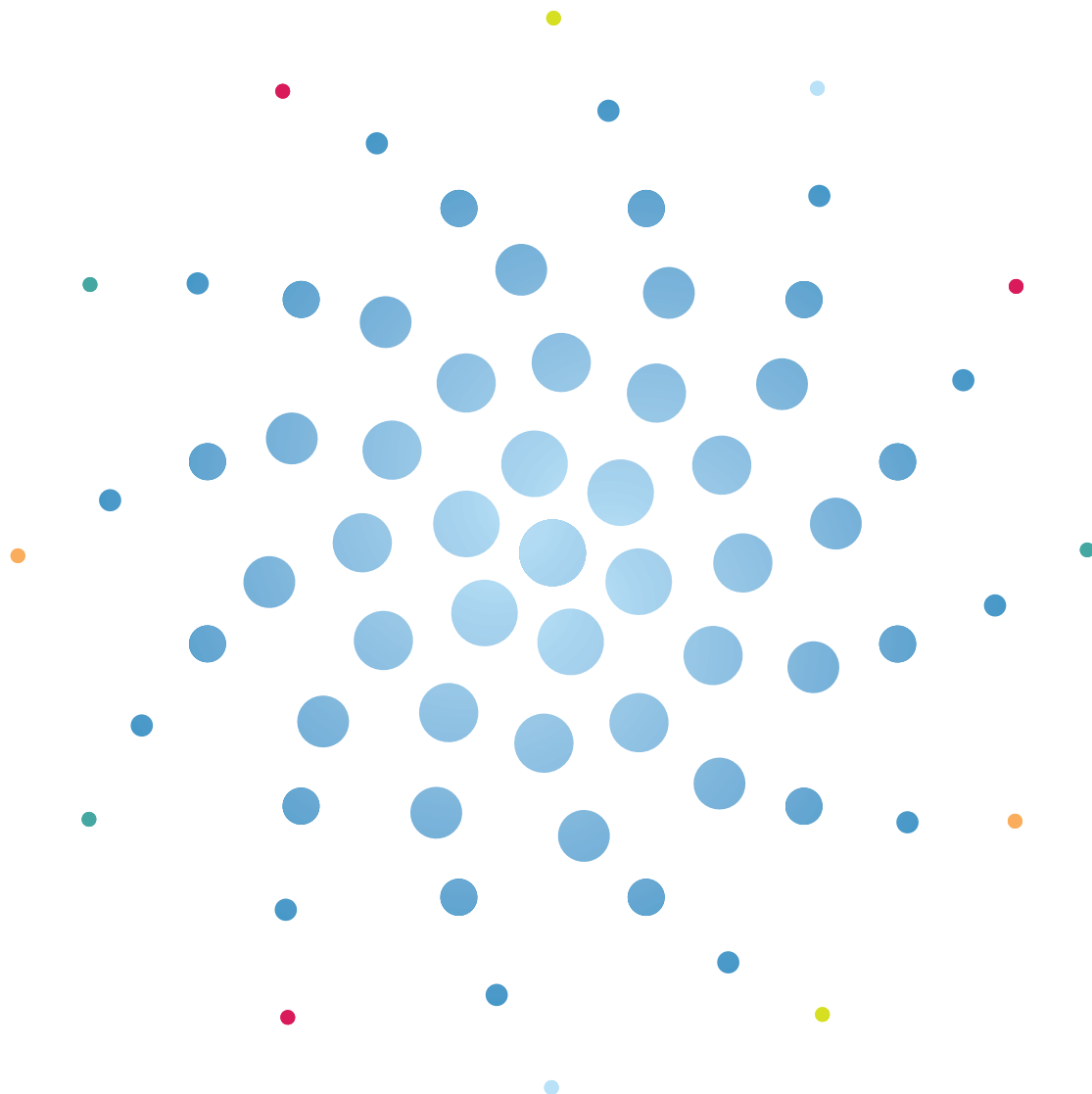




ANNUAL REPORT 2013

°cryosite

Directors

Andrew Kroger
(Non-Executive Chairman)
Christina Boyce
(Non-Executive Director)
Gordon Milliken
(Managing Director)
Graeme Moore
(Executive Director)

Company Secretary

Bryan Dulhanty

Registered Office

13a Ferndell Street
South Granville, NSW 2142
T: +61 2 8865 2000
F: +61 2 8865 2092
E: corporate@cryosite.com
www.cryosite.com

Share Register

Link Market Services Limited
Level 8, 580 George Street
Sydney, NSW 2000
T: +61 1300 554 474
F: +61 2 9287 0303

