Graeme Moore  
Acting CEO

Date: 27 August 2014





## **Auditors Independence Declaration**

In accordance with section 307C of the Corporations Act 2001, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there has been:

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

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

### **DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED**

Rosemary Megale  
**Director**

Sydney, 27th August 2014

# Corporate Governance Statement

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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 2014 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](http://www.Cryosite.com)).

## 1. Lay solid foundations for management and oversight

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

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

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

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



# Corporate Governance Statement continued

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## 2. Structure the board to add value

The Board is comprised of three Directors, the Chairman Andrew Kroger, Non-Executive Director, Christina Boyce and Executive Director and Acting CEO, Graeme Moore.

Only the non-executive director Christina Boyce is deemed to be independent. The Chairman Andrew Kroger due to his shareholding in the Company is deemed not to be independent and Graeme Moore due to his executive role is also deemed not to be independent.

This Board structure is not in accordance with recommended ASX principles but the Board believes that due to the current development stage and size of the Company the interests of shareholders are currently best served by a small closely involved Board.

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

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

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

No board performance review was undertaken in the last 12 months.

The Company's director induction program includes the culture and values of the Company, meeting arrangements; and director interaction with each other, senior executives and other stakeholder.

The current directors possess key skills in the Company's industry and have experience in the industry. The director's on-going education comprises of maintaining their knowledge in key developments and industry that the Company operates.

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

## 3. Promote ethical and responsible decision-making

### *Code of Conduct*

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

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

### *Diversity*

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



# Corporate Governance Statement continued

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

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

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

The Board has not established measurable objectives for achieving gender diversity at present however the Board is committed to considering the issue of diversity at least annually. At present Cryosite has 34 employees (including consultants to the Company). Of these, 24 are female. Of the 2 executive roles within the Company none is currently carried out by a female. There is currently one female board member.

## ***Securities Trading Policy***

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

## **4. Safeguard integrity in financial reporting**

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

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

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

The Board before it approves the Companies annual financial statements receives a declaration from its CEO and CFO that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity.

## **5. Make timely and balanced disclosure**

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

## **6. Respect the rights of shareholders**

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

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

## **7. Recognise and manage risk**

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

# Corporate Governance Statement continued

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

The Board requires Management to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board regarding the management of those risks. The Company does not have an internal audit function.

Directors at each Board Meeting, review in detail risk events that have occurred since the previous Board meeting, review changes in procedures to enable a more appropriate response to risk and discuss any new risk factors that the Company faces.

The Company is exposed to general economic, environmental and social sustainability risks. Cryosite does operate in a highly government regulated market and has appropriate staff and management systems in place to deal with these risks.

The directors have conducted an annual review of its risk management framework identifying changes in material business risks faced by the Entity and the appropriate respond should those risks eventuate.

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

## **8. Remunerate fairly and responsibly**

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

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

Directors routinely evaluate the performance of key executive in line with its remuneration policy. An evaluation of key executive's performance was undertaken during the year.

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

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

# Directors' Declaration

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

- (1) In the opinion of the directors:
  - (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 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 2014.

On behalf of the Board

Graeme Moore  
Acting CEO

Date: 27 August 2014



# Consolidated Statement of Profit and Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

|                                                                                                                            | Notes | 2014<br>\$         | 2013<br>\$         |
|----------------------------------------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| Sale of goods and rendering of services                                                                                    |       | 9,171,014          | 8,497,803          |
| Other revenue                                                                                                              | 5     | 250,182            | 266,656            |
| <b>Revenues</b>                                                                                                            |       | <b>9,421,196</b>   | <b>8,764,459</b>   |
| <b>Expenses</b>                                                                                                            |       |                    |                    |
| Finance costs                                                                                                              | 6(a)  | (6,600)            | (7,825)            |
| Costs of providing services                                                                                                |       | (4,558,229)        | (4,068,932)        |
| Marketing expenses                                                                                                         |       | (627,365)          | (414,519)          |
| Occupancy expenses                                                                                                         |       | (658,677)          | (640,332)          |
| Administration expenses                                                                                                    |       | (2,892,011)        | (2,451,853)        |
| <b>Total expenses</b>                                                                                                      |       | <b>(8,742,882)</b> | <b>(7,583,461)</b> |
| <b>Profit from continuing operations before income tax</b>                                                                 |       | <b>678,314</b>     | <b>1,180,998</b>   |
| <b>Income tax (expense)benefit</b>                                                                                         | 7     | <b>(172,712)</b>   | <b>68,963</b>      |
| <b>Profit from continuing operations after income tax</b>                                                                  |       | <b>505,602</b>     | <b>1,249,961</b>   |
| <b>Net Profit attributable to members of the company</b>                                                                   |       | <b>505,602</b>     | <b>1,249,961</b>   |
| <b>Other comprehensive income</b>                                                                                          |       |                    |                    |
| Items that will not be reclassified subsequently to profit or loss                                                         |       | -                  | -                  |
| Items that may be reclassified subsequently to profit or loss                                                              |       | -                  | -                  |
| <b>Other comprehensive income for the year, net of tax</b>                                                                 |       | <b>-</b>           | <b>-</b>           |
| <b>Total comprehensive income for the year</b>                                                                             |       | <b>505,602</b>     | <b>1,249,961</b>   |
| <b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company</b> |       | <b>Cents</b>       | <b>Cents</b>       |
| Basic earnings per share                                                                                                   | 8     | 1.08               | 2.68               |
| Diluted earnings per share                                                                                                 | 8     | 1.07               | 2.65               |

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 2014

|                                      | Notes | 2014<br>\$        | 2013<br>\$        |
|--------------------------------------|-------|-------------------|-------------------|
| <b>ASSETS</b>                        |       |                   |                   |
| <b>Current Assets</b>                |       |                   |                   |
| Cash and cash equivalents            | 10    | 6,252,193         | 5,777,097         |
| Trade and other receivables          | 12    | 1,897,295         | 1,638,738         |
| Inventories                          | 13    | 61,984            | 66,087            |
| Prepayments                          | 14    | 144,465           | 378,495           |
| <b>Total Current Assets</b>          |       | <b>8,355,937</b>  | <b>7,860,417</b>  |
| <b>Non-current Assets</b>            |       |                   |                   |
| Trade and other receivables          | 15    | 796,195           | 857,294           |
| Investments in subsidiaries          | 16    | -                 | -                 |
| Deferred tax asset                   | 7 (c) | 603,373           | 851,933           |
| Plant and equipment                  | 17    | 1,622,665         | 1,792,583         |
| Intangible assets                    | 18    | 255,310           | -                 |
| <b>Total Non-current Assets</b>      |       | <b>3,277,543</b>  | <b>3,501,810</b>  |
| <b>TOTAL ASSETS</b>                  |       | <b>11,633,480</b> | <b>11,362,227</b> |
| <b>LIABILITIES</b>                   |       |                   |                   |
| <b>Current Liabilities</b>           |       |                   |                   |
| Trade and other payables             | 19    | 1,094,075         | 1,235,286         |
| Unearned income                      | 20    | 392,662           | 368,071           |
| Provisions                           | 22    | 448,415           | 464,138           |
| <b>Total Current Liabilities</b>     |       | <b>1,935,152</b>  | <b>2,067,495</b>  |
| <b>Non-current Liabilities</b>       |       |                   |                   |
| Trade and other payables             | 19    | 396,850           | 171,450           |
| Unearned income                      | 21    | 2,920,750         | 2,619,136         |
| Provisions                           | 22    | 245,591           | 239,918           |
| <b>Total Non-current Liabilities</b> |       | <b>3,563,191</b>  | <b>3,030,504</b>  |
| <b>TOTAL LIABILITIES</b>             |       | <b>5,498,343</b>  | <b>5,097,999</b>  |
| <b>NET ASSETS</b>                    |       | <b>6,135,137</b>  | <b>6,264,228</b>  |
| <b>EQUITY</b>                        |       |                   |                   |
| Contributed equity                   | 23    | 8,204,766         | 8,138,766         |
| Share option reserves                | 24    | 239,118           | 239,118           |
| Accumulated losses                   | 23(a) | (2,308,747)       | (2,113,656)       |
| <b>TOTAL EQUITY</b>                  |       | <b>6,135,137</b>  | <b>6,264,228</b>  |

