

# Cryosite Limited

ABN 86 090 919 476

## Appendix 4D

**Six months ended 31 December 2017 ('current period')  
and 31 December 2016 ('previous corresponding period')**

### Results for announcement to the market

#### 1. Details of Reporting Period

The financial information contained in this report is for the half year ended 31 December 2017. Comparative amounts (unless otherwise indicated) relate to the year ended 31 December 2016.

#### 2. Results for Announcement to the Market

				\$A'000
2.1 Revenue from ordinary activities:	Down	4%	to	2,909k
2.2 Profit (loss) from ordinary activities after tax attributable to members:	Down	353%	to	(895)k
2.3 Net profit (loss) for the period attributable to members:	Down	353%	to	(895)k

#### 2.4 Dividends

The Board of Cryosite has on the 28th February 2018 determined that no interim dividend will be paid

#### 2.5 Commentary on the results to the market:

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

#### 3.0 NTA backing

	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	4.3 cents	6.1 cents

# **CRYOSITE LIMITED**

ABN 86 090 919 476

## **Half-Year Financial Report**

31 December 2017

## Table of Contents

	PAGE NO.
Directors' Report	1-3
Auditor's Independence Declaration	4
Directors' Declaration	5
Interim Consolidated Statement of Comprehensive Income	6
Interim Consolidated Statement of Financial Position	7
Interim Consolidated Statement of Changes in Equity	8
Interim Consolidated Statement of Cash Flows	9
Notes to the Half-Year Financial Statements	10-31
Independent Auditor's Review Report	32-33

## Directors' Report

Your directors submit their report for the half-year ended 31 December 2017.

### 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.

Stephen Roberts (Non-Executive Chair) - appointed on 8 /12/2015

Andrew Kroger (Non-Executive Director) - appointed 21 /11/ 2011

Nicola Swift (Non-Executive Director) – appointed 3/11/2016

### Principal Activities

The company's principal activities are the provision of sophisticated and complex protocol management solutions for supply chain logistics management of pharmaceutical products used in clinical trials and biological materials.

The company narrowed its principal business activities focus when it ceased the processing, collection and banking of future cord blood and tissue for clients. This decision has reduced the number of services offered by the company. The company believes that the market for private cord blood and tissue collection processing and banking has been static, if not declining over the past few years and that this reflects a long term trend. The company reached this conclusion as it observed a change in sentiment and support for private banking from both obstetricians and expecting parents.

### Review of Finances

Group revenue from continuing operations for the half-year was \$2,909,814 which was a 4% decrease over the same period last year (\$3,040,419).

Profit (loss) before tax for the period was \$(895,467), a decrease of 353% over the corresponding period in 2016.

The decision to cease the future collection and processing of cord blood and tissue required a board review of all non-financial assets associated with that business. In October 2017, the company completed the closure of the laboratory and departure of staff associated with the collection and processing of cord blood and tissue. Finally, the legal costs of responding to the ACCC enquiry surrounding our proposed sale to Cell Care of the brand and residual intellectual property are also included. As a consequence of the business closure, subsequent write downs and legal costs, the residual business result was a post-tax loss from discontinued operations of \$ (954,341).

This result is consistent with the company's announcement in November 2017, that, as a consequence of it's previously announced decision to cease the marketing, selling, collection and processing of cord blood and tissue, it had incurred a number of restructuring costs including deciding to make significant assets write downs associated with its cord and tissue collection business. As a result, it was announced that those restructuring and impairment costs, along with legal fees and costs, totalled approximately \$1 m.

## Directors' Report

Cash from operations generated a negative cash flow of \$429,807. The primary sources of cash required were the closure of the cord blood and tissue business and associated actions. Overall cash decreased by \$728,032 during the period (see operation review for details of capital expenditure during the period).

The Company recorded an income tax credit of \$261,093.

The decrease in post-tax profit of \$1,148,508 over the corresponding period was driven by a combination of decreased revenues from continuing operations, restructuring costs, legal costs and asset write downs associated with the closure of the cord blood and tissue business.

### Review of Operations

The board re-affirms its decision to re-energise, refocus and reinvest in the remaining businesses of clinical trial logistics and biorepository services. These businesses posted a trading profit for the period. The company sees and has identified significant opportunities to further build on its expertise in long term cold, frozen and cryogenic storage, logistics and distribution through potential acquisitions and organic growth.

