

Cryosite Limited

ABN 86 090 919 476

Appendix 4D

Half year report

Six months ended 31 December 2013 ('current period')
and 31 December 2012 ('previous corresponding period')

Results for announcement to the market

				\$A'000
Revenue from ordinary activities:	Up	2.1%	to	4,606
Profit from ordinary activities after tax attributable to members:	Down	40.8%	to	331
Net profit for the period attributable to members:	Down	40.8%	to	331

Profit before tax	Down	19.1%	to	559
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NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	12.7 cents	12.5 cents

Review of Operations

Group revenue for the half-year was \$4,605,994 which was a 2.1% increase over the same period last year (\$4,510,369) and an 8.27 % increase over the six months to June 2013 (\$4,254,090). Profit before tax for the period was \$452,208, a decrease of 19% over the corresponding period in 2012.

Cash flow remained strong with cash from operations generating a positive cash flow of \$971,662 and after paying an interim dividend of \$455,474 the cash position increased to \$5,922,278.

Based on expected earnings, accumulated tax losses will ensure no tax is actually payable in the current year though the Company is required to record a tax expense of \$121,560 forming part of these accounts.

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

Full Financial details of the Company are also contained in the attached audit reviewed half-year Financial Report.

Cryosite Limited

ABN 86 090 919 476

Appendix 4D

Half year report

**Six months ended 31 December 2013 ('current period')
and 31 December 2012 ('previous corresponding period')**

Dividends	Amount per Security (Unfranked)
Current period:	
Interim dividend for the half year ended 31 December 2013	0.5 cents
Final Dividend for the year ended 30 June 2013 (paid 23 rd October 2013)	1.0 cents
Previous corresponding period:	
Interim dividend for the half year ended 31 December 2012	0.5 cents
Final Dividend for the year ended 30 June 2012	-

Current period

On 25 February 2014, the directors declared an unfranked interim dividend of 0.5 cent per share to the holders of fully paid ordinary shares, payable to shareholders on 4th April 2014. This dividend has not been included as a liability in these consolidated interim financial statements, and will be paid to all shareholders on the Register of Members as at 21st March 2014. The ex Dividend Payment" trading commences 17 March 2014.

The aggregate amount of the proposed dividend expected to be paid to shareholders is \$234,298.

For the year ended 30 June 2013, a fully franked dividend of 0.5 cent per share was paid to the holders of fully paid ordinary shares on 23rd October 2013.

Previous corresponding period

For the half year ended 31 December 2012, a fully franked interim dividend of 0.5 cents per share was paid to the holders of fully paid ordinary shares on 5th April 2013.

Events subsequent to Balance Date

The directors are unaware of any event or transaction that has occurred between the reporting date and the date of this financial report that may have a significant effect on the Company.

This information should be read in conjunction with the annual financial report of Cryosite Limited as at 30 June 2013.

CRYOSITE LIMITED

ABN 86 090 919 476

Half-Year Financial Report

31 December 2013

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2013.

Directors

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

Andrew Kroger	Chairman	Appointed 17 November 2011
Christy Boyce	Non-Executive Director	Appointed 3 June 2013
Gordon Leonard Milliken	Managing Director	Appointed 28 February 2002
Graeme Allen Moore	Executive Director	Appointed 22 September 2008

Principal Activities

Since it was established in 2000, Cryosite has evolved into a company that has successfully integrated a number of services including private cord blood storage, biorepository management and specialised distribution of biological materials and pharmaceutical products used in clinical trials.

The services are grouped into two market segments, Biological Services and Warehousing and Distribution.

Review of Operations

Group revenue for the half-year was \$4,605,994 which was a 2.1% increase over the same period last year (\$4,510,369) and an 8.27 % increase over the six months to June 2013 (\$4,254,090). Profit before tax for the period was \$452,208, a decrease of 19% over the corresponding period in 2012.

Cash flow remained strong with cash from operations generating a positive cash flow of \$971,662 and after paying an interim dividend of \$455,474 the cash position increased to \$5,922,278.