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

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

|                                                             | Attributable to equity holders of the company |                    |                        |              |
|-------------------------------------------------------------|-----------------------------------------------|--------------------|------------------------|--------------|
|                                                             | Contributed capital                           | Accumulated losses | Share options reserves | Total equity |
|                                                             | \$                                            | \$                 | \$                     | \$           |
| <b>CONSOLIDATED</b>                                         |                                               |                    |                        |              |
| <b>At 1 July 2012</b>                                       | 8,138,766                                     | (2,897,220)        | 239,118                | 5,480,664    |
| <b>Total comprehensive income for the year</b>              | -                                             | 1,249,961          | -                      | 1,249,961    |
| <i>Transactions with owners in their capacity as owners</i> | -                                             | -                  | -                      | -            |
| Equity dividends declared                                   | -                                             | (466,397)          | -                      | (466,397)    |
| <b>At 30 June 2013</b>                                      | 8,138,766                                     | (2,113,656)        | 239,118                | 6,264,228    |
| <b>At 1 July 2013</b>                                       | 8,138,766                                     | (2,113,656)        | 239,118                | 6,264,228    |
| <b>Total comprehensive income for the year</b>              | -                                             | 505,602            | -                      | 505,602      |
| Proceeds from shares issued (Options exercised)             | 66,000                                        | -                  | -                      | 66,000       |
| <i>Transactions with owners in their capacity as owners</i> |                                               |                    |                        |              |
| Equity dividends declared and paid                          | -                                             | (700,693)          | -                      | (700,693)    |
| <b>At 30 June 2014</b>                                      | 8,204,766                                     | (2,308,747)        | 239,118                | 6,135,137    |

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

# Consolidated Statement of Cash Flows

| FOR THE YEAR ENDED 30 JUNE 2014                      |    | Notes | 2014<br>\$       | 2013<br>\$  |
|------------------------------------------------------|----|-------|------------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |    |       |                  |             |
| Receipts from customers inclusive of GST             |    |       | 9,304,742        | 9,074,283   |
| Payments to suppliers and employees                  |    |       | (7,780,481)      | (7,226,741) |
| Interest received                                    |    |       | 24,875           | 99,954      |
| Interest paid                                        |    |       | (6,600)          | (7,825)     |
| <b>Net cash flows from operating activities</b>      | 11 |       | <b>1,542,536</b> | 1,939,671   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |    |       |                  |             |
| Purchase of plant and equipment                      | 17 |       | (427,670)        | (379,160)   |
| Intellectual Property Licence                        |    |       | (255,310)        | -           |
| Interest received – term deposits                    |    |       | 250,182          | 167,561     |
| <b>Net cash flows (used in) investing activities</b> |    |       | <b>(432,798)</b> | (211,599)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>          |    |       |                  |             |
| Equity dividend paid                                 |    |       | (700,642)        | (475,725)   |
| Proceeds from share issue (options exercised)        |    |       | 66,000           | -           |
| <b>Net cash flows (used in) financing activities</b> |    |       | <b>(634,642)</b> | (475,725)   |
| <b>Net increase in cash and cash equivalents</b>     |    |       | <b>475,096</b>   | 1,252,347   |
| Cash and cash equivalents at beginning of year       |    |       | 5,777,097        | 4,524,750   |
| <b>Cash and cash equivalents at end of year</b>      | 10 |       | <b>6,252,193</b> | 5,777,097   |

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

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## 1 CORPORATE INFORMATION

The financial report of Cryosite Limited and the controlled entity (the Group) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 26 August 2014.

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except when otherwise stated.

### (a) Compliance with IFRS

The 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) Changes in accounting policies, new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except the following which the Group adopted from 1 July 2013:

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective from 1 January 2013). Requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Requires tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

AASB 10 Consolidated Financial Statements (effective from 1 January 2013) establishes a new control model which broadens the situations where an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give rise to control.

AASB 11 Joint Arrangements (effective from 1 January 2013) uses the principles of control in AASB 10 and as a result the determination of whether joint control exists may change. Further, there is no longer an option to account for jointly controlled entities using proportionate consolidation but rather its accounting is dependent upon the nature of the rights and obligations arising from the arrangement. Joint operations which give the venturers the right to the underlying asset and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

AASB 12 Disclosure of interest in other entities (effective from 1 January 2013) includes all disclosures relating to the entity's interest in subsidiaries, joint arrangements and associates. Additional disclosures have been made in respect of judgements made by management to determine whether control exists where the entity is not a wholly owned subsidiary.

AASB 13 Fair Value Measurement (effective from 1 January 2013) establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements of AASB 124. This amendment removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Cryosite Limited 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 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.

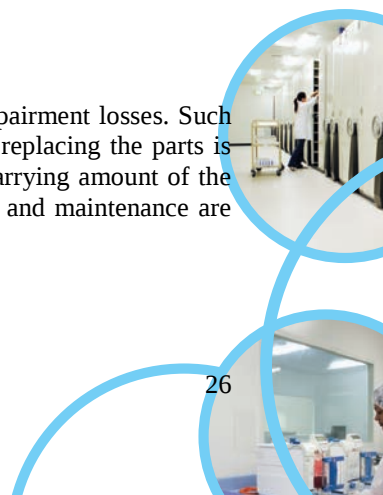
Investments in subsidiaries held by Cryosite Limited are accounted for at cost in the separate financial statements of the parent entity, less any impairment charges.

### (c) Foreign currency translation

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

### (d) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant & equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred.



# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

| Major depreciation rates are:  | 2014          | 2013          |
|--------------------------------|---------------|---------------|
| - Leasehold improvements:      | Lease term    | Lease term    |
| Plant and equipment:           |               |               |
| - Fixtures and fittings        | 5 – 10 years  | 5 – 10 years  |
| - Information technology       | 2 - 2.5 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.

### (e) Segment reporting

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

### (f) 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 initially assessed as having a useful life in line with that of the underlying patent and associated methodologies.

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.

### (g) 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.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (h) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis and individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the group may not be able to collect the receivable.

Trade receivables (non-current), which generally have terms in excess of 12 months, are carried at their net present value. The expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate of 13.9% (2013: 13.9%).

### (i) 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.

### (j) 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.

### (k) 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.

### (l) 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.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (m) Share-based payment transactions

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

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

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

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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.

### (n) Leases

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

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

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

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

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.



# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (o) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from the archival storage of biological samples is recognised over the period that storage occurs.
- Revenue from the rendering of non-storage services, such as collection or distribution of biological samples, is recognised upon the delivery of the service to the customers.
- Revenue from cord blood services is recognised in the accounting period in which the services are rendered. Where the Group has a long term contract with its customers to provide cord blood services, a receivable is recognised at its net present value with a corresponding amount recognised as unearned income in the statement of financial position (Refer Note 20 and 21).
- Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.
- Dividends: revenue is recognised when the Company's right to receive the payment is established.

### (p) 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.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

### **(q) 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.

### **(r) Share options reserve**

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

### **(s) 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.

### **(t) Earnings per share**

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

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

### (u) 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.

### (v) 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 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.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (w) New accounting standards and interpretations but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the entity for the annual reporting period ended 30 June 2014. The new standards, interpretations and amendments are not expected to have a significant impact on the financial statements.

#### *AASB 9 Financial Instruments – Effective from 1 January 2018*

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

- a. Financial assets that are debt instruments will be classified based on
  - (1) the objective of the entity's business model for managing the financial assets;
  - (2) the characteristics of the contractual cash flows.
- b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
  - The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:

- New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures
- Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time
- In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018

#### *AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non Financial Assets – Effective from 1 January 2014*

AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

#### *Annual Improvements 2010 – 2012 Cycle – Annual Improvements to IFRS 2010 – 2012 Cycle – Effective 1 July 2014.*

This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard:

- IFRS 2 -Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

- IFRS 3 -Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
- IFRS 8 -Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's assets.
- IAS 16 & IAS 38 -Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 -Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

### *AASB 1031 Materiality – Effective 1 January 2014*

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from the source. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period is;

### *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher if its fair value less costs of disposal and value in use. The value in use calculation is based on a discounted cash flow model. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rates used for extrapolation purposes.

### *Capitalised development costs*

Initial capitalisation of development costs is based on managements judgement that technological and economical 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 2014, the carrying amount of capitalised development costs was \$NIL. (2013: \$NIL).

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

### (i) Significant accounting judgements

#### *Revenue Recognition - Long term Cord Blood Storage Contracts*

Long term cord blood storage contracts involve the calculation of an estimate of the costs of providing the storage service over the term of the contract. As these contracts are long term in nature, estimates are required in respect of the following:

- Cost of provision of up front service;
- Cost of provision of ongoing long term storage service; and
- Interest component in relation to deferred payment.

These calculations impact the overall balance of revenue, unearned revenue and debtors at year end. In determining these amounts, a present value calculation is performed in respect of the deferred components of the contract, which involves the determination of an appropriate discount rate. The estimate of the discount rate is reviewed on an annual basis by the directors to ensure that it is reasonable and reflective of current risks and returns.

In the 2012 financial year, the Board re assessed the discount rate applied to the calculation of the present value of the long term contracts to 13.9%. This change in discount rate was determined after a detailed assessment of historical default risk, costs of capital and the risk free rate. That change in this discount rate resulted in a change in accounting estimates in accordance with AASB 108. The 13.9% rate is assessed as appropriate at the date of this report.

The reduction in the discount rate during 2012 resulted in an alteration of the allocation of future revenue between cord blood and interest. The change accelerated the recognition of cord blood revenue over the term of the contract.

As that resulted in a prospective change to the amount of revenue recognised, the impacts of the accelerated cord blood revenue were apportioned in revenue over the remaining average contract life. In relation to the 2014 financial year, an amount of \$6,264 was taken to the profit and loss resultant from the above re assessment.