The company executed the infrastructure investments foreshadowed in the 2017 annual report by acquiring new alarm and monitoring systems and upgrading the air conditioning systems for our storage facilities and the acquisition and implementation of a new technology platform.

The company further continued to execute on a strategy of expansion and investment. There has been capital investment in a refurbishment at our South Granville headquarters to add additional processing capacity for individual client specific solutions. The company has developed and launched a “green” reusable packaging solution of its clients. The “Credo Shipper” is a reusable passive thermal container which has been made available to our clients. This has allowed the company to offer a sustainable reusable cold chain packaging solution that lessens our and our client’s carbon footprint and reduces waste.

During the period, a claim by a former Director and former employee against the company in respect to additional statutory entitlements and an additional termination entitlement was settled.

### The sale of Cord Blood and Tissue activities to Cell Care Australia Pty Ltd

In June 2017, the company announced that it had entered into a binding agreement to licence, under Cryosite brand, the collection, processing and storage of umbilical cord blood and tissue and to sell certain cord blood and tissue banking assets (“Transaction”) to Cell Care Australia Pty Ltd (“Cell Care”). The company received an upfront cash payment in June 2017 and the deal was subject to shareholder and regulatory approval.

In August 2017, the company was notified by the Australian Competition and Consumer Commission (ACCC) that it will publicly review the proposed transaction to license the future collection, processing and storage of umbilical cord and tissue and to sell certain assets of its business.

In December 2017, the ACCC informed the company that it has discontinued its review of the proposed transaction between Cryosite and Cell Care without making a decision. The company noted that the ACCC was to continue to investigate the circumstances surrounding the entry into the agreement and the closing the Cryosite cord blood and tissue collection operations.

## Directors' Report

The ACCC did not however confirm in writing to Cryosite that it would not oppose the transaction. This was a condition precedent of the sale contract and therefore meant that the transaction could not proceed as the precedent was not fulfilled. The parties however had the right to waive this condition precedent under the sale agreement.

In January 2018, Cryosite was informed by Cell Care that they were unwilling to waive their rights. Cryosite had, already, indicated that it was willing to waive its rights under the sale agreement. As a direct consequence, Cryosite was unable to complete the transaction with Cell Care.

Clearly, this is a disappointing conclusion for the company and its shareholders. The company continues to investigate other potential avenues for realizing value from the residual brand and intellectual property of the cord blood and tissue business.

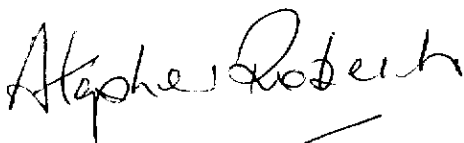
### Events Subsequent to Balance Date

In January 2018, the board appointed as the company's CEO, Mark Byrne. Mark had previously held the position of company CFO and interim CEO since June 2017.

### Auditor's Independence Declaration

A statement of independence has been provided by our auditors, Mazars Australia Pty Limited, and follows this Director's Report on page 4.

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



Stephen Roberts  
Chair

Sydney  
28<sup>th</sup> February 2018

### **Auditors' Independence Declaration**

In relation to our review of the financial report of Cryosite Limited and its controlled entity for the half-year ended 31 December 2017, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Cryosite Limited and its controlled entity during the half-year ended 31 December 2017.

#### **MAZARS RISK & ASSURANCE PTY LIMITED**



Paul Collins  
Director

Dated in Sydney, this 28th day of February 2018.

MAZARS RISK & ASSURANCE PTY LIMITED.

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LIABILITY LIMITED BY A SCHEME, APPROVED UNDER THE PROFESSIONAL STANDARDS LEGISLATION

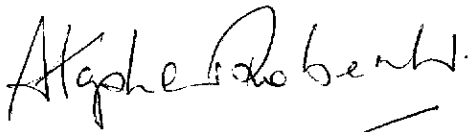
## Directors' Declaration

The Directors of Cryosite Limited declare that:

- The financial statements and notes of Cryosite Limited and its controlled entities for the half-year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
  - complying with Accounting Standards AASB 134 Interim Financial Reporting.
- There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Stephen Roberts', with a horizontal line underneath.