Bankers

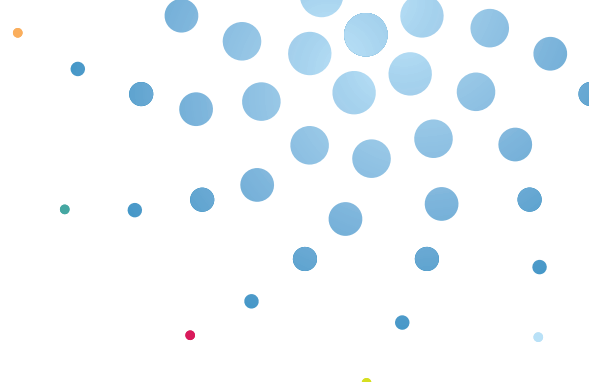
Commonwealth Bank of Australia
27a South Street, Granville, NSW 2142

Auditors

Duncan Dovico, Chartered Accountants
Level 12, 90 Arthur Street
North Sydney, NSW 2060
T: +61 2 9922 1166
F: +61 2 9922 2044

°cryosite
LIMITED





CRYOSITE LIMITED

ABN 86 090 919 476

Annual Report

for the year ended 30 June 2013

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Corporate Information

ABN 86 090 919 476

DIRECTORS

Andrew Kroger (Non-Executive Chairman)
Christina (Christy) Boyce (Non-Executive Director)
Gordon Milliken (Managing Director)
Graeme Moore (Executive Director)

COMPANY SECRETARY

Bryan Dulhunty (CoSA Life Science - Corporate)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

13a Ferndell Street
SOUTH GRANVILLE NSW 2142
Telephone: +61 2 8865 2000
Fax: +61 2 8865 2090

Email: corporate@cryosite.com

SHARE REGISTER

Link Market Services Limited
Level 8, 580 George Street
SYDNEY NSW, 2000
Telephone: +61 1300 554 474

AUDITORS

Duncan Dovico Chartered Accountants
Level 12, 90 Arthur Street
NORTH SYDNEY NSW, 2060
Telephone: +61 2 9922 1166

INTERNET ADDRESS

www.cryosite.com

Directors' Report

The directors present their report together with the financial statements on the consolidated entity consisting of Cryosite Limited and the entity it controlled for the year ended 30 June 2013.

DIRECTORS

The following people held the office of director during the year

Andrew Kroger (Non-Executive Chairman)
Christina (Christy) Boyce (Non-Executive Director) – Appointed 3 June 2013
Gordon Milliken (Managing Director)
Graeme Moore (Executive Director)

Names, qualifications, experience and special responsibilities

Andrew Kroger, BEc, LLB Non-Executive Chairman

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

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

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

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

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

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

Graeme Moore is the Quality and Regulatory Affairs Manager and Chief Operating Officer. Graeme joined Cryosite in July 2005 after a decade with the Australian Red Cross Blood Service. Graeme has over 20 years experience in biomedical science, manufacture of therapeutic goods, quality management and regulatory affairs. Graeme brings expertise in the regulation and manufacture of cellular therapies and process re-engineering to the company. Graeme is also responsible for ensuring that Cryosite's systems retain the capacity to meet client's needs in a constantly changing technological and regulatory environment. Mr Moore was appointed to the Board in September, 2008.

Directors' Report continued

COMPANY SECRETARY

Bryan Dulhunty, BEc, CA

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

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

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

Director	Ordinary shares	Options over ordinary shares
Andrew Kroger	10,706,943	-
Gordon Milliken	1,290,415	-
Graeme Moore	-	300,000
Christina Boyce	60,636	-

EARNINGS PER SHARE

Basic earnings per share	2.68 cents (2012: 2.19 cents)
Diluted earnings per share	2.65 cents (2012: 2.17 cents)

DIVIDENDS

A final unfranked dividend for the year ended 30 June 2012 of 0.5 cents per ordinary share was declared and paid during the financial year. An interim unfranked dividend of 0.5 cents per ordinary share in respect of the 2013 financial year was declared and paid during the financial year.

The total dividends declared and paid were \$466,397 (2012: \$233,198). No further dividends have been recommended at the date of this report

CORPORATE INFORMATION

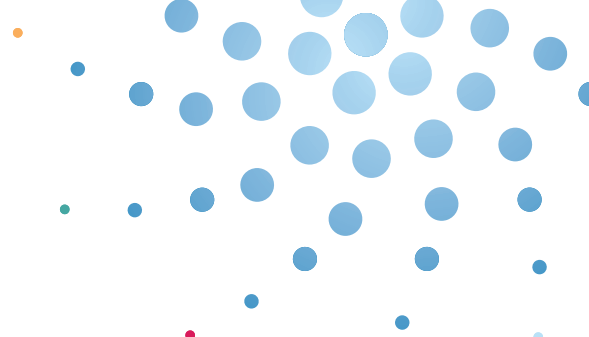
Corporate structure

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

Nature of operations and principal activities

The company provides a number of highly specialised biologistics-based services that are grouped into two reporting segments:

- Biological Services, and
- Warehousing & Distribution Services.



Directors' Report continued

Biological Services

Biological Services incorporate the activities of the private cord blood service, adult stem cell storage and general biorepository management.