#### *Revenue Recognition - Long term Tissue Storage Contracts*

Long term tissue storage contracts involve the calculation of an estimate of the costs of providing the storage service over the term of the contract. As these contracts are long term in nature, estimates are required in respect of the following:

- Cost of provision of up front service;
- Cost of provision of ongoing long term storage service; and
- Interest component in relation to deferred payment.

These calculations impact the overall balance of revenue, unearned revenue and debtors at year end. In determining these amounts, a present value calculation is performed in respect of the deferred components of the contract, which involves the determination of an appropriate discount rate. The estimate of the discount rate is reviewed on an annual basis by the directors to ensure that it is reasonable and reflective of current risks and returns.

#### *Assumptions and Qualitative Impacts of Fair Value Assumptions*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based upon quoted prices in active markets, their fair value is measured using valuation techniques, including discounted cash flow modelling. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

### *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 \$1,222,079 unconfirmed (2013: \$2,039,774) tax losses carried forward and 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 at 30 June 2014 the Board has assessed a finite life on the license fee in line with the underlying patents and associated methodologies. No amortisation charge has been recorded for the current financial year due to the immaterial nature of the charge in this initial year of acquisition.

### *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

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

### *Make good provisions continued*

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.

## 4 SEGMENT INFORMATION

### Identification of Reportable Segments

The consolidated entity is organised into two operating segments; Biological Services and Warehousing & Distribution. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers "CODM") in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is at least on a monthly basis.

### Operating Segment

|                                    | Biological<br>Services<br>\$ | Warehousing &<br>Distribution<br>\$ | Total<br>\$       |
|------------------------------------|------------------------------|-------------------------------------|-------------------|
| <b>30 June 2014 – Consolidated</b> |                              |                                     |                   |
| <b>Total segment revenue</b>       | <b>4,497,967</b>             | <b>4,923,234</b>                    | <b>9,421,196</b>  |
| <b>Segment profit before ITDA</b>  | <b>334,656</b>               | <b>697,660</b>                      | <b>1,032,316</b>  |
| <b>30 June 2013 – Consolidated</b> |                              |                                     |                   |
| <b>Total segment revenue</b>       | <b>4,104,718</b>             | <b>4,659,741</b>                    | <b>8,764,459</b>  |
| <b>Segment profit before ITDA</b>  | <b>390,072</b>               | <b>1,114,922</b>                    | <b>1,504,994</b>  |
| <b>Total Segment assets</b>        |                              |                                     |                   |
| <b>30 June 2014</b>                | <b>6,777,506</b>             | <b>4,855,974</b>                    | <b>11,633,480</b> |
| <b>30 June 2013</b>                | <b>6,510,401</b>             | <b>4,782,863</b>                    | <b>11,293,264</b> |

A reconciliation of operating EBITDA is provided as follows:

|                               | <b>Consolidated</b> |                     |
|-------------------------------|---------------------|---------------------|
|                               | <b>30 June 2014</b> | <b>30 June 2013</b> |
|                               | <b>\$</b>           | <b>\$</b>           |
| <b>Operating EBITDA</b>       | <b>1,032,316</b>    | <b>1,504,994</b>    |
| Interest revenue              | 250,182             | 266,656             |
| Depreciation and amortisation | (597,584)           | (582,827)           |
| Finance costs                 | (6,600)             | (7,825)             |
| <b>Profit before tax</b>      | <b>678,314</b>      | <b>1,180,998</b>    |

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

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

|          |                                                                                                                                                                                                       | <b>Consolidated</b> |                     |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|          |                                                                                                                                                                                                       | <b>30 June 2014</b> | <b>30 June 2013</b> |
|          |                                                                                                                                                                                                       | <b>\$</b>           | <b>\$</b>           |
| <b>5</b> | <b>REVENUE</b>                                                                                                                                                                                        |                     |                     |
|          | <b>Revenue</b>                                                                                                                                                                                        |                     |                     |
|          | Sale of goods and rendering of services                                                                                                                                                               | <b>9,171,014</b>    | 8,497,803           |
|          | <b>Other Revenue</b>                                                                                                                                                                                  |                     |                     |
|          | Interest income                                                                                                                                                                                       | <b>250,182</b>      | 266,656             |
|          |                                                                                                                                                                                                       | <b>9,421,196</b>    | <b>8,764,459</b>    |
| <b>6</b> | <b>EXPENSES</b>                                                                                                                                                                                       |                     |                     |
|          | <b>(a) Finance costs</b>                                                                                                                                                                              |                     |                     |
|          | Interest - insurance premium funding                                                                                                                                                                  | <b>6,600</b>        | 7,825               |
|          | <b>(b) Lease payments</b>                                                                                                                                                                             |                     |                     |
|          | Lease payments-operating leases                                                                                                                                                                       | <b>417,833</b>      | 458,727             |
|          | <b>(c) Employee benefits expense</b>                                                                                                                                                                  |                     |                     |
|          | Wages and salaries                                                                                                                                                                                    | <b>2,826,340</b>    | 2,371,805           |
|          | Superannuation costs                                                                                                                                                                                  | <b>274,641</b>      | 239,865             |
|          |                                                                                                                                                                                                       | <b>3,100,981</b>    | <b>2,611,670</b>    |
|          | <b>(d) Depreciation and amortisation</b>                                                                                                                                                              |                     |                     |
|          | Depreciation – plant & equipment                                                                                                                                                                      | <b>597,584</b>      | 582,827             |
|          | <b>7(a) Income tax expense</b>                                                                                                                                                                        |                     |                     |
|          | The major components of income tax are:                                                                                                                                                               |                     |                     |
|          | <i>Statement of comprehensive income</i>                                                                                                                                                              |                     |                     |
|          | Current income expense                                                                                                                                                                                | <b>(189,625)</b>    | 361,252             |
|          | (Applied) to carry forward tax losses                                                                                                                                                                 |                     | (361,252)           |
|          | Recognition of income tax losses previously unrecognised                                                                                                                                              | <b>16,913</b>       | 68,963              |
|          | <b>Income tax (expense) benefit reported in the Statement of comprehensive income</b>                                                                                                                 | <b>(172,712)</b>    | <b>68,963</b>       |
|          | <b>(b) Numerical reconciliation between aggregate tax benefit (expense) recognised in the statement of comprehensive income and tax benefit(expense) calculated per the statutory income tax rate</b> |                     |                     |
|          | A reconciliation between tax benefit(expense) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate follows:                                    |                     |                     |
|          | <b>Accounting profit before tax from continuing operations</b>                                                                                                                                        | <b>678,314</b>      | 1,237,373           |
|          | At the statutory income tax rate of 30% (2013: 30%)                                                                                                                                                   | <b>(203,495)</b>    | (371,212)           |
|          | Other items (net)                                                                                                                                                                                     | <b>13,870</b>       | 9,960               |
|          | Recognition of previously unrecorded losses against current year taxable income                                                                                                                       | <b>16,913</b>       | 361,252             |
|          | Recognition of income tax losses previously unrecognised                                                                                                                                              | -                   | 68,963              |
|          | <b>Income tax (expense)benefit</b>                                                                                                                                                                    | <b>(172,712)</b>    | <b>68,963</b>       |

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

|                                                                    | Consolidated   |                |
|--------------------------------------------------------------------|----------------|----------------|
|                                                                    | 2014           | 2013           |
|                                                                    | \$             | \$             |
| <b>7 INCOME TAX continued</b>                                      |                |                |
| <b>(c) Recognised deferred tax assets and liabilities</b>          |                |                |
| Deferred income tax at 30 June relates to the following:           |                |                |
| <i>Deferred income tax assets</i>                                  |                |                |
| Post-employment benefits                                           | 146,285        | 149,315        |
| Superannuation contributions                                       | 449            | -              |
| Provision for tax and audit fees                                   | 15,162         | 14,124         |
| Provision for doubtful debts                                       | 37,986         | 25,986         |
| Impairment and depreciation of plant & equipment for book purposes | 41,898         | 31,173         |
| Impairment amortisation of intangibles for book purposes           | -              | 24,452         |
| Amortisation of Section 40-880 uniform capital allowances          | 13,266         | 14,777         |
| Losses available for offset against future taxable income          | 366,924        | 611,932        |
| <i>Deferred income tax liabilities</i>                             |                |                |
| Consumables                                                        | (18,597)       | (19,826)       |
| <b>Net deferred tax asset</b>                                      | <b>603,373</b> | <b>851,933</b> |
| <b>Comprised of :</b>                                              |                |                |
| <b>Deferred tax asset</b>                                          | <b>603,373</b> | <b>851,933</b> |
| <b>Deferred tax liability</b>                                      | <b>-</b>       | <b>-</b>       |
|                                                                    | <b>603,373</b> | <b>851,933</b> |

(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).

## (d) Tax losses

The Group has unconfirmed tax losses arising in Australia of \$1,223,079 (2013: \$2,039,774) that are available for offset against future taxable profits of the company. The deferred income tax asset of \$366,924 (2013: \$611,932) arising from these losses has been brought to account in its entirety at reporting date, as realisation of the benefit is now regarded as probable.