Stephen Roberts  
Chair

Sydney  
28<sup>th</sup> February 2018



# Interim Consolidated Statement of Comprehensive Income

For The Half-Year Ended 31 December 2017

	Notes	31 Dec 2017 \$	31 Dec 2016 \$
<b>Revenues</b>	<b>4</b>	<b>2,909,814</b>	3,040,419
<b>Expenses</b>			
Costs of providing services		(1,125,714)	(1,008,374)
Depreciation and amortisation expense		(167,267)	(243,160)
Marketing expenses		(79,303)	(171,133)
Occupancy expenses		(283,001)	(242,671)
Administration expenses		(957,527)	(1,272,178)
<b>Profit from continuing operations before tax</b>		<b>297,002</b>	102,903
Income tax (expense) benefit	<b>5</b>	(74,554)	(29,528)
<b>Profit after tax from continuing operations</b>		<b>222,448</b>	73,375
<b>Legal settlement, net of tax</b>	<b>15</b>	(163,574)	(37,603)
<b>Discontinued operations</b>			
Profit/(loss) after tax from discontinued operations	<b>14</b>	(954,341)	217,269
<b>Net Profit attributable to members of the parent</b>		<b>(895,467)</b>	253,041
<b>Total other comprehensive income for the half-year, net of tax</b>		<b>-</b>	-
<b>Total comprehensive income for the half-year, net of tax</b>		<b>(895,467)</b>	253,041
<b>Earnings per share (cents per share)</b>			
Basic EPS for the half-year		(1.911)	0.540
Diluted EPS for the half-year		(1.902)	0.540
Basic EPS for the half-year for continuing operations		0.005	0.002
Diluted EPS for the half-year for continuing operations		0.005	0.002

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

## Interim Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	31 Dec 2017 \$	30 June 2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	4,361,549	5,089,110
Trade and other receivables		1,841,977	2,310,287
Inventories		56,722	81,569
Prepayments		42,526	132,433
<b>Total Current Assets</b>		<b>6,302,774</b>	<b>7,613,399</b>
<b>Non-Current Assets</b>			
Trade and other receivables		336,257	531,661
Deferred tax asset		464,848	203,755
Plant and equipment	11	734,685	919,017
Intangible assets	13	258,318	559,235
<b>Total Non-Current Assets</b>		<b>1,794,108</b>	<b>2,213,668</b>
<b>TOTAL ASSETS</b>		<b>8,096,882</b>	<b>9,827,067</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		450,316	1,085,754
Unearned income		343,099	393,565
Provisions		259,505	432,131
<b>Total Current Liabilities</b>		<b>1,052,920</b>	<b>1,911,450</b>
<b>Non-Current Liabilities</b>			
Trade and other payables		441,682	441,682
Unearned income		4,123,117	4,090,114
Provisions		215,480	235,215
<b>Total Non-Current Liabilities</b>		<b>4,780,279</b>	<b>4,767,011</b>
<b>TOTAL LIABILITIES</b>		<b>5,833,199</b>	<b>6,678,461</b>
<b>NET ASSETS</b>		<b>2,263,683</b>	<b>3,148,606</b>
<b>EQUITY</b>			
Contributed equity		5,861,788	5,861,788
Share rights reserves		15,635	5,091
Accumulated losses		(3,613,740)	(2,718,273)
<b>TOTAL EQUITY</b>		<b>2,263,683</b>	<b>3,148,606</b>

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

## Interim Consolidated Statement of Changes in Equity

For The Half-Year Ended 31 December 2017

	Contributed capital	Accumulated losses	Reserves	Total equity
Notes	\$	\$	\$	\$
<b>At 1 July 2017</b>	<b>5,861,788</b>	<b>(2,718,273)</b>	<b>5,091</b>	<b>3,148,606</b>
<b>Profit for the period</b>	<b>-</b>	<b>(895,467)</b>	<b>-</b>	<b>(895,467)</b>
<b>Performance rights granted</b>	<b>-</b>	<b>-</b>	<b>10,544</b>	<b>10,544</b>
<b>Transactions with Owners in their capacity as owners:</b>				
<b>Equity dividends declared and paid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Return of Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2017</b>	<b>5,861,788</b>	<b>(3,613,740)</b>	<b>15,635</b>	<b>2,263,683</b>
<b>At 1 July 2016</b>	<b>5,861,788</b>	<b>(2,483,483)</b>	<b>-</b>	<b>3,378,305</b>
<b>Profit for the period</b>	<b>-</b>	<b>253,041</b>	<b>-</b>	<b>253,041</b>
<b>Performance rights granted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with Owners in their capacity as owners:</b>				
<b>Equity dividends declared and paid</b>	<b>-</b>	<b>(234,781)</b>	<b>-</b>	<b>(234,781)</b>
<b>Return of Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2016</b>	<b>5,861,788</b>	<b>(2,465,223)</b>	<b>-</b>	<b>3,396,565</b>