Based on expected earnings, accumulated tax losses will ensure no tax is actually payable in the current year though the Company is required to record a tax expense of \$121,560 forming part of these accounts. A full explanation is provided in Note 3.

This inclusion has resulted in a 40.8% decrease in profit after tax of \$227,946 over the corresponding period in 2012 where there was no tax expense recorded due to the availability of unrecognised losses at that time. The tax differential accounted for \$121,560 of that decrease.

While the Company will record a tax expense going forward it will remain a non-cash expense until such time as all remaining recognised tax losses have been progressively utilised.

The decrease in pre-tax profit of \$106,386 was mainly the result of higher costs associated with our additional investments made in improving the capacity and capability. The major increased expenditures relate to additional staffing and related costs.

Directors' Report

Outlook

Despite the disappointing results for December, the Company maintains positive outlook for the medium term. Revenue is expected to increase over the next twelve months; however, the profit for the year will be adversely affected by further investment in the business as previously mentioned.

As was flagged at the AGM and included in the December 2013 half-year guidance update, increased expenditure for both operational support and marketing activity are expected to outstrip the revenue increase.

As a result of the increased expenditure, we are confident that the additional investment to be made over the next 12 months will provide a firm footing for a return to more acceptable profitability.

Events Subsequent to Balance Date – Dividends

On 25 February 2014 the Board declared an interim unfranked dividend of 0.5 cents per ordinary share. There is no impact on the current financial report.

	Cents	\$
Interim dividend recommended	0.5	234,298

Key Dates:

The Company confirms the following schedule:

“Ex Dividend Payment” trading commences: 17th March 2014

“Record Date” – last date for CTE register transfers: 21st March 2014

Dividend Payment date: 4th April 2014

The directors are unaware of any other event or transaction that has occurred between the reporting date and the date of this financial report that may have a significant effect on the Company.

Auditor's Independence Declaration

A statement of independence has been provided by our auditors, Duncan Dovico, and follows this Director's Report on page 5

Signed in accordance with a resolution of the directors made pursuant to s.306 (3) of the *Corporations Act 2001*

Gordon Milliken
Managing Director

Sydney
25 February 2014

Independence

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

Auditor's Opinion

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED



Rosemary Megale
Director

Dated in Sydney, this 25th day of February 2014.

Directors' Declaration

The Directors of Cryosite Limited declare that:

- (a) The financial statements and notes of Cryosite Limited and its controlled entities for the half-year ended 31 December 2013 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 31 December 2013 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards ASRE 134 Interim Financial Reporting.

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

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

On behalf of the Directors

Gordon Milliken
Managing Director

Sydney
25 February 2014

Interim Consolidated Statement of Comprehensive Income

For The Half-Year Ended 31 December 2013

	Notes	Consolidated 2013 \$	2012 \$
Revenues	2	4,605,994	4,510,369
Expenses			
Costs of providing services		(2,695,554)	(2,500,305)
Finance costs		(3,300)	(3,965)
Marketing expenses		(219,231)	(227,727)
Occupancy expenses		(342,126)	(333,353)
Administration expenses		(893,575)	(886,425)
Profit from operations before tax		452,208	558,594
Income tax (expense) benefit	3	(121,560)	-
Profit after tax from continuing operations		330,648	558,594
Net Profit attributable to members of the parent		330,648	558,594
Other comprehensive income for the half -year		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year, net of tax	4	330,648	558,594
Earnings per share (cents per share)			
Basic EPS for the half-year	4	0.71	1.20
Diluted EPS for the half-year	4	0.70	1.18