## 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 liability 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.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 7 INCOME TAX continued

The entities have also agreed to enter into a tax funding agreement under which the wholly-owned entities fully compensate Cryosite Limited for any current tax payable assumed and are compensated by Cryosite Limited for any current tax loss, deferred tax assets and tax credits that are transferred to Cryosite Limited under the tax consolidation legislation. The tax consolidated current tax liability or current year tax loss and other deferred tax assets are required to be allocated to the members of the tax consolidated group in accordance with UIG 1052. The group uses a group allocation method for this purpose where the allocated current tax payable, current tax loss, deferred tax assets and other tax credits for each member of the tax consolidated group is determined as if the company is a stand-alone taxpayer but modified as necessary to recognise membership of a tax consolidated group. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements which is determined having regard to membership of the tax consolidated group. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables or payables.

|  | Consolidated |      |
|--|--------------|------|
|  | 2014         | 2013 |
|  | \$           | \$   |

## 8 EARNINGS PER SHARE

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

|                                                         |            |            |
|---------------------------------------------------------|------------|------------|
| Basic earnings per share (from continuing operations)   | 1.08 cents | 2.68 cents |
| Diluted earnings per share (from continuing operations) | 1.07 cents | 2.65 cents |

### Basic EPS disclosure

|                                                                  |         |           |
|------------------------------------------------------------------|---------|-----------|
| Earnings used in EPS calculation                                 | 505,602 | 1,249,961 |
| Net profit attributable to ordinary equity holders of the parent | 505,602 | 1,249,961 |

| No of shares. | No of shares. |
|---------------|---------------|
|---------------|---------------|

|                                                                         |            |            |
|-------------------------------------------------------------------------|------------|------------|
| Weighted average number of ordinary shares for basic earnings per share | 46,804,111 | 46,639,563 |
|-------------------------------------------------------------------------|------------|------------|

### Diluted EPS disclosure

|                                                                  |         |           |
|------------------------------------------------------------------|---------|-----------|
| Earnings used in diluted EPS calculation                         | 505,602 | 1,249,961 |
| Net profit attributable to ordinary equity holders of the parent | 505,602 | 1,249,961 |

| No of shares. | No of shares. |
|---------------|---------------|
|---------------|---------------|

|                                                                         |            |            |
|-------------------------------------------------------------------------|------------|------------|
| Weighted average number of ordinary shares for basic earnings per share | 46,804,111 | 46,639,563 |
|-------------------------------------------------------------------------|------------|------------|

|                                                         |         |         |
|---------------------------------------------------------|---------|---------|
| Shares deemed to be used for no consideration – options | 355,452 | 520,000 |
|---------------------------------------------------------|---------|---------|

|                                                                                   |            |            |
|-----------------------------------------------------------------------------------|------------|------------|
| Weighted average number of ordinary shares used in the calculation of diluted EPS | 47,159,563 | 47,159,563 |
|-----------------------------------------------------------------------------------|------------|------------|

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

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 9 DIVIDENDS PAID OR PROPOSED ON ORDINARY SHARES

|                                                          | Consolidated |         |
|----------------------------------------------------------|--------------|---------|
|                                                          | 2014         | 2013    |
|                                                          | \$           | \$      |
| <b>Declared and paid during the year:</b>                |              |         |
| Dividends on ordinary shares                             |              |         |
| Final unfranked dividend for 2013                        |              |         |
| 1.0 cents per share                                      | 466,395      | 233,199 |
| Interim unfranked dividend for 2014: 0.5 cents per share | 234,298      | 233,198 |
| Total dividends paid                                     | 700,693      | 466,397 |

No dividends have been declared or recommended at the date of this report.

## 10 CASH AND CASH EQUIVALENTS

|                          |           |           |
|--------------------------|-----------|-----------|
| Cash at bank and on hand | 511,310   | 199,913   |
| Short-term deposits      | 5,740,883 | 5,577,184 |
|                          | 6,252,193 | 5,777,097 |

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 \$6,252,193 (2013: \$5,777,097).

### Reconciliation of cash

For purposes of the Statement of Cash Flow, cash and cash equivalents as at 30 June 2014 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*

|                                                                           |                  |                  |
|---------------------------------------------------------------------------|------------------|------------------|
| Net profit                                                                | 505,602          | 1,249,961        |
| <b>Adjustments for non-cash items</b>                                     |                  |                  |
| Depreciation and amortisation of non-current assets                       | 597,584          | 582,827          |
| Increase in employee benefits – LSL                                       | (7,876)          | 17,922           |
| <b>Changes in assets and liabilities</b>                                  |                  |                  |
| (Increase) decrease in trade and other receivables                        | (487,636)        | (309,686)        |
| Decrease (Increase) in inventory                                          | 4,103            | (13,122)         |
| Decrease (Increase) in other assets                                       | 234,030          | (120,312)        |
| Decrease (Increase) in deferred tax asset                                 | 248,560          | (68,963)         |
| Increase (decrease) in trade and other creditors                          | 84,189           | 191,397          |
| Increase in unearned income                                               | 326,205          | 369,632          |
| Increase (Decrease) in allowance for impairment loss on trade receivables | 40,000           | (32,000)         |
| Increase (Decrease) in employee benefits – annual leave                   | (2,225)          | 72,015           |
| <b>Net cash flow from operating activities</b>                            | <b>1,542,536</b> | <b>1,939,671</b> |

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

|                                                       | Consolidated     |                  |
|-------------------------------------------------------|------------------|------------------|
|                                                       | 2014             | 2013             |
|                                                       | \$               | \$               |
| Trade receivables                                     | 1,892,354        | 1,538,067        |
| Allowance for impairment loss (a)                     | (126,619)        | (86,619)         |
|                                                       | 1,765,735        | 1,451,448        |
| Other receivables                                     | 131,560          | 187,290          |
| <b>Carrying amount of trade and other receivables</b> | <b>1,897,295</b> | <b>1,638,738</b> |

### (a) Allowance for impairment loss

Trade receivables are non-interest bearing. Term payment plans are offered to customers under cord blood collection contracts. Customers have an option of payment in full, over 3 to 24 months or annually. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. During the financial year the allowance was increased by \$40,000 (2013: decreased by \$32,000) to cover bad debts written off during year. When there is an impairment loss, it has been included in the administration expense item. No individual debtor amount within the impairment allowance at year end is material.

Movements in the provision for impairment loss were as follows:

|                                                         |                |               |
|---------------------------------------------------------|----------------|---------------|
| At the beginning of the year                            | 86,619         | 118,619       |
| Increase/(reduction) in impairment loss during the year | 40,000         | (32,000)      |
| <b>At the end of the year</b>                           | <b>126,619</b> | <b>86,619</b> |

### (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**  |
|---------------------|------------------|------------------|----------------|----------------|------------------|----------------|----------------|
|                     | \$               | \$               | \$             | \$             | \$               | \$             | \$             |
| <b>2014</b>         |                  |                  |                |                |                  |                |                |
| Current             | 1,892,354        | 646,892          | 795,616        | 168,922        | 87,468           | 82,062         | 111,394        |
| Non-Current         | 796,195          | 796,195          | -              | -              | -                | -              | -              |
| <b>Total</b>        |                  |                  |                |                |                  |                |                |
| <b>Consolidated</b> | <b>2,688,549</b> | <b>1,443,087</b> | <b>795,616</b> | <b>168,922</b> | <b>87,468</b>    | <b>82,062</b>  | <b>111,394</b> |
| <b>2013</b>         |                  |                  |                |                |                  |                |                |
| Current             | 1,538,067        | 245,670          | 598,318        | 334,114        | 124,531          | 169,176        | 66,258         |
| Non-Current         | 857,294          | 857,294          | -              | -              | -                | -              | -              |
| <b>Total</b>        |                  |                  |                |                |                  |                |                |
| <b>Consolidated</b> | <b>2,395,361</b> | <b>1,102,964</b> | <b>598,318</b> | <b>334,114</b> | <b>124,531</b>   | <b>169,176</b> | <b>66,258</b>  |

\* Past due not impaired ("PDNI") \*\* Past due considered impaired

Receivables past due but not considered impaired have been reviewed and it is believed that payment will be received in full.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES continued

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

### (c) Related party receivables

Related party receivables are interest free and not considered past due or impaired.