*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 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,879,768	5,402,851
Payments to suppliers and employees		(4,314,282)	(4,657,639)
Finance income		4,707	1,704
<b>Net cash flows from operating activities</b>		<b>(429,807)</b>	<b>746,916</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(131,545)	(124,239)
Interest received – term deposits		25,526	46,128
Intangible – Capitalised software implemented or in development phase		(192,206)	(12,422)
<b>Net cash flows (used in) from investing activities</b>		<b>(298,225)</b>	<b>(90,533)</b>
<b>Cash flows from financing activities</b>			
Equity dividend paid		-	(234,772)
<b>Net cash flows (used in) financing activities</b>		<b>-</b>	<b>(234,772)</b>
Net increase/(decrease) in cash and cash equivalents		(728,032)	421,611
Cash and cash equivalents at beginning of period		5,089,581	3,651,581
<b>Cash and cash equivalents at end of period</b>	<b>10</b>	<b>4,361,549</b>	<b>4,073,192</b>

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

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2016

#### 1. CORPORATE INFORMATION

The financial report of Cryosite Limited and the controlled entity (the Group) for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 26<sup>th</sup> February 2018.

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

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

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2017 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 2017 and considered together with any public announcements made by Cryosite Limited during the half-year ended 31 December 2017 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.

##### (a) Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

- AASB 2016-2 Amendments to Australian Accounting Standard – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

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

##### **Accounting standards issued but not yet effective and adopted**

The following accounting standards have been issued by the AASB but are not yet effective:

*AASB 9 Financial Instruments.* Revised principles for accounting for financial assets and liabilities: recognition and derecognition, classification, measurement, hedge accounting and impairment. The standard will be effective from 1 July 2018 and is available for early adoption.

The Group has determined not to early adopt this standard and will assess the impact of the standard within the required time frame. However, this standard may result in potential increase in provision for impairment losses on receivables at the date of adoption.

*IFRS 15 Revenue from Contracts with Customers.* ('AASB 1015') Introduces a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received for that transfer. The standard will be effective from 1 July 2018.

The Company has elected to apply the modified retrospective transition method with respect to implementation of AASB 1015. In this case AASB 1015 is applied retrospectively to only the current period presented in the financial statements with no restatement of the comparative period. As such, the cumulative effect of initially applying AASB 1015 will be recognised as an adjustment to retained earnings as at 1 July 2018 (the date of initial application). On this basis, there is no impact to retained earnings as at the 31<sup>st</sup> December 2017. The financial statements for the year ending 30 June 2019 will fully reflect AASB 1015 with the comparative results for the year ending 30 June 2018 restated.

During 2017, the Company undertook a review, which included obtaining independent third party advice, aimed to assess the potential effects on the financial statements and verify the need to adjust internal control system over financial reporting. The first step in this process was to assess which customer contracts would be accounted for differently under the new standard which included reviewing performance obligations, pricing and costing. This analysis confirmed that only the

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

Individualised Consumer Biologics segment is impacted by AASB 1015 in respect to cord blood and tissue contracts.

The introduction of AASB 1015 is expected to have a significant impact on the reported revenue and costs and balance sheet of Cryosite. It is important to note there is no change to the expected timing or amount of cash impact collected from the cord blood and tissue contracts.

Currently Cryosite recognises the majority of revenue and all costs associated with the storage of cord blood and tissue at the time of storage. A small amount of revenue is then recognised over the life of the contract. AASB 1015 requires all revenue and costs to be recognised over the life of the contract.