Warehousing & Distribution Services

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

Employees

The consolidated entity has 35 full-time equivalent employees as at 30 June 2013 (2012: 30 employees).

OPERATING RESULTS FOR THE YEAR

The Directors have pleasure in reporting to shareholders the results for the last year's operations. Profit for the year after income tax was \$1,249,961 (2012: \$1,022,479).

The results of the Company's implemented strategies were not only reflected in the operating profit but also in the operating cash flow inflows of \$1,939,971 (2012: \$1,880,212). There were no significant one-off contributions to the cash flow result. Net capital expenditure for year was \$379,160 (2012: \$181,664). The Company continues to generate positive cash flows with cash and cash equivalents at the end of the year being \$5,777,097 (2012: \$4,524,750).

REVIEW OF OPERATIONS

The summary of the financial results reflects the continuing growth performance of the company. As noted in last year's report, one of the important points to make in relation to the results is that they are as the result of organic growth and not due to any one-off or unexpected event.

The company provides services divided in to two market segments, biological services and warehousing and distribution. In order for shareholders to have a clear understanding of the two categories of services, a brief recap will be useful.

Biological Services

Perhaps the best recognised of the services in this segment is the private cord blood storage business. In 2002 Cryosite pioneered the private collection processing and long-term storage of cord blood. The service includes expectant parents contracting Cryosite to arrange for their baby's cord blood to be collected by an obstetrician or mid-wife and shipping the blood to Cryosite's laboratory. Cryosite processes the blood to separate the part of the blood which contains the stem cells and then cryopreserves the stem cells for long-term storage in liquid nitrogen so that they may be used in the future to treat a range of haematological conditions.

Because the storage and release of cord blood in Australia is regulated by the Therapeutic Goods Administration, Cryosite operates in a highly regulated environment compared to similar overseas companies. This has a number of consequences for Cryosite. On one hand, regulatory compliance is always associated with additional costs. Compliance requires the development and maintenance of a sophisticated, companywide Quality Management System and associated operational procedures. However, Cryosite has been able to leverage the quality system to advantage in other services, including the warehousing and distribution service.

From an operations perspective, although we are continually looking at ways to improve our systems, there were no significant changes that needed to be implemented during the year to ensure our continued compliance to the regulatory guidelines.



Directors' Report continued

Cryosite is committed to ensuring that it provides a safe and harmonious working environment to ensure minimal disruption to operations and high training and recruitment costs resulting from staff turnover. Due to the nature of the cord blood service, the laboratory operates every day of the year, so maintaining a solid team of appropriately qualified, trained and experienced scientists is a key part of Cryosite's human resources management strategy.

Other services include biorepository management. The outsourcing of the storage of biological specimens is not a highly developed concept in Australia with most collections, including tissue, serum and plasma and cell cultures generally held in widely disseminated public research institution, diagnostic facilities and hospitals. However, Cryosite does maintain a diverse client base and the service continues to make an acceptable contribution to the financial results. Cryosite also has a number of clinical trial clients who take advantage of this service. We also continued our long-term agreement to provide services for the off-site storage of adult stem cells for the Peter MacCallum Hospital in Melbourne.

Briefly, biorepository management involves Cryosite signing agreements with clients to receive the material and conduct an audit of the material to ensure that the material received is consistent with the information provided by the client. The material is then transferred to the appropriate storage equipment, such as ultra-low temperature mechanical freezers or liquid nitrogen tanks. An inventory of the material is prepared for future tracking and inventory confirmation. The material may remain at Cryosite for extended periods of time, or may be returned to the client or forwarded to other parties.

During the year, we completed an upgrade to the biorepository section of the facility. At a cost of approximately \$75,000 a new, more energy efficient internal ceiling was fitted and a new air-conditioning system installed to the part of the area that houses the mechanical freezers. This has two significant outcomes, firstly it will dramatically reduce our power bill and secondly, it will help ensure the longevity of the freezer units. As we now have a total of 30 freezers, made up mostly of high performance ultra-low temperature units that operate at minus 80°C, and 24 liquid nitrogen tanks this is also an important part of our risk management strategy and business continuity planning that helps us maintain optimal physical operating conditions to minimise the risk of equipment failure.

As previously mentioned, it is being able to leverage the quality system developed for the cord blood service that has allowed us to spread the cost of establishing and maintaining other revenue sources in a cost effective manner.

Warehousing and Distribution

The logistics for investigational drugs and the distribution of specialty biological material from the American Type Culture Collection (ATCC) makes up the majority of the warehousing and distribution part of our business.

The process of taking a drug from the initial discovery phase to full commercialisation is long, complex and costly. There are a number of trends in successful drug development that are of benefit to the part of the clinical supply chain in which Cryosite operates. Of these, one of the most important of is the adoption of the outsourcing model for much of the development chain. This includes the warehousing and distribution of the investigational drugs.