### (d) Fair value and credit risk

Due to the nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

| Consolidated |      |
|--------------|------|
| 2014         | 2013 |
| \$           | \$   |

## 13 CURRENT ASSETS – INVENTORIES

|                           |               |               |
|---------------------------|---------------|---------------|
| Consumables at cost       | 61,984        | 66,087        |
| Total inventories at cost | <u>61,984</u> | <u>66,087</u> |

## 14 CURRENT ASSETS - PREPAYMENTS

|             |                |                |
|-------------|----------------|----------------|
| Prepayments | <u>144,465</u> | <u>378,495</u> |
|-------------|----------------|----------------|

## 15 NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

|                                                            |                |                |
|------------------------------------------------------------|----------------|----------------|
| Trade receivables                                          | 796,195        | 857,294        |
| Carrying amount of non-current trade and other receivables | <u>796,195</u> | <u>857,294</u> |
| <i>Trade receivables</i>                                   |                |                |
| Trade receivables due under term payment plans             | <u>796,195</u> | <u>857,294</u> |

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

## 16 NON-CURRENT ASSETS - INVESTMENTS IN SUBSIDIARIES

|                     |   |   |
|---------------------|---|---|
| Investments at cost | - | - |
|---------------------|---|---|

| Investment in controlled entity          | Equity interest held by the consolidated entity |            | Investment |            |
|------------------------------------------|-------------------------------------------------|------------|------------|------------|
|                                          | 2014<br>%                                       | 2013<br>%  | 2014<br>\$ | 2013<br>\$ |
| Name – Cryosite Distribution Pty Limited |                                                 |            |            |            |
| Country of incorporation – Australia     | <u>100</u>                                      | <u>100</u> | <u>20</u>  | <u>20</u>  |

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 17 NON-CURRENT ASSETS - PLANT AND EQUIPMENT

|                                          | Leasehold<br>improvements<br>\$ | Fixtures<br>and<br>fittings<br>\$ | Information<br>technology<br>\$ | Warehouse<br>equipment<br>\$ | Office<br>furniture &<br>equipment<br>\$ | Total<br>\$        |
|------------------------------------------|---------------------------------|-----------------------------------|---------------------------------|------------------------------|------------------------------------------|--------------------|
| <b>Cost</b>                              |                                 |                                   |                                 |                              |                                          |                    |
| At 1 July 2012                           | 205,000                         | 72,521                            | 443,076                         | 3,427,347                    | 33,517                                   | 4,181,461          |
| Additions                                | -                               | -                                 | 28,503                          | 350,657                      | -                                        | 379,160            |
| Disposals                                | -                               | -                                 | -                               | -                            | -                                        | -                  |
| <b>At 30 June 2013</b>                   | <b>205,000</b>                  | <b>72,521</b>                     | <b>471,579</b>                  | <b>3,778,004</b>             | <b>33,517</b>                            | <b>4,560,621</b>   |
| Additions                                | -                               | -                                 | 13,863                          | 407,660                      | 6,147                                    | 427,670            |
| Disposals                                | -                               | -                                 | -                               | -                            | -                                        | -                  |
| <b>At 30 June 2014</b>                   | <b>205,000</b>                  | <b>72,521</b>                     | <b>485,442</b>                  | <b>4,185,664</b>             | <b>39,664</b>                            | <b>4,988,291</b>   |
| <b>Depreciation and Impairment</b>       |                                 |                                   |                                 |                              |                                          |                    |
| At 1 July 2012                           | (76,876)                        | (52,418)                          | (319,326)                       | (1,706,143)                  | (30,448)                                 | (2,185,211)        |
| Depreciation charge<br>for the year      | (38,438)                        | (7,953)                           | (80,705)                        | (453,961)                    | (1,770)                                  | (582,827)          |
| Impairment                               | -                               | -                                 | -                               | -                            | -                                        | -                  |
| Disposals                                | -                               | -                                 | -                               | -                            | -                                        | -                  |
| <b>At 30 June 2013</b>                   | <b>(115,314)</b>                | <b>(60,371)</b>                   | <b>(400,031)</b>                | <b>(2,160,104)</b>           | <b>(32,218)</b>                          | <b>(2,768,038)</b> |
| Depreciation charge<br>for the year      | (38,438)                        | (7,950)                           | (49,324)                        | (499,893)                    | (1,979)                                  | (597,584)          |
| Impairment                               | -                               | -                                 | -                               | -                            | -                                        | -                  |
| Adjustments                              | -                               | (4)                               | -                               | -                            | -                                        | (4)                |
| Disposals                                | -                               | -                                 | -                               | -                            | -                                        | -                  |
| <b>At 30 June 2014</b>                   | <b>(153,752)</b>                | <b>(68,325)</b>                   | <b>(449,355)</b>                | <b>(2,659,997)</b>           | <b>(34,197)</b>                          | <b>(3,365,626)</b> |
| <b>Net book value – 30<br/>June 2013</b> | <b>89,686</b>                   | <b>12,150</b>                     | <b>71,548</b>                   | <b>1,617,900</b>             | <b>1,299</b>                             | <b>1,792,583</b>   |
| <b>Net book value – 30<br/>June 2014</b> | <b>51,248</b>                   | <b>4,196</b>                      | <b>36,087</b>                   | <b>1,525,667</b>             | <b>5,467</b>                             | <b>1,622,665</b>   |

## 18 NON-CURRENT ASSETS - INTANGIBLE ASSETS

|                                                                                        | Consolidated   |            |
|----------------------------------------------------------------------------------------|----------------|------------|
|                                                                                        | 2014<br>\$     | 2013<br>\$ |
| <b>(a) Reconciliation of carrying amounts at the beginning and the end of the year</b> |                |            |
| <i>Software development and licence fees</i>                                           |                |            |
| At cost                                                                                | 1,020,533      | 1,020,533  |
| Accumulated amortisation                                                               | (713,003)      | (713,003)  |
| Impairment                                                                             | (307,530)      | (307,530)  |
| Licence acquired                                                                       | 255,310        | -          |
| <b>Net carrying amount</b>                                                             | <b>255,310</b> | <b>-</b>   |

During the financial year, the Group 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 license in line with the underlying patents and associated methodologies. No amortisation has been charged for this initial year of acquisition due to the immaterial nature of the charge. 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.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 19 TRADE AND OTHER PAYABLES

|                                   | Consolidated     |                  |
|-----------------------------------|------------------|------------------|
|                                   | 2014             | 2013             |
|                                   | \$               | \$               |
| CURRENT LIABILITIES               |                  |                  |
| Trade payables                    | 481,675          | 721,542          |
| Other payables                    | 612,400          | 513,744          |
| <b>Total current payables</b>     | <b>1,094,075</b> | <b>1,235,286</b> |
| NON-CURRENT LIABILITIES           |                  |                  |
| Client deposits                   | 396,850          | 171,450          |
| <b>Total non-current payables</b> | <b>396,850</b>   | <b>171,450</b>   |

### Fair value

Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms. Therefore their carrying value is assumed to be their fair value.

Other payables are non-interest bearing and are on ranging from 30 days to 12 months terms. Their carrying value is assumed to be fair value.

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

|                     | Total<br>\$    | Not Yet due    | 0-30<br>Days<br>\$ | 31-60<br>Days<br>\$ | 61-90<br>Days<br>\$ | +91<br>Days<br>\$ |
|---------------------|----------------|----------------|--------------------|---------------------|---------------------|-------------------|
| <b>2014</b>         |                |                |                    |                     |                     |                   |
| <b>Consolidated</b> | <b>481,675</b> | <b>452,382</b> | <b>23,431</b>      | <b>2,492</b>        | <b>3,370</b>        | <b>-</b>          |
| <b>2013</b>         |                |                |                    |                     |                     |                   |
| <b>Consolidated</b> | <b>721,542</b> | <b>314,508</b> | <b>326,997</b>     | <b>77,704</b>       | <b>2,333</b>        | <b>-</b>          |

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

|  | Consolidated |      |
|--|--------------|------|
|  | 2014         | 2013 |
|  | \$           | \$   |

## 20 CURRENT LIABILITIES - UNEARNED INCOME

|                          |         |         |
|--------------------------|---------|---------|
| Unearned service revenue | 392,662 | 368,071 |
|--------------------------|---------|---------|

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

## 21 NON-CURRENT LIABILITIES - UNEARNED INCOME

|                          |           |           |
|--------------------------|-----------|-----------|
| Unearned service revenue | 2,920,750 | 2,619,136 |
|--------------------------|-----------|-----------|

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

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 22 CURRENT LIABILITIES - PROVISIONS

|                    |                |                |
|--------------------|----------------|----------------|
| Annual leave       | 363,466        | 365,691        |
| Long service leave | 83,559         | 97,108         |
| Dividends payable  | 1,390          | 1,339          |
|                    | <b>448,415</b> | <b>464,138</b> |

## 22 NON – CURRENT LIABILITIES - PROVISIONS

|                    |                |                |
|--------------------|----------------|----------------|
| Long service leave | 40,591         | 34,918         |
| Lease make good    | 205,000        | 205,000        |
|                    | <b>245,591</b> | <b>239,918</b> |

### (a) Movements in provisions

#### Annual leave

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Balance at beginning of the year | 365,691        | 293,676        |
| Arising during the year          | (2,225)        | 72,015         |
|                                  | <b>363,466</b> | <b>365,691</b> |

#### Long service leave

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Balance at beginning of the year | 132,026        | 114,104        |
| Arising during the year          | (7,876)        | 17,922         |
|                                  | <b>124,150</b> | <b>132,026</b> |

### Nature and timing of long service leave provision

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

#### Dividends

|                                                             |              |              |
|-------------------------------------------------------------|--------------|--------------|
| Balance at beginning of the year                            | 1,339        | 10,667       |
| Declared during the year                                    | 700,693      | 466,397      |
| Final 2013 plus 2014 Interim dividends paid during the year | (700,642)    | (475,725)    |
| <b>Balance at end of the year</b>                           | <b>1,390</b> | <b>1,339</b> |

#### Lease make-good provision

|                                   |                |                |
|-----------------------------------|----------------|----------------|
| Balance at beginning of the year  | 205,000        | 205,000        |
| Arising during the year           | -              | -              |
| <b>Balance at end of the year</b> | <b>205,000</b> | <b>205,000</b> |

### Nature and timing of lease make-good provision

In accordance with the lease agreement with Allsup Pty Limited, the Group must restore the leased premises in Granville to its original condition at the end of the lease in 2015 in the absence of an extension of the lease period. The current lease agreement provides for an extension and the current provision is considered adequate based on the Company contemplating an extension of the lease for a further term.