As previously noted, AASB 1015 requires the accounting effects to be made retrospectively. This means that the Company is required to restate the results from 1 July 2018 as if this standard have applied from the date of the contract. Therefore, revenue and costs which have previously been reported in the annual profit and loss will, to an extent, be reversed and will recognised again post 1 July 2018. The effect is to materially reduce the amount of revenue and costs that have been recognised on these contracts in prior years with amounts recognised as deferred revenue and costs on the balance sheet to be recognised through the income statement over the expected life of the related contract.

As at the 31<sup>st</sup> December 2017, Cryosite has completed extensive work on the financial impact of AASB 1015. There is still additional work to be completed including confirmation of tax impact. The work to date confirms that AASB 1015 is material to the balance sheet and future profit and loss.

The quantitative effect on the balance sheet at the date of adoption of this standard (1<sup>st</sup> July 2018 for the financial year ended 30 June 2019) will impact the following balance sheet accounts:

Deferred Costs	- increase in asset
Unearned Income	- increase in liability
Accumulated losses	- decrease in Shareholders Equity

These balance sheet assets and liabilities will then be taken to revenue and expensed over the life of each individual contract which ranges from 18 years to 25 years.

It should be noted that the Company has obtained legal advice which confirms that if any impact from AASB 1015 adoption leads to negative net assets, the ability for the Company to declare dividends in the future will be impacted.

ASB 1015 will have a material effect on the future reported annual profit and loss of the Company. It should be noted that there is no change to the profit on each contract over the life of the contract, the new standard simply just recognises that profit over a different reporting period from the existing accounting standard.

*IFRS 16 Leases.* Recognise right of use assets and liabilities arising from all leases, with exceptions for low value and short term leases. The standard will be effective from 1 January 2019.

The Group has determined not to early adopt this standard and will assess the impact of the standard within the required time frame.

## **Notes to the Consolidated Financial Statements**

### **For The Half-Year Ended 31 December 2017**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Cryosite Limited and its subsidiary ('the Group') as at the half-year ended 31 December 2017.

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.

##### **(d) Foreign currency translation**

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

##### **(e) Plant and equipment**

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

### For The Half-Year Ended 31 December 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (e) Plant and equipment (continued)

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

Major depreciation rates are:	2017	2016
Leasehold improvements	Lease term	Lease term
Plant and equipment:		
- Fixtures and fittings	5 – 10 years	5 – 10 years
- Information technology	2 - 3 years	2 - 2.5 years
- Warehouse equipment	4 - 10 years	4 - 10 years
- Office furniture & equipment	2.5 – 8 years	2.5 – 8 years
Plant & equipment under lease	5 years	5 years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

##### (f) Segment reporting

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

##### (g) Intangible assets

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

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

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

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (g) Intangible assets (continued)

###### *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.

###### *Software development*

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

###### *Intellectual Property*

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

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

##### (h) 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.

##### (i) 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.

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (i) Trade and other receivables (continued)

Trade receivables (non-current), which generally have terms in excess of 24 months, are carried at their net present value. The expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate of 13.9% (2016:13.9%).

##### (j) 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.

##### (k) 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.

##### (l) 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.

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (m) 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.

##### (n) Share-based payment transactions

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a 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 the Company ('market conditions').

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date.

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

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

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

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (n) Share-based payment transactions (continued)

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

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

##### (o) Leases

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

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

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.

##### (p) 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.

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (p) Revenue (continued)

- 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.
- 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.

##### (q) 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

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (q) Income tax and other taxes (continued)

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future tax profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## **Notes to the Consolidated Financial Statements**

### **For The Half-Year Ended 31 December 2017**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(r) 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.

##### **(s) Share options reserve**

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

##### **(t) 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.

##### **(u) Earnings per share**

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

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

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

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



## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (v) Fair value measurement

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

- 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.

##### (w) 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 Consolidated Financial Statements**

### **For The Half-Year Ended 31 December 2017**

#### **(x) Non-current assets (or disposal groups) and discontinued operations held for sale**

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

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

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

Additional disclosures are provided in Note 14. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

## **Notes to the Consolidated Financial Statements**

### **For The Half-Year Ended 31 December 2017**

#### **3. SIGNIFICANT EVENTS AND TRANSACTIONS**

In June 2017, the company announced that it had entered into a binding agreement to licence, under Cryosite brand, the collection, processing and storage of umbilical cord blood and tissue and to sell certain cord blood and tissue banking assets ("Transaction") to Cell Care Australia Pty Ltd ("Cell Care"). The company received an upfront cash payment in June 2017 and the deal was subject to shareholder and regulatory approval.