With drug development costs so high, any breakdown in the chain can have serious direct and indirect costs and may ultimately delay the commercialisation of a potential blockbuster drug. The cost of this can be counted in the tens of millions of dollars. Cryosite, in having established itself as a high quality and cost effective distribution partner in this part of the supply chain is therefore considered to be a preferred local partner for this important service.



Directors' Report continued

Cryosite's role is to work with the trial sponsors; most commonly pharmaceutical or biopharmaceutical companies, or increasingly, an international depot will outsource supply of the Australian and New Zealand trial sites to Cryosite. The trial service requirements are agreed and Cryosite is ready to receive the drug shipment, transfer the drugs to the climate-controlled storage areas and establish and maintain an inventory of all study drugs and ancillary materials. Cryosite will receive computerised request to recall drugs from storage and ship them under the required conditions to the study investigators who are responsible for enrolling the study patients and manage the study site, generally large teaching hospitals. Any unused medication is returned to Cryosite who are responsible for ensuring that all medications have been accounted for. At the conclusion of the trial, any unused medication is usually destroyed by licensed contractors.

In order to ensure that Cryosite is able to provide the range of services to the required standard, Cryosite has continued to work hard to ensure smooth service delivery. With the number of trials continuing to increase, and with an increase in complexity of many of the trials the highly manual and customized nature of the work resulted in the need to recruit additional staff. The increase in employee number to 35 was mainly to service the clinical trial logistics requirements. Since the move from the Lane Cove facility to the South Granville site, the number of trials being managed has almost doubled to well over 400.

One very important development during the year was the commencement of a new project to provide logistics for a highly valuable commercial drug that required very specialised cold-chain management. We are pleased to report that the project was successfully planned and implemented and has been smoothly integrated into the routine operational systems.

The ATCC distribution service remained quite flat during the year, however, the agreement has recently been extended to the end of 2014 under more favourable terms to Cryosite..

BUSINESS GROWTH AND OUTLOOK

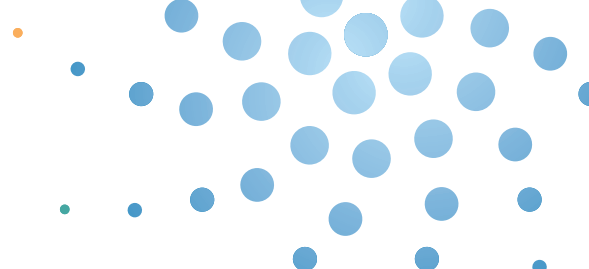
Competitive Environment

Until the merger of two other cord blood companies in 2010, Cryosite was the market leader as regards both of market share and innovation. Cryosite is now the second biggest service with an estimated 45% of the total cord blood market. The size of the private cord blood market in Australia is unclear, however, industry estimates of up to 1.5% of birth is generally accepted. With the total number of births in Australia around 300,000 per year, this means that the market is somewhere between 3,000 and 4,500.

In common with similar cord blood companies both locally and internationally, Cryosite is investigating methods of expanding revenue from an expansion and extension of our current cord blood activities. In the meantime, Cryosite is continuing to achieve consistent annual increases in the number of cord blood clients and is pleased to report that this year we set another record for new clients. We are continuing to refine and develop our marketing strategy to take advantage of Cryosite's well established brand name with both medical professionals and prospective customers to ensure that we continue to achieve our historical growth rates and maintain or increase our market share.

Cryosite in partnership with the regenerative medicine company, Regeneus, has completed the development of a procedure for storing a patient's regenerative stem cells harvested from their own adipose (fat) tissue. Now when a patient has a HiQCell® procedure, a stem cell therapy treatment for osteoarthritis, additional cells can be stored as a patient's own "biobank" for future injections. The partnership utilises Cryosite's specialised capabilities in cryopreservation and cellular therapies and offers patients improved medical outcomes, greater convenience and cost effectiveness.

We do not anticipate any significant change in the biorepository management service, however, as previously noted, the involvement in this activity fits very well into our integrated business model and has valuable spin-off effects by enabling Cryosite to offer a complete range of biologistics oriented services to a diverse range of clients.



Directors' Report continued

The pharmaceutical industry continues to change as it strives for greater innovation to bring new drugs to market. The changes are driven by corporate takeovers, mergers and strategic alliances. The predictable consequence of this activity is that fewer new trials are initiated. Whilst this will reduce the size of the market in general, such a shift in the direction of drug development is very positive for Cryosite.

We are already experiencing a shift from managing traditional chemically-based investigational drugs to more sophisticated biopharmaceutical ones. Biopharmaceutical are most commonly monoclonal-based drugs and require more complex management than do more traditional types of drugs. This means carefully controlled refrigerated or frozen storage, monitoring and shipping. As this is an area in which Cryosite has a world class facility and considerable experience, we have been able to attract and maintain a valuable number of the world's leading biopharmaceutical development companies in our client base.