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

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

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 23 CONTRIBUTED EQUITY

|                 | 2014             | 2013      |
|-----------------|------------------|-----------|
| Ordinary shares | <b>8,204,766</b> | 8,138,766 |

### *Movement in ordinary shares on issue*

|                                  | 2014              |                  | 2013          |           |
|----------------------------------|-------------------|------------------|---------------|-----------|
|                                  | Shares<br>No.     | \$               | Shares<br>No. | \$        |
| Beginning of the financial year  | 46,639,563        | 8,138,766        | 46,639,563    | 8,138,766 |
| Options exercised                | 220,000           | 66,000           | -             | -         |
| <b>End of the financial year</b> | <b>46,859,563</b> | <b>8,204,766</b> | 46,639,563    | 8,138,766 |

### Terms and condition of contributed equity

#### *Ordinary shares*

Ordinary shares carry the right to receive dividends and entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

#### (a) Movements in accumulated losses

|                                       | Consolidated       |                    |
|---------------------------------------|--------------------|--------------------|
|                                       | 2014               | 2013               |
|                                       | \$                 | \$                 |
| Balance at the beginning of the year  | (2,113,656)        | (2,897,220)        |
| Net profit for the year               | 505,602            | 1,249,961          |
| Equity dividends declared             | (700,693)          | (466,397)          |
| <b>Balance at the end of the year</b> | <b>(2,308,747)</b> | <b>(2,113,656)</b> |

## 24 RESERVES

|                       |                |         |
|-----------------------|----------------|---------|
| Share options reserve | <b>239,118</b> | 239,118 |
|-----------------------|----------------|---------|

### *Movements in share options reserve*

|                                       |                |         |
|---------------------------------------|----------------|---------|
| Balance at the beginning of the year  | <b>239,118</b> | 239,118 |
| <b>Balance at the end of the year</b> | <b>239,118</b> | 239,118 |

The purpose of the share options reserve is to record the value of share-based payments provided to employees as part of their remuneration. Refer to Note 29 for further details of these plans.

## 25 COMMITMENTS AND CONTINGENCIES

### (a) Operating lease commitments – Group as lessee

#### *Commercial property*

On 1 November 2007, the company entered into an 8 year lease over a commercial property at South Granville in Sydney.

Future minimum rentals payable under commercial property leases as at 30 June 2014 are as follows:

|                                             | Consolidated   |         |
|---------------------------------------------|----------------|---------|
|                                             | 2014           | 2013    |
|                                             | \$             | \$      |
| Within one year                             | 344,520        | 331,261 |
| After one year but not more than five years | 119,764        | 464,284 |
|                                             | <b>464,284</b> | 795,545 |

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 25 COMMITMENTS AND CONTINGENCIES continued

### *Commercial Property Security deposits*

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

### *Plant and equipment*

The Group currently has a number of operating leases on items of plant and equipment used in day to day operations of the business.

Leases have an average life of 5 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

### **(a) Operating lease commitments – Group as lessee - continued**

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2014 are as follows:

|                                             | <b>Consolidated</b> |               |
|---------------------------------------------|---------------------|---------------|
|                                             | <b>2014</b>         | <b>2013</b>   |
|                                             | <b>\$</b>           | <b>\$</b>     |
| Within one year                             | <b>23,493</b>       | 37,299        |
| After one year but not more than five years | <b>18,892</b>       | 50,014        |
|                                             | <b>42,385</b>       | <b>87,313</b> |

### **(b) Plant and equipment commitments**

There are no capital expenditure commitments at reporting date.

### **(c) Contingent Liabilities**

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

## 26 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The directors are unaware of any event or transaction that has occurred between the balance date of 30 June 2014 and the date of this report which had or may have had a significant effect on the company.

## 27 AUDITOR'S REMUNERATION

Amounts received or due and receivable by Duncan Dovico for:

- Audit or review of the financial report of the entity and any other entity in the consolidated group
- Other services in relation to the entity and any other entity in the consolidated group

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2014</b>         | <b>2013</b>   |
|  | <b>\$</b>           | <b>\$</b>     |
|  | <b>73,552</b>       | 67,609        |
|  | <b>11,985</b>       | 5,390         |
|  | <b>85,537</b>       | <b>72,999</b> |

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 28 RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Cryosite Limited and its wholly owned subsidiary Cryosite Distribution Pty Limited. For details, refer to Note 16.

Cryosite Limited is the ultimate parent entity.

Cryosite Distribution Pty Limited neither has a bank account nor does it hold any cash in its own right. All receipts and payments for this entity are made by Cryosite Limited, with the amounts charged against an inter-company loan account. No interest is payable on this balance and no amounts are due and payable.

Cryosite Limited and Cryosite Distribution Pty Limited are part of a tax consolidation group and 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 7.

Cryosite Limited has received a dividend from Cryosite Distribution Pty Limited for \$Nil (2013: \$Nil).

## 29 SHARE-BASED PAYMENTS EXPENSE

### (a) Employee Share Option Plan

#### *Terms and conditions of options issued under employee share scheme details*

On 18 February 2002, Cryosite established an Employee Share Option Plan ("the Plan"). The Plan is designed to assist in the retention and motivation of employees and directors of the Company.

*The terms and conditions of the Plan are as follows:*

Options may be granted under the Plan to an employee or director of the Company or any of its subsidiaries, or to a person who renders services to the Company, or to any of its subsidiaries and is eligible to be a participant in the Plan under the terms of the Income Tax Assessment Act 1936 and Income Tax Assessment Act 1997 and by any instrument issued by ASIC and applicable to the Company ("eligible participant").

The Cryosite Board will determine the number of share options granted to each eligible participant

#### *Terms and conditions of options issued under employee share scheme details*

The total number of share options granted under the Plan will be limited to 5% of the total number of issued shares at the time the offer or grant of options is made. Options will be issued for no consideration.

The Board will determine the Option Exercise Price after considering the volume weighted average of the prices at which shares were traded on ASX during the one month period before the date of the offer.

### (a) Employee Share Option Plan continued

Options will expire at the end of eight years from the option grant date or if the participant ceases to be an employee or director of, or render services to, the Company or any of its Subsidiaries for any reason whatsoever.



# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 29 SHARE-BASED PAYMENTS EXPENSE CONTINUED

### (b) Summary of options granted under the ESOP

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

|                                           | 2014           |               | 2013           |               |
|-------------------------------------------|----------------|---------------|----------------|---------------|
|                                           | Options<br>No. | WAEP<br>Cents | Options<br>No. | WAEP<br>Cents |
| Balance at beginning of year              | 520,000        | -             | 520,000        | 30            |
| Issued during the year                    | -              | -             | -              | -             |
| Exercised during the year                 | (220,000)      | -             | -              | 30            |
| <b>Balance at end of the year</b>         | <b>300,000</b> | <b>-</b>      | <b>520,000</b> | <b>30</b>     |
| Balance at year end comprised as follows: |                |               |                |               |
| - Philip Alger                            | -              | -             | 220,000        | 30            |
| - Graeme Moore                            | 300,000        | 30            | 300,000        | 30            |
|                                           | <b>300,000</b> | <b>30</b>     | <b>520,000</b> | <b>30</b>     |

### Share based options payment:

|                                                                                                                                                                     |              |         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------|
| <b>Parties to option agreement - Graeme Moore</b>                                                                                                                   |              |         |
| <b>Rights Granted and grant date</b>                                                                                                                                |              |         |
| Share options granted 1 December 2007                                                                                                                               | Graeme Moore | 300,000 |
| <b>Option exercise price</b>                                                                                                                                        |              |         |
| One third at \$0.20 per share, One third at \$0.30 per share One third at \$0.40 per share                                                                          |              |         |
| <b>Vesting period</b>                                                                                                                                               |              |         |
| One third on 1 December 2008 One third on 1 December 2009 One third on 1 December 2010                                                                              |              |         |
| Options must be exercised no later than 30 November 2015.                                                                                                           |              |         |
| <b>Vesting requirements</b>                                                                                                                                         |              |         |
| Options granted under ESOP as part of remuneration package. Options will lapse on cessation of employment with the company.                                         |              |         |
| <b>Weighted average fair value per option at grant date</b>                                                                                                         | \$0.11       |         |
| <b>Expense for the year - Nil</b>                                                                                                                                   |              |         |
| <b>Prior year's expense taken to account</b>                                                                                                                        | \$-          |         |
| <b>Value of options forfeited</b>                                                                                                                                   | \$-          |         |
| <b>Balance at the end of the financial year not yet expensed</b>                                                                                                    | \$-          |         |
| <b>Calculation of fair value of option</b>                                                                                                                          |              |         |
| Valuation was made using the binomial method in accordance with the requirements of accounting standards.                                                           |              |         |
| Calculations were based on the expected contractual life of the options using the average weekly historical share price of the company over the previous 12 months. |              |         |
| The expected volatility used was 79% with an interest-free risk rate of 6.70%.                                                                                      |              |         |
| The market share price at date of grant was 19 cents.                                                                                                               |              |         |

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 30 SUPERANNUATION

The Group contributed the equivalent of 9.25% of employees' wages to their superannuation fund of choice as required by Australian law. Employees may also elect to make salary sacrifice to their nominated superannuation fund.