In August 2017, the Company was notified by the Australian Competition and Consumer Commission ("ACCC") that it would publicly review the Transaction.

In November 2017, the Company announced that, as a consequence of its previously announced decision to cease the marketing, selling, collection and processing of cord blood and tissue, it had incurred a number of restructuring costs including deciding to make significant assets write downs associated with its cord and tissue collection business. As a result, it was announced that those restructuring and impairment costs, along with legal fees and costs, totalled approximately \$1m.

In December 2017, the ACCC informed the Company it had discontinued its review of the Transaction without making a decision. The Company noted that the ACCC was to continue to investigate the circumstances surrounding the entry into the sale agreement and the closing of the Cryosite cord blood and tissue collection operations.

The ACCC did not however confirm in writing that it would not oppose the Transaction. This meant that the Transaction could not proceed as there was a condition precedent requiring that the ACCC state in writing that it would not oppose the Transaction. This condition precedent was not fulfilled. While the parties had the right to waive this condition precedent under the sale agreement, this did not occur.

It should be noted that the company is currently pursuing a claim against its D & O insurance policy for reimbursement of legal costs associated with its dealings with the ACCC.

During the period, the Company settled the claims raised by a former Director and former employee for statutory entitlements and an additional termination entitlement. Details are outlined in Note 15.

## Notes to the Consolidated Financial Statements

For The Half-Year Ended 31 December 2017

	2017	2016
	\$	\$
<hr/>		
<b>4. REVENUE AND EXPENSES</b>		
<b>Specific items</b>		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
<b>(i) Revenue</b>		
Rendering of services	2,684,819	2,724,590
Storage Income Run Off	195,221	283,028
Interest income	29,774	32,801
	<hr/> 2,909,814	<hr/> 3,040,419
<b>(ii) Expenses</b>		
Major items Included within the expenses are as following:		
Employee benefits	1,629,544	1,867,606
	<hr/> <hr/>	<hr/> <hr/>

## 5. INCOME TAX EXPENSE

	2017	2016
	\$	\$
<hr/>		
<b>Accounting profit/(loss) before tax</b>	<b>(1,156,560)</b>	359,568
At the statutory income tax rate of 30% (2016: 30%)	346,968	(107,870)
Other items (net)	(85,875)	1,343
	<hr/>	<hr/>
<b>Income tax benefit /(expense) reported in the statement of comprehensive income</b>	<b>261,093</b>	(106,527)
	<hr/>	<hr/>
Income tax benefit/(expense) is attributable to the following:		
- Continuing operations	(74,554)	(29,528)
- Legal settlement (Note 15)	70,102	16,116
- Discontinued operations (Note 14)	265,545	(93,115)
	<hr/> 261,093	<hr/> (106,527)
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2017 the Group has unconfirmed tax losses arising in Australia of \$1,125,944. (June 2017: \$43,289) that are available for offset against future taxable profits of the company.

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

#### 6. DIVIDENDS PAID OR PROPOSED

No dividends have been provided for at the reporting date (30 June 2017: \$468,567).

#### 7. CONTINGENT LIABILITIES

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

#### 8. SUBSEQUENT EVENTS

In January 2018, the Company was informed by Cell Care that it was unwilling to waive the condition precedent requiring the ACCC to state in writing that it would not oppose the Transaction. The Company had previously, in December 2017, indicated that it was willing to waive its rights under the condition precedent. The Company was therefore unable to complete the Transaction.

On the 17<sup>th</sup> January 2018 the Company confirmed the appointment of Mr Mark Byrne as Chief Executive Officer of Cryosite Ltd.

#### 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:

<b>Individualised Consumer Biologics</b>	Storage of cord blood and tissue samples, biorepository management and adult stem cell storage. The segment has narrowed down its business focus to storage and biorepository management following the cessation of the collection and processing of cord blood and tissue samples.
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<b>Scientific Processing and Logistics</b>	Clinical trial logistics and other distribution based services
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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 2017 annual financial report.