As we have gained some valuable experience with our first commercial drug distribution agreement, we are considering options as to how we can take advantage of similar opportunities in the future.

SHARE OPTIONS

As at the date of this report, there were 520,000 (2012: 520,000) unissued ordinary shares under options. Refer to the remuneration report for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

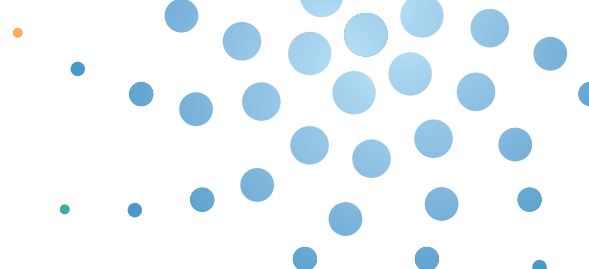
REGULATORY ENVIRONMENT

The company provides a range of services that require compliance to a variety of regulatory and statutory bodies, such as the Therapeutic Goods Administration (TGA), the National Association of Testing Authorities (NATA), the Department of Agriculture, Fisheries and Forestry (DAFF) and the NSW Department of Health, the Office of the Gene Technology Regulator (OGTR), as well as the quality system requirements of many of its customers. The company has implemented a company-wide quality management system to ensure that we meet or exceed the requirements of all these interests. Cryosite also holds accreditation for ISO 15189 (Medical laboratories) and ISO/IEC 17025 (testing and calibration laboratories) from Australian National Association of Testing Authorities (NATA).

There have been no significant known breaches of the consolidated entity's licence conditions or any regulations to which it is subject to. The company, to the best of its knowledge, is not subject to any specific environmental regulations.

BUSINESS RISKS

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



Directors' Report continued

Most of the services that Cryosite provide to generate income require some form of statutory licensing or compliance authority. The failure by Cryosite to attain and maintain such licences and approvals would have a significant negative effect on the company's ability to continue to provide such services and to maintain its viability. As referred to in other parts of this report, Cryosite is committed to obviating risks in this area by the implementation and maintenance of a company-wide Quality Management System.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium in respect of a contract, insuring all the Directors and Officers against liability, except wilful breach of duty, of a nature that is required to be disclosed under section 300 (8) of the Corporations Act 2001. In accordance with commercial practice, further details of the nature of the liabilities insured against and the amount of the premium have not been disclosed.

In addition to the above, the Directors and certain Officers of the Company have entered into a Deed of Indemnity and Access confirming the Company's obligation to maintain an adequate Director and Officer Liability insurance policy and confirming the individual Directors' and Officers' right to access board papers and other Company documents. In return, the individual Directors and Officers have agreed to allow the Company to conduct the case for the defence should the event arise.

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

REMUNERATION REPORT

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

This has been audited by Duncan Dovico Chartered Accountants and is included within the scope of the audit report on pages 62 and 63.

Remuneration philosophy

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

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

Non-Executive Directors

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

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

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

Directors' Report continued

Any options that have vested or that will vest during the notice period will be forfeited. The company may terminate the contract without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any options that have vested will be forfeited.

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

Key Management Personnel

Details of the nature and amount of each element of remuneration for key management personnel of the company which includes those key management personnel receiving the highest compensation for the financial year are as follows:-

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

Due to the relatively small number of employees, apart from Gordon Milliken, Graeme Moore and Philip Alger there are no other executives having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

COMPENSATION FOR KEY MANAGEMENT PERSONNEL

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

Directors' Report continued

COMPENSATION FOR KEY MANAGEMENT PERSONNEL CONTINUED

	<u>Short term benefits</u>	<u>Post employ- ment benefits</u>	<u>Other long term benefits</u>	<u>Share-based payments</u>		<u>Total</u>
	Salary & Fees	Other cash benefits	Super- annuation	Long service leave	Options	
	\$	\$	\$	\$	\$	\$
Year ended 30 June 2012						
Non-executive Directors						
Andrew Kroger (i)	45,192	-	4,067	-	-	49,259
Theodore Onisforou (i)	31,250	-	2,813	-	-	34,063
Sub-total: non-executive directors	76,442	-	6,880	-	-	83,322
Executive directors						
Gordon Milliken	152,006	36,000	49,918	2,508	-	240,432
Graeme Moore	179,514	27,600	49,237	6,139	-	262,490
Other key management personnel						
Philip Alger	121,395	-	49,930	1,996	-	173,321
Sub-total executive KMP	452,915	63,600	149,085	10,643	-	676,243
Total	529,357	63,600	155,965	10,643	-	759,565

(i) Where directors resigned or were appointed during the year payments shown above are for the period served as a director.

OPTIONS GRANTED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2013

There were no options granted during the year (2012: Nil).

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

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

* Options issued under the Employee Share Options Scheme.