## 31 KEY MANAGEMENT PERSONNEL

### (a) Key management personnel

#### Non-executive directors

|                 |                          |
|-----------------|--------------------------|
| Andrew Kroger   | Chairman (Non-executive) |
| Christina Boyce | Director (Non-executive) |

#### Key management personnel

|                 |                                     |
|-----------------|-------------------------------------|
| Gordon Milliken | Managing Director (retired 9/4/14)  |
| Graeme Moore    | Executive Director and Acting CEO   |
| Mark Marshall   | Chief Financial Officer (part year) |
| Philip Alger    | Chief Financial Officer (part year) |

Key management personnel held their positions for the whole of the financial year other than as stated above.

Due to the relatively small number of employees, there are only three (3) key management personnel having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

### (b) Compensation for key management personnel

|                                           | Consolidated<br>2014<br>\$ | 2013<br>\$     |
|-------------------------------------------|----------------------------|----------------|
| <b>Non-executive directors</b>            |                            |                |
| Short-term employee benefits              | 140,000                    | 80,000         |
| Post-employment benefits                  | 12,951                     | 7,200          |
| Other long-term benefits                  |                            | -              |
| Share-based payment                       |                            | -              |
| <b>Sub-total non-executive directors</b>  | <b>152,951</b>             | <b>87,200</b>  |
| <b>Key management personnel</b>           |                            |                |
| Short-term employee benefits              | 556,682                    | 490,210        |
| Post-employment benefits                  | 102,569                    | 74,792         |
| Other long-term benefits                  | 59,048                     | 9,589          |
| Share-based payment                       | -                          | -              |
| <b>Sub-total key management personnel</b> | <b>718,299 *</b>           | <b>574,591</b> |
| <b>Total compensation</b>                 | <b>871,250</b>             | <b>661,791</b> |

\*Including termination payments

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 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:

| 2014<br>CONSOLIDATED                                                                          | Note | Weighted<br>average<br>effective<br>interest rate<br>% | Floating<br>interest<br>rate<br>\$ | Fixed<br>interest<br>rates<br>\$ | Non<br>interest<br>bearing<br>\$ | Total<br>\$      |
|-----------------------------------------------------------------------------------------------|------|--------------------------------------------------------|------------------------------------|----------------------------------|----------------------------------|------------------|
| <i>Financial assets</i>                                                                       |      |                                                        |                                    |                                  |                                  |                  |
| Interest bearing deposits – maturing at various dates during year ending 30 June 2014         | 10   | 3.21                                                   | 5,740,883                          | -                                | -                                | 5,740,883        |
| Cash and cash equivalents                                                                     | 10   | 0.015                                                  | 511,310                            | -                                | -                                | 511,310          |
| Current receivables – maturing at various dates                                               | 12   | 3.8                                                    | -                                  | 446,520                          | 2,246,970                        | 2,693,490        |
|                                                                                               |      |                                                        | <u>6,252,193</u>                   | <u>446,520</u>                   | <u>2,246,970</u>                 | <u>8,945,683</u> |
| <i>Financial liabilities</i>                                                                  |      |                                                        |                                    |                                  |                                  |                  |
| Trade creditors and accruals – maturing at various dates during the year ending 30 June 2014. | 19   | 2.5                                                    | 452,382                            | -                                | 641,693                          | 1,094,075        |

| 2013<br>CONSOLIDATED                                                                          | Note | Weighted<br>average<br>effective<br>interest rate<br>% | Floating<br>interest<br>rate<br>\$ | Subject<br>to<br>discount<br>rates<br>\$ | Non<br>interest<br>bearing<br>\$ | Total<br>\$      |
|-----------------------------------------------------------------------------------------------|------|--------------------------------------------------------|------------------------------------|------------------------------------------|----------------------------------|------------------|
| <i>Financial assets</i>                                                                       |      |                                                        |                                    |                                          |                                  |                  |
| Interest bearing deposits – maturing at various dates during year ending 30 June 2013         | 10   | 3.42                                                   | 5,577,184                          | -                                        | -                                | 5,577,184        |
| Cash and cash equivalents                                                                     | 10   | 0.15                                                   | 199,913                            | -                                        | -                                | 199,913          |
| Current receivables – maturing at various dates during year ending 30 June 2013               | 12   | 3.80                                                   | -                                  | 75,199                                   | 1,563,539                        | 1,638,738        |
| Non-current receivables                                                                       | 15   | 3.80                                                   | -                                  | 857,294                                  | -                                | 857,294          |
|                                                                                               |      |                                                        | <u>5,777,097</u>                   | <u>932,493</u>                           | <u>1,563,539</u>                 | <u>8,273,129</u> |
| <i>Financial liabilities</i>                                                                  |      |                                                        |                                    |                                          |                                  |                  |
| Trade creditors and accruals – maturing at various dates during the year ending 30 June 2013. | 19   | 2.81                                                   | 314,508                            | -                                        | 920,778                          | 1,235,286        |

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 32 FINANCIAL INSTRUMENTS CONTINUED

### *Interest rate sensitivity analysis*

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

|                     |              | <b>Post Tax Profit<br/>Higher (Lower)</b> |             |
|---------------------|--------------|-------------------------------------------|-------------|
|                     |              | <b>2014</b>                               | <b>2013</b> |
|                     |              | \$                                        | \$          |
| <b>Consolidated</b> | Up by 2.0%   | <b>80,970</b>                             | 111,431     |
|                     | Down by 1.5% | <b>(59,681)</b>                           | (83,573)    |

### *Discount rate sensitivity analysis*

The following sensitivity analysis is based on a discount rate of 13.9% (2013: 13.9%) risk exposures in existence at the balance date. If the discount rate had moved, as illustrated in the tables below, with all other variables held constant, post tax profit would have been affected as follows

|                     |            | <b>Post Tax Profit<br/>Higher (Lower)</b> |             |
|---------------------|------------|-------------------------------------------|-------------|
|                     |            | <b>2014</b>                               | <b>2013</b> |
|                     |            | \$                                        | \$          |
| <b>Consolidated</b> | Up by 2%   | <b>(6,251)</b>                            | (8,825)     |
|                     | Down by 2% | <b>6,251</b>                              | 8,825       |

### **(b) Price risk – Equity and Commodity**

The Group has no exposure to commodity and equity securities price risk.

### **(c) Credit risk**

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group trades with a number of types of customers, the main ones being:

- Incorporated companies
- Research institutes both private and academic
- Individuals.

#### *Incorporated companies:*

The Group trades with recognised, publicly listed companies and large unlisted proprietary companies and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

#### *Research institutes both private and academic*

The Group also trades with research institutes that are either publicly, privately or government owned along with recognised universities. Such customers are subject to credit search and collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

#### *Individuals:*

The Group ensures that credit card information is obtained for all individual customers.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

There are no significant concentrations of credit risk within the Group. There are no transactions that are not denominated in the functional currency of the Group.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 32 FINANCIAL INSTRUMENTS CONTINUED

### (d) 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 \$8,355,937 at balance date less current liabilities of \$1,935,152, an excess of current assets over current liabilities amounting to \$6,420,785. The Group generated a positive \$1,542,536 cash flow from operations during the current year.