# Notes to the Consolidated Financial Statements

For The Half-Year Ended 31 December 2017

## 9. SEGMENT INFORMATION (continued)

### Operating Segments

	Individualised Consumer Biologics \$	Scientific Processing and Logistics \$	Total \$
<b>31 December 2017 – Consolidated</b>			
Total segment revenue	<b>589,449</b>	<b>2,320,365</b>	<b>2,909,814</b>
Segment profit before ITDA	<b>17,395</b>	<b>417,161</b>	<b>434,556</b>
<b>31 December 2016 – Consolidated</b>			
Total segment revenue	595,669	2,444,750	3,040,419
Segment profit before ITDA	(120,255)	433,517	313,262
<b>Total Segment assets</b>			
<b>31 December 2017</b>	<b>3,256,365</b>	<b>4,840,517</b>	<b>8,096,882</b>
30 June 2017	6,077,700	3,749,367	9,827,067

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

	2017 \$	2016 \$
<b>Operating ITDA</b>	<b>434,556</b>	313,262
Interest revenue	<b>29,713</b>	32,801
Depreciation and amortisation	<b>(167,267)</b>	(243,160)
<b>Profit before tax</b>	<b>297,002</b>	102,903

## 10. CASH AND CASH EQUIVALENTS

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2017:

	31 Dec 2017 \$	30 June 2017 \$
Cash at bank and in hand	<b>183,510</b>	591,056
Short-term deposits	<b>4,178,039</b>	4,498,054
	<b>4,361,549</b>	5,089,110

## Notes to the Consolidated Financial Statements

For The Half-Year Ended 31 December 2017

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2017, the Company acquired assets with a cost of \$131,545. (30 June 2017: \$124,239).

	Leasehold improvements	Fixtures and fittings	Information technology	Warehouse equipment	Office furniture & equipment	Total
Cost	\$	\$	\$	\$	\$	\$
At 30 June 2017	200,000	108,635	234,555	4,214,685	14,358	4,772,233
Additions	-	15,596	10,575	89,781	15,593	131,545
<b>At 31 December 2017</b>	<b>200,000</b>	<b>124,231</b>	<b>245,130</b>	<b>4,304,466</b>	<b>29,951</b>	<b>4,903,778</b>
<b>Accumulated Depreciation</b>						
At 30 June 2017	(200,000)	(73,075)	(199,172)	(3,369,462)	(11,507)	(3,853,216)
Depreciation charge for the 6 months	-	(2,572)	(17,890)	(178,694)	(1,709)	(200,865)
Impairment loss	-	-	-	(115,012)	-	(115,012)
<b>At 31 December 2017</b>		<b>(75,647)</b>	<b>(217,062)</b>	<b>(3,663,168)</b>	<b>(13,216)</b>	<b>(4,169,093)</b>
<b>Net book value – 30 June 2017</b>	-	35,560	35,383	845,223	2,851	919,017
<b>Net book value – 31 December 2017</b>	-	<b>48,584</b>	<b>28,068</b>	<b>641,298</b>	<b>16,735</b>	<b>734,685</b>

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

### 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 2017 and 31 December 2016 as well as balances with related parties as at 30 June 2017:

	31Dec 2017 \$	30 June 2017 \$	31Dec 2016 \$
Owed by Cryosite Distribution Pty Ltd	-	-	-
Owed to Cryosite Distribution Pty Ltd	<b>1,728,718</b>	53,023	4,897,722

## Notes to the Consolidated Financial Statements

### For The Half-Year Ended 31 December 2017

#### 13. NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Intellectual Property \$	License fee \$	Software \$	Total \$
<b>Cost</b>				
At 30 June 2017	152,763	255,310	294,615	702,688
Additions	-	-	192,206	192,206
<b>At 31 December 2017</b>	<b>152,763</b>	<b>255,310</b>	<b>486,821</b>	<b>894,894</b>
<b>Amortisation and impairment</b>				
At 30 June 2017	(52,763)	(20,700)	(69,990)	(143,453)
Amortisation for the 6 months	(8,490)	(2,750)	(41,309)	(52,549)
Impairment loss	(91,510)	(231,860)	(117,204)	(440,574)
<b>At 31 December 2017</b>	<b>(152,763)</b>	<b>(255,310)</b>	<b>(228,503)</b>	<b>(636,576)</b>
<b>Net book value – 30 June 2017</b>	<b>100,000</b>	<b>234,610</b>	<b>224,625</b>	<b>559,235</b>
<b>Net book value – 31 December 2017</b>	<b>-</b>	<b>-</b>	<b>258,318</b>	<b>258,318</b>

#### License Fee

During the 2015 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. Amortisation of \$3,450 has been charged for this period year on this basis. 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. Refer to note 14 for the impairment loss recognised on the licence fee.