	Graeme Moore No	Philip Alger No.*	Total No.
Balance held at 1 July 2011	300,000	220,000	520,000
Balance held at 30 June 2012	300,000	220,000	520,000

* Options issued under the Employee Share Options Scheme.

Directors' Report continued

OPTIONS VESTED OF KEY MANAGEMENT PERSONNEL

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

* Options issued under the Employee Share Options Scheme.

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

* Options issued under the Employee Share Options Scheme.

Terms and conditions of options issued under employee share scheme details

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

The terms and conditions of the Plan are as follows:

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

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

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

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

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

Directors' Report continued

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

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

Shares held in Cryosite Limited	Balance 1 July 2011 Ord.	Balance on appointment/ resignation Ord.	On market purchases Ord.	Balance 30 June 2012 Ord.
Andrew Kroger	-	1,980,610	7,333,666	9,314,276
Gordon Milliken	1,288,415	-	2,000	1,290,415
Theodore Onisforou	4,125,004	(4,125,004)	-	-
Graeme Moore	-	-	-	-
Philip Alger	-	-	-	-
Total	5,413,419	(2,144,394)	7,335,666	10,604,691

LOANS TO KEY MANAGEMENT PERSONNEL

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

OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

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

DIRECTORS' MEETINGS

During the financial year, 10 meetings of directors were held. Attendances were as follows:

Directors	Directors Meetings Eligible to attend	Directors Meetings Attended
Andrew Kroger	10	10
Gordon Milliken	10	10
Graeme Moore	10	10

Directors' Report continued

PROCEEDING ON BEHALF OF THE COMPANY

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

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

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

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

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

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

The directors are of the opinion that the services disclosed in Note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

On behalf of the directors

Gordon Milliken
Managing Director

Date: 28 August 2013

AUDITORS' INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been:

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

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

DUNCAN DOVICO CHARTERED ACCOUNTANTS



Rosemary Megale
Partner

Sydney, 28th August 2013.



Corporate Governance Statement

Cryosite is committed to implementing the highest possible standards of corporate governance. In determining what those high standards should involve, Cryosite has turned to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles) and has a corporate governance framework that reflects those recommendations within the structure of the Company.

The Board of Cryosite approved an updated series of policies and charters in line with the amendments to the ASX Principles. The Company's policies and charters together form the basis of the Company's governance framework, and were in place for the financial year ended 30 June 2013 and to the date of signing of the directors' report.

Within this framework:

- the Board of Directors is accountable to shareholders for the performance of the Company;
- the Company's goals to achieve milestones are set and promulgated;
- the risks of the business are identified and managed, and
- the Company's established values and principles underpin the way in which it undertakes its operations.

The Company has in place an entrenched, well developed governance culture which has its foundations in the ethical values that the Board, management and staff bring to the Company and their commitment to positioning the Company as a leader in its field.

In certain instances, due to the size and stage of development of Cryosite and its operations, it may not be practicable or necessary to implement the ASX Principles in their entirety. In these instances Cryosite has identified the areas of divergence.

In accordance with its Shareholder Communications Policy, Cryosite has made its corporate governance policies and charters publicly available on its website (www.Cryosite.com).

1. Lay solid foundations for management and oversight

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

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

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

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

Corporate Governance Statement continued

2. Structure the board to add value

The Board is comprised of four Directors, the Chairman Andrew Kroger, Non-Executive Director, Christina Boyce, the Managing Director, Gordon Milliken and Executive Director, Graeme Moore. This Board structure is not in accordance with recommended ASX principles but the Board believes that due to the current development stage and size of the Company the interests of shareholders are currently best served by a small closely involved Board.

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

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

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

No board performance review was undertaken in the last 12 months. There has been one additional board member appointed during the financial year.

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

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

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

3. Promote ethical and responsible decision-making

Code of Conduct

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

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

Diversity

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

Corporate Governance Statement continued

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

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

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

The Board has not established measurable objectives for achieving gender diversity at present however the Board is committed to considering the issue of diversity at least annually. At present Cryosite has 35 employees (including consultants to the Company). Of these, 17 are female. Of the 3 executive roles within the Company none is currently carried out by a female. There is currently one female board member.

Securities Trading Policy

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

4. Safeguard integrity in financial reporting

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

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

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

5. Make timely and balanced disclosure

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

6. Respect the rights of shareholders

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

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

7. Recognise and manage risk

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

Corporate Governance Statement continued

The Board requires Management to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board regarding the management of those risks.

The Board has received a statement in writing from the Managing Director attesting to the effectiveness of the Company's management of its material business risks.