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

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from investment in working capital such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as enable an effective controlling of future risks the Directors monitor the expected settlement of financial assets and liabilities.

| Year ended<br>30 June 2014                    | Less than 6<br>months<br>\$ | 6-12 months<br>\$ | 1-5 years<br>\$ | Greater than<br>5 years<br>\$ | Total<br>\$      |
|-----------------------------------------------|-----------------------------|-------------------|-----------------|-------------------------------|------------------|
| <b>Consolidated<br/>Financial Assets</b>      |                             |                   |                 |                               |                  |
| Cash and cash<br>equivalents                  | 6,252,193                   | -                 | -               | -                             | 6,252,193        |
| Trade and other<br>receivables                | 1,784,442                   | 107,912           | 406,117         | 390,078                       | 2,688,549        |
|                                               | <u>8,036,635</u>            | <u>107,912</u>    | <u>406,117</u>  | <u>390,078</u>                | <u>8,940,742</u> |
| <b>Consolidated<br/>Financial liabilities</b> |                             |                   |                 |                               |                  |
| Trade and other<br>payables                   | 1,094,075                   | -                 | -               | -                             | 1,094,075        |
|                                               | <u>1,094,075</u>            | <u>-</u>          | <u>-</u>        | <u>-</u>                      | <u>1,094,075</u> |
| <b>Net maturity</b>                           | <u>6,942,560</u>            | <u>107,912</u>    | <u>406,117</u>  | <u>390,078</u>                | <u>7,846,667</u> |

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

| Year ended<br>30 June 2013                    | Less than 6<br>months<br>\$ | 6-12 months<br>\$ | 1-5 years<br>\$ | Greater than<br>5 years<br>\$ | Total<br>\$      |
|-----------------------------------------------|-----------------------------|-------------------|-----------------|-------------------------------|------------------|
| <b>Consolidated<br/>Financial Assets</b>      |                             |                   |                 |                               |                  |
| Cash and cash<br>equivalents                  | 5,777,097                   | -                 | -               | -                             | 5,777,097        |
| Trade and other<br>receivables                | 1,563,630                   | 74,882            | 371,707         | 485,813                       | 2,496,032        |
|                                               | <u>7,340,727</u>            | <u>74,882</u>     | <u>371,707</u>  | <u>485,813</u>                | <u>8,273,129</u> |
| <b>Consolidated<br/>Financial liabilities</b> |                             |                   |                 |                               |                  |
| Trade and other<br>payables                   | 1,235,286                   | -                 | -               | -                             | 1,235,286        |
| <b>Net maturity</b>                           | <u>6,105,441</u>            | <u>74,882</u>     | <u>371,707</u>  | <u>485,813</u>                | <u>7,037,843</u> |

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 32 FINANCIAL INSTRUMENTS CONTINUED

### (e) Capital management

When managing capital, the boards' objective is to ensure the entity continues as a going concern as well as to maintain returns to shareholders. The board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board of Directors is responsible for assessing financial risks, related controls and other financial risk management strategies. The Company deploys its assets and liabilities so as to manage risk at commercially appropriate levels, bearing in mind the constraints imposed by the consolidated entity's size, results and other financial circumstances. The Company aims to balance opportunities to improve profitability against related risks of losses of assets or the incurrence of additional liabilities.

### (f) Fair value

All financial assets and liabilities have been disclosed in the financial statements and notes thereto at their carrying value, which approximates their net fair values.

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.

## 33 PARENT ENTITY FINANCIAL INFORMATION

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

| AS AT 30 JUNE 2014                                             | 2014<br>\$        | 2013<br>\$        |
|----------------------------------------------------------------|-------------------|-------------------|
| <b>(a) STATEMENT OF FINANCIAL POSITION</b>                     |                   |                   |
| Total Current Assets                                           | 8,156,668         | 7,645,197         |
| Total Non-current Assets                                       | 3,277,563         | 3,501,830         |
| <b>TOTAL ASSETS</b>                                            | <b>11,434,231</b> | <b>11,147,027</b> |
| <b>(b) LIABILITIES</b>                                         |                   |                   |
| Total Current Liabilities                                      | 1,754,154         | 1,870,546         |
| Total Non-current Liabilities                                  | 3,563,191         | 3,030,504         |
| <b>TOTAL LIABILITIES</b>                                       | <b>5,317,345</b>  | <b>4,901,050</b>  |
| <b>(c) EQUITY</b>                                              |                   |                   |
| Contributed equity                                             | 8,204,766         | 8,138,766         |
| Share option reserves                                          | 239,118           | 239,118           |
| Accumulated losses                                             | (2,326,998)       | (2,131,907)       |
| <b>TOTAL EQUITY</b>                                            | <b>6,116,886</b>  | <b>6,245,977</b>  |
| <b>(d) TOTAL COMPREHENSIVE INCOME</b>                          |                   |                   |
| Net Profit of the parent entity for the year net of income tax | 505,602           | 1,249,961         |
| Other comprehensive income for the year, net of tax            | -                 | -                 |
| <b>Total comprehensive income for the year</b>                 | <b>505,602</b>    | <b>1,249,961</b>  |

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

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## 33 PARENT ENTITY FINANCIAL INFORMATION continued

### (e) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

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

### (f) COMMITMENTS AND CONTINGENCIES OF THE PARENT ENTITY

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



## **Independent Auditor's Report to the members of Cryosite Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Cryosite Limited and its controlled entity which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year ended 30 June 2014.

### ***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretation) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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

**Independence**

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

**Auditor's Opinion**

In our opinion:

- a) the financial report of Cryosite Limited and its controlled entity is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

**Report on the Remuneration Report**

We have audited the Remuneration Report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

**DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED**

Rosemary Megale  
**Director**

Sydney, 27th August 2014

# 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 22 August 2014.

## Substantial shareholders

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

| Shareholder                  | Relevant interest |                     |               |                     |
|------------------------------|-------------------|---------------------|---------------|---------------------|
|                              | 2014              |                     | 2013          |                     |
|                              | No. of shares     | % of issued capital | No. of shares | % of issued capital |
| Andrew John Kroger           | 11,706,943        | 24.98               | 10,706,943    | 22.96               |
| Cell Care Australia Pty. Ltd | 10,709,334        | 22.96               | 10,709,334    | 22.96               |

## Twenty largest shareholders

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

| SHAREHOLDER                                      | LISTED ORDINARY SHARES |                      |
|--------------------------------------------------|------------------------|----------------------|
|                                                  | Number of shares       | % of ordinary shares |
| CELL CARE AUSTRALIA PTY LTD                      | 10,639,995             | 22.71%               |
| COFAX BAY PTY LIMITED                            | 9,314,276              | 19.88%               |
| PROCESS WASTEWATER TECHNOLOGIES LIMITED          | 2,392,667              | 5.11%                |
| FITEL NOMINEES LIMITED                           | 2,000,000              | 4.27%                |
| UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD | 1,814,700              | 3.87%                |
| BELL POTTER NOMINEES LTD                         | 1,758,236              | 3.75%                |
| KHAEMET PTY LTD                                  | 1,290,418              | 2.75%                |
| MR ALISTAIR DAVID STRONG                         | 1,060,000              | 2.25%                |
| CORNISH GROUP INVESTMENTS PTY LTD                | 1,050,300              | 2.24%                |
| MR THEO ONISFOROU                                | 1,008,753              | 2.15%                |
| MRS ERICA MARGARET STRONG                        | 880,000                | 1.88%                |
| NARON NOMINEES PTY LTD                           | 839,416                | 1.79%                |
| MR STEPHEN ROBERTS                               | 644,994                | 1.38%                |
| H F A ADMINISTRATION PTY LIMITED                 | 480,000                | 1.02%                |
| ANADYOMENE PTY LTD                               | 400,000                | 0.85%                |
| SUNNYIT PTY LTD                                  | 320,500                | 0.68%                |
| WIFAM INVESTMENTS PTY LTD                        | 300,000                | 0.64%                |
| ASIA UNION INVESTMENTS PTY LTD                   | 300,000                | 0.64%                |
| ONMELL PTY LTD                                   | 299,910                | 0.64%                |
| RNT SUPER PTY LTD                                | 287,500                | 0.61%                |
| <b>TOTAL</b>                                     | <b>37,081,655</b>      | <b>79.11%</b>        |

# ASX Additional Shareholder Information

## DISTRIBUTION OF EQUITY SECURITIES

### Number of shareholders by size of holding

|         |          | Ordinary Shares   |                  |
|---------|----------|-------------------|------------------|
|         |          | Number of Holders | Number of Shares |
| 1       | 1,000    | 37                | 18,962           |
| 1,001   | 5,000    | 248               | 932,494          |
| 5,001   | 10,000   | 76                | 632,442          |
| 10,001  | 100,000  | 157               | 4,965,428        |
| 100,001 | and over | 39                | 40,310,237       |
| Total   |          | 557               | 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 48 and they hold 31,479 shares.





Cryosite is established with the specific objective of providing specialised outsourced logistics services to a wide range of clients including the research, medical, pharmaceutical, veterinary and biotechnology industries.

Cryosite provides professional, reliable and cost effective support services, tailored to meet individual customer needs. Our Quality Management System ensures compliance with all necessary regulations and detailed documentation control. Operations are carried out in a NATA accredited (ISO/IEC 17025) facility and in compliance with current Code of Good Manufacturing Practices (cGMP). The facility is AQIS approved under section 46a of the Quarantine Act for the quarantine of class 5.1 goods.

Cryosite Limited, ABN 86 090 919 476 is an Australian public listed company registered on the main board of the Australian Stock Exchange with the code "CTE".

**°cryosite**  
LIMITED

[www.cryosite.com](http://www.cryosite.com)