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

Interim Consolidated Statement of Financial Position

For The Half-Year Ended 31 December 2013

		Consolidated	
		as at	as at
	Notes	31 December 2013	30 June 2013
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	10	5,922,788	5,777,097
Trade and other receivables		1,595,838	1,638,738
Inventories		90,483	66,087
Prepayments		245,915	378,495
Total Current Assets		7,855,024	7,860,417
Non-current Assets			
Trade and other receivables		809,645	857,294
Deferred income tax asset		730,373	851,933
Plant and equipment		1,761,846	1,792,583
Intangible assets	1(c)	255,310	-
Total Non-current Assets		3,557,174	3,501,810
TOTAL ASSETS		11,412,198	11,362,227
LIABILITIES			
Current Liabilities			
Trade and other payables		996,130	1,235,286
Unearned income		383,000	368,071
Provisions		491,777	464,138
Total Current Liabilities		1,870,907	2,067,495
Non-current Liabilities			
Trade and other payables		282,400	171,450
Unearned income		2,783,404	2,619,136
Provisions		281,008	239,918
Total Non-current Liabilities		3,346,812	3,030,504
TOTAL LIABILITIES		5,217,719	5,097,999
NET ASSETS		6,194,479	6,264,228
EQUITY			
Contributed capital		8,204,766	8,138,766
Share option reserve		239,118	239,118
Accumulated losses		(2,249,405)	(2,113,656)
TOTAL EQUITY		6,194,479	6,264,228

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

Interim Consolidated Statement of Changes in Equity

For The Half-Year Ended 31 December 2013

CONSOLIDATED	Contributed capital	Accumulate d losses	Reserves	Total equity
Notes	\$	\$	\$	\$
At 1 July 2013	8,138,766	(2,113,656)	239,118	6,264,228
Profit for the period	-	330,648	-	330,648
Other Comprehensive Income				
Proceeds from shares issued (Options exercised)	66,000	-	-	66,000
Transactions with Owners in their capacity as owners:				
Equity dividends declared and paid	-	(466,397)	-	(466,397)
At 31 December 2013	8,204,766	(2,249,405)	239,118	6,194,479
At 1 July 2012	8,138,766	(2,897,220)	239,118	5,480,664
Profit for the period	-	558,594	-	558,594
Other Comprehensive Income	-	-	-	-
Transactions with Owners in their capacity as owners:				
Equity dividends declared and paid	-	(233,198)	-	(233,198)
At 31 December 2012	8,138,766	(2,571,824)	239,118	5,806,060

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

Interim Consolidated Statement of Cash Flow

For The Half-Year Ended 31 December 2013

	Notes	Consolidated 2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers		4,924,763	4,709,788
Payments to suppliers and employees		(4,003,178)	(3,715,547)
Finance income		53,377	52,060
Borrowing costs		(3,300)	(3,965)
Net cash flows from operating activities		971,662	1,042,336
Cash flows from investing activities			
Intellectual Property Licence		(255,310)	-
Purchase of plant and equipment		(277,231)	(175,690)
Interest received – term deposits		96,043	77,321
Net cash flows (used in) from investing activities		(436,498)	(98,369)
Cash flows from financing activities			
Proceeds from share issue (options exercised)		66,000	-
Equity dividend paid		(455,474)	(242,548)
Net cash flows (used in) financing activities		(389,473)	(242,548)
Net increase in cash and cash equivalents		145,691	701,419
Cash and cash equivalents at beginning of period		5,777,097	4,524,750
Cash and cash equivalents at end of period	10	5,922,788	5,226,169

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

Notes to the Financial Statements

For The Half-Year Ended 31 December 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 *Interim Financial Reporting* ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by Cryosite Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

(b) Changes in Accounting Policies

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).

The Company has not elected to early adopt any of the new standards or amendments that are issued but not yet effective.

(c) Intangible Asset

- 1) The intangible asset which relates to the Cryobite LS software has a carrying value of nil as at 31 December 2013. At 30 June 2010 the Board decided to fully amortise the costs associated with the software as the ongoing development has ceased.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES Continued

(c) Intangible Asset Continued

- 2) In October 2013, the Company entered into an exclusive licensing agreement within Australia and New Zealand to assist with the in-house development of new technologies to expand the range of stem cell services. The Directors have considered the value of the licence and have resolved to retain the value at cost until it has completed the development phase of the project; reviewed the overall strategic investment into this market and thus being in a better position to assess the probable useful life and an appropriate basis for assessing any impairment if required.