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

8. Remunerate fairly and responsibly

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

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

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

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

Directors' Declaration

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

- (1) In the opinion of the directors:
 - (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (2) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (3) This declaration has been made after receiving the declarations required to be made to directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

On behalf of the Board

Gordon Milliken
Managing Director

Date: 28 August 2013

Consolidated Statement of Profit and Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 \$	2012 \$
Sale of goods and rendering of services		8,497,803	7,757,568
Other revenue	5	266,656	263,528
Revenues		8,764,459	8,021,096
Expenses			
Finance costs	6(a)	(7,825)	(10,215)
Costs of providing services		(4,068,932)	(3,908,814)
Marketing expenses		(414,519)	(349,576)
Occupancy expenses		(640,332)	(589,309)
Administration expenses		(2,451,853)	(2,140,703)
Profit from continuing operations before income tax		1,180,998	1,022,479
Income tax (expense)benefit	7	68,963	-
Profit from continuing operations after income tax		1,249,961	1,022,479
Net Profit attributable to members of the company		1,249,961	1,022,479
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		1,249,961	1,022,479
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company		Cents	Cents
Basic earnings per share	8	2.68	2.19
Diluted earnings per share	8	2.65	2.17

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2013

	Notes	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	5,777,097	4,524,750
Trade and other receivables	12	1,638,738	1,157,122
Inventories	13	66,087	52,965
Prepayments	14	378,495	258,183
Total Current Assets		7,860,417	5,993,020
Non-current Assets			
Trade and other receivables	15	857,294	998,084
Investments in subsidiaries	16	-	-
Deferred tax asset	7 (c)	851,933	782,970
Plant and equipment	17	1,792,583	1,996,250
Intangible assets	18	-	-
Total Non-current Assets		3,501,810	3,777,304
TOTAL ASSETS		11,362,227	9,770,324
LIABILITIES			
Current Liabilities			
Trade and other payables	19	1,235,286	1,048,638
Unearned income	20	368,071	335,960
Provisions	22	464,138	372,139
Total Current Liabilities		2,067,495	1,756,737
Non-current Liabilities			
Trade and other payables	19	171,450	-
Unearned income	21	2,619,136	2,281,615
Provisions	22	239,918	251,308
Total Non-current Liabilities		3,030,504	2,532,923
TOTAL LIABILITIES		5,097,999	4,289,660
NET ASSETS		6,264,228	5,480,664
EQUITY			
Contributed equity	23	8,138,766	8,138,766
Share option reserves	24	239,118	239,118
Accumulated losses	23(a)	(2,113,656)	(2,897,220)
TOTAL EQUITY		6,264,228	5,480,664

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the company			
	Contributed capital	Accumulated losses	Share options reserves	Total equity
	\$	\$	\$	\$
CONSOLIDATED				
At 1 July 2011	8,138,766	(3,686,501)	239,118	4,691,383
Total comprehensive income for the year	-	1,022,479	-	1,022,479
<i>Transactions with owners in their capacity as owners</i>				
Equity dividends declared	-	(233,198)	-	(233,198)
At 30 June 2012	8,138,766	(2,897,220)	239,118	5,480,664
Total comprehensive income for the year	-	1,249,961	-	1,249,961
<i>Transactions with owners in their capacity as owners</i>				
Equity dividends declared and paid	-	(466,397)	-	(466,397)
At 30 June 2013	8,138,766	(2,113,656)	239,118	6,264,228

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

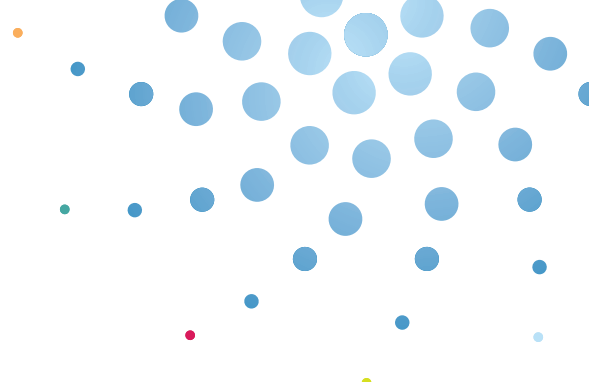
Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2013

Notes

		2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of GST		9,074,283	8,707,596
Payments to suppliers and employees		(7,226,741)	(6,928,132)
Interest received		99,954	110,963
Interest paid		(7,825)	(10,215)
Net cash flows from operating activities	11	1,939,671	1,880,212
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	17	(379,160)	(181,664)
Proceeds on disposal of plant and equipment		-	-
Interest received – term deposits		167,561	137,781
Net cash flows (used in) investing activities		(211,599)	(43,883)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity dividend paid		(475,725)	(222,522)
Net cash flows (used in) financing activities		(475,725)	(222,522)
Net increase in cash and cash equivalents		1,252,347	1,613,807
Cash and cash equivalents at beginning of year		4,524,750	2,910,943
Cash and cash equivalents at end of year	10	5,777,097	4,524,750

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



Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1 CORPORATE INFORMATION

The financial report of Cryosite Limited for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 21 August 2013.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

(a) Compliance with IFRS

The consolidated financial statement of Cryosite Limited group complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of consolidation

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

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

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.