#### Software Development

During the 2015, 2016 and 2017 financial years, the Company has invested in the development of in-house software to enhance its operating capability. These costs include the direct costs of external consultants and any supporting software acquired from a third party. The assessment of useful life is reviewed annually by the Board to determine whether the assumptions made continue to be appropriate and supportable. If not, the useful life assessment is changed on a prospective basis. Refer to note 14 for the impairment loss recognised on software development.

#### Intellectual Property

During the 2016 financial year, the Company acquired the storage contracts from a liquidated company called Stemlife. The cost reflects the direct costs paid to Stemlife and the legal fees incurred in the transaction. The assessment of useful life is reviewed annually by the Directors to determine whether the assumptions made continue to be appropriate and supportable. If not, the useful life assessment is changed on a prospective basis. Refer to note 14 for the impairment loss recognised on intellectual property.



## Notes to the Consolidated Financial Statements

For The Half-Year Ended 31 December 2017

### 14. DISCONTINUED OPERATIONS

On 31<sup>st</sup> October 2017, the Company completed the closure of the laboratory operations and the departure of staff associated with the collection and processing of cord blood and tissue samples. The Company will continue to service its existing storage contracts until the full contract terms of either 18 or 25 years.

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

Property, plant and equipment	115,012
License fees	231,860
Intellectual property	91,510
Software	117,204
Total impairment loss	<u><b>555,586</b></u>

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

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

	<u><b>31 Dec 2017</b></u>	<u><b>31 Dec 2016</b></u>
	\$	\$
Revenue	<b>232,492</b>	2,142,766
Expenses	<b>(896,792)</b>	(1,832,382)
Impairment loss	<b>(555,586)</b>	-
Pre-tax profit/(loss) for the financial year	<b>(1,219,886)</b>	310,384
Income tax credit/(expense)	<b>265,545</b>	(93,115)
Post-tax profit/(loss) for the financial year from discontinued operations	<u><b>(954,341)</b></u>	217,269

The run-off storage income from existing cord blood and storage contracts are presented as part of continuing operations from Individualised Consumer Biologics segment (see Note 4 and Note 9).

## Notes to the Consolidated Financial Statements

For The Half-Year Ended 31 December 2017

### 15. LEGAL SETTLEMENT

As noted in the 30 June 2017 annual report, a former Director and former employee made a claim against the company in respect to statutory entitlements and an additional termination entitlement. Subsequently the company has settled the claim with the net profit and loss impact after tax being:

	<b><u>31 Dec 2017</u></b>	<b><u>31 Dec 2016</u></b>
	\$	\$
Final settlement	<b>(195,000)</b>	-
Legal expenses incurred	<b>(198,676)</b>	(53,719)
Provision for employee claims reversed	<b>130,000</b>	
Accruals reversed	<b>30,000</b>	-
	<hr/>	<hr/>
Pre-tax profit/(loss) for the financial year	<b>(233,676)</b>	(53,719)
Income tax credit/(expense)	<b>70,102</b>	16,116
	<hr/>	<hr/>
Post-tax profit/(loss) for the financial year from legal settlement	<b><u>(163,574)</u></b>	<b><u>(37,603)</u></b>

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

### ***Conclusion***

We have reviewed the accompanying half-year financial report of Cryosite Limited and its controlled entities (the "Group"), which comprise the statement of financial position as at 31 December 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies, other selected explanatory notes and the directors' declaration.

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 2017 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*.

### ***Directors' responsibility for the half-year financial report***

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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 entities during the half-year ended 31 December 2017, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### ***Independence***

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

### **MAZARS RISK & ASSURANCE PTY LIMITED**



Paul Collins  
Director

Dated in Sydney, this 28<sup>th</sup> day of February 2018.