	Consolidated	
	2013	2012
Notes	\$	\$

2. REVENUE AND EXPENSES

Specific items

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

(i) Revenue

Rendering of services	4,476,401	4,373,128
Interest income	129,593	137,241
	4,605,994	4,510,369

(ii) Expenses

Included within expenses are the following amounts:

Depreciation & amortisation	307,970	288,161
Employee benefits	1,473,870	1,296,790

Notes to the Financial Statements

For The Half-Year Ended 31 December 2013

	Notes	Consolidated	
		2013	2012
		\$	\$
3. INCOME TAX EXPENSE			
Accounting profit before tax from continuing operations		452,208	598,585
At the statutory income tax rate of 30% (2012: 30%)		135,662	179,579
Share-based payments (equity settled)		-	-
Other items (net)		2,811	(32,432)
Recognition of previously unrecorded losses against current year taxable income		(16,913)	(147,147)
Income tax (expense)		121,560	-
<i>Statement of comprehensive income</i>			
Current income expense		138,473	147,147
(Applied) to unrecognised losses		(16,913)	(147,147)
Income tax (expense) benefit reported in the statement of comprehensive income		121,560	-

At 31 December 2013 the Group had tax losses arising in Australia of \$1,643,940 (June 2013: \$2,039,772) that are available for offset against future taxable profits of the Company. The deferred income tax asset of \$493,187 (June 2013: \$611,931) arising from these losses have been brought to account in full at reporting date, as realisation of the benefit is now regarded as virtually certain.

At 31 December 2013 the Group had \$16,913 unrecognised income tax losses. At 30 June 2013 the Group had unrecognised tax losses of \$56,376 and at 30 June 2012 the Group had unrecognised tax losses of \$1,395,611.

As the prima facie tax expense of \$138,473 has exceeded the amount of remaining unrecognised income tax losses of \$16,913, the interim profit has resulted in the partial utilisation of previously capitalised losses \$121,560. This utilisation has resulted in a reduction in the overall deferred tax asset balance, and a corresponding increase in the income tax expense for the period. In prior reporting periods, the Group brought to account sufficient losses previously unrecognised resulting in a nil effect on the income tax expense.

The income tax expense in respect of previous reporting periods, excluding the effect of carry forward losses previously unrecognised is as follows:

31 December 2013	30 June 2013	31 December 2012	30 June 2012
\$138,473	\$361,252	\$147,147	\$301,900

Notes to the Financial Statements

For The Half-Year Ended 31 December 2013

4. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options).

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

	Consolidated 31 December 2013 \$	Consolidated 30 June 2013 \$	Consolidated 31 December 2012 \$
Net profit attributable to equity holders of the parent	330,648	1,249,961	558,594
		No of shares.	No of shares.
Weighted average number of ordinary shares for basic earnings per share	46,748,962	46,639,563	46,639,563

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

5. DIVIDENDS PAID OR PROPOSED

No dividends have been provided for at the reporting date (30 June 2013: \$nil).

A final unfranked dividend of \$466,396 (1.0 cent per ordinary share) declared on 2 September 2013 was paid on 23 October 2013 in respect of the financial year ended 30 June 2013.

An interim dividend has been declared as per Note 8.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2013

6. EMPLOYEE BENEFITS

Share based payments

Share Options

Options over ordinary shares:

Employee share scheme

At the end of the period there were 300,000 (30 June 2013: 520,000) unissued ordinary shares in respect of which options were outstanding under the employee share scheme.

	31 December 2013			30 June 2013		Expense for period \$
	No. of Options	Exercise price	Expense for period \$	No. of Options	Exercise price	
Balance at beginning of period	520,000	0.30	-	520,000	-	-
Options Exercised	(220,000)	0.30	-	-	-	-
Balance at end of period	300,000	0.30		520,000	-	-
Exercisable at end of period						
Graeme Moore	300,000	0.30		300,000	0.30	
Philip Alger	-	-		220,000	0.30	
Sub-Total Key management personnel	300,000	0.30		520,000	-	
Other employees	-	-		-	-	
	300,000	0.30		520,000	0.30	

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.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2013

6. EMPLOYEE BENEFITS Continued

Share based payments continued

Share Options continued

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.

The exercise price of each initial option issued under the Plan was the retail offer price included in the prospectus (40 cents) for the Initial Public Offering.

For the initial options granted to employees and the Executive Director under the Plan, 20% will become exercisable after the first anniversary of listing on ASX and an additional 20% will become exercisable each anniversary of listing thereafter. The Company was listed on the ASX on 9 May 2002. Options issued after this date under the ESOP have different vesting terms.

7. CONTINGENT LIABILITIES

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

8. SUBSEQUENT EVENTS

On 25 February 2014, the Board declared an interim unfranked dividend of \$234,298 (0.5 cents per ordinary share) payable on 4 April 2013.

The directors are unaware of any other event or transaction that has occurred between the reporting date and the date of this financial report that may have a significant effect on the Company.

Notes to the Financial Statements

For The Half-Year Ended 31 December 2013

9. SEGMENT INFORMATION

Identification of Reportable Segments

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

Two reportable segments have been identified as follows:

Biological Services Private cord blood services, biorepository management and adult stem cell storage.

Warehousing & Distribution Clinical trial logistics and American Type Culture Collection distribution services

The accounting policies used by the Company in reporting segments internally are the same as those contained in note 1 to the accounts and in the 30 June 2013 annual financial report.

Operating Segments

	Biological Services	Warehousing & Distribution	Total
	\$	\$	\$
31 December 2013 – Consolidated			
Total segment revenue	<u>2,159,551</u>	<u>2,446,443</u>	<u>4,605,994</u>
Segment profit before ITDA	<u>190,669</u>	<u>443,216</u>	<u>633,885</u>
31 December 2012 – Consolidated			
Total segment revenue	<u>2,178,362</u>	<u>2,332,007</u>	<u>4,510,369</u>
Segment profit before ITDA	<u>196,694</u>	<u>516,785</u>	<u>713,479</u>
Total Segment assets			
31 December 2013	<u>6,550,449</u>	<u>4,861,749</u>	<u>11,412,198</u>
30 June 2013	<u>6,579,364</u>	<u>4,782,863</u>	<u>11,362,227</u>

Notes to the Financial Statements

For The Half-Year Ended 31 December 2013

9. SEGMENT INFORMATION Continued

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

	Consolidated	
	31 December 2013	31 December 2012
	\$	\$
Operating EBITDA	633,885	713,479
Interest revenue	129,593	137,241
Depreciation and amortisation	(307,970)	(288,161)
Finance costs	(3,300)	(3,965)
Profit before tax	452,208	558,594

10. CASH AND CASH EQUIVALENTS

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2013:

	31 December 2013	30 June 2013	31 December 2012
	\$	\$	\$
Cash at bank and in hand	373,427	199,913	272,836
Short-term deposits	5,549,361	5,577,184	4,953,333
	5,922,788	5,777,097	5,226,169

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2013, the Company acquired assets with a cost of \$277,231 (2012: \$175,690).

No assets were disposed of by the Group during the six months ended 31 December 2013 (2012: Nil).

12. RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions which have been entered into with related parties during the six month periods ending 31 December 2013 and 31 December 2012 as well as balances with related parties as at 30 June 2013:

	31 December 2013	30 June 2013	31 December 2012
	\$	\$	\$
Owed by Cryosite Distribution Pty Ltd	-	745,858	-
Owed to Cryosite Distribution Pty Ltd	1,178,023	-	1,243,207

Independent Auditor's Report to the members of Cryosite Limited

Report on the Condensed Half-year Financial Report

We have reviewed the accompanying half-year financial report of Cryosite Limited and its controlled entity, which comprises the statement of financial position as at 31 December 2013 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year ended 31 December 2013.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that it 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard *AASB 134 Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Cryosite Limited and its controlled entity during the half-year ended 31 December 2013, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Auditor's Opinion

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

DUNCAN DOVICO RISK & ASSURANCE PTY LIMITED



Rosemary Megale
Director

Dated in Sydney, this 25th day of February 2014.