Notes to the Financial Statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Foreign currency translation

Both the functional and presentation currency of Cryosite Limited and its Australian subsidiary is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

(d) Plant and equipment

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

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

Major depreciation rates are:	2013	2012
- Leasehold improvements:	Lease term	Lease term
Plant and equipment:		
- Fixtures and fittings	5 – 10 years	5 – 10 years
- Information technology	2 - 2.5years	2 - 2.5years
- Warehouse equipment	4 - 10 years	4 - 10 years
- Office furniture & equipment	2.5 – 8 years	2.5 – 8 years
Plant & equipment under lease	5 years	5 years

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

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

(e) Segment reporting

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

(f) Intangible assets

Research and development costs

Research and development costs incurred relate to Cryobyte® an inventory and environmental monitoring system.

Notes to the Financial Statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(g) Inventories

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

(h) Trade and other receivables

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

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

Trade receivables (non-current), which generally have terms in excess of 12 months, are carried at their net present value. The expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate of 13.9% (2012: 17.5%).

(i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Trade and other payables

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

(k) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Unused sick leave on termination of employment is forfeited.

Notes to the Financial Statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(l) Provisions

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

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Share-based payment transactions

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

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

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

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

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

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

Notes to the Financial Statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(m) Share-based payment transactions (continued)

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

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

(n) Leases

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

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

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

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

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

(o) Revenue

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

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

Notes to the Financial Statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(o) Revenue (continued)

- Dividends: revenue is recognised when the Company's right to receive the payment is established.

(p) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

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

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

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.

Notes to the Financial Statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) Income tax and other taxes continued

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

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

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

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

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

(q) Contributed equity

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

(r) Share options reserve

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

(s) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(t) Earnings per share

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

Notes to the Financial Statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(t) Earnings per share continued

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

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

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

(u) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except the following which the Group adopted from 1 July 2012:

Amendments to AASB 101 'Presentation of Financial Statements'

The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. Further, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

There are no other new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(v) New accounting standards and interpretations but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the entity for the annual reporting period ended 30 June 2013. The new standards, interpretations and amendments are not expected to have a significant impact on the financial statements.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2015). AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is expected to be initially applied in the financial year ending 30 June 2016.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards' (effective for annual reporting periods beginning on or after 1 January 2013). Under AASB 10, there is only one basis for consolidation. That is control. In addition, AASB 10 includes a new definition of control that contains three elements: (a) power

Notes to the Financial Statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(v) New accounting standards and interpretations but not yet effective continued

over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The standard is expected to be initially applied in the financial year ending 30 June 2014.

AASB 12 Disclosure of Interests in Other Entities (effective for annual reporting periods beginning on or after 1 January 2013). AASB 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in AASB 12 are more extensive than those in the current standards. The standard is expected to be initially applied in the financial year ending 30 June 2014.

AASB 13 Fair Value Measurement (effective from 1 January 2013) establishes a single source of guidance for determining the fair value of assets and liabilities when fair value is required or permitted. Application may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value including assumptions made and the qualitative impact of those assumptions on the fair value determined. The standard is expected to be initially applied in the financial year ending 30 June 2014.

AASB 119 Employee Benefits (effective from 1 January 2013). The revised standard changed the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The standard is expected to be initially applied in the financial year ending 30 June 2014.

AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirement: These amendments are applicable to annual reporting periods beginning on or after 1 July 2013 with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing disclosure requirements for individual key management personnel. As the aggregate disclosures are still required by AASB 124, it is expected that the amendments will not have a material impact on the consolidated entity.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Notes to the Financial Statements continued

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

(i) Significant accounting judgements

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future profits will be available to utilise those temporary differences.

Impairment of non-financial assets

The group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined.

Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for sale or use.

Long term Cord Blood Storage Contracts

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

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

These calculations impact the overall balance of revenue, unearned revenue and debtors at year end.

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

In the current financial year, the Board re assessed the discount rate applied to the calculation of the present value of the long term contracts. This re assessment resulted in a decrease of the discount rate on prior year of 4 percentage points to a market determined risk adjusted discount rate of 13.9% (2012: 17.5%). This change in discount rate was determined after a detailed assessment of historical default risk, costs of capital and the risk free rate. The change in this discount rate results in a change in accounting estimates in accordance with AASB 108.

The reduction in the discount rate results in an alteration of the allocation of future revenue between cord blood and interest. The change will accelerate the recognition of cord blood revenue over the term of the contract.

As this result in a prospective change to the amount of revenue recognised, the impacts of the accelerated cord blood revenue will be apportioned in revenue over the remaining average contract life. In relation to the 2013 financial year, an amount of \$6,264 was taken to the profit and loss.

Notes to the Financial Statements continued

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

Taxation

The group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact on the amount of deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Share based payment transactions

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact on expenses and equity.

Estimated useful lives of assets

The estimation of the useful lives of assets and their residual values has been based on historical experience as well as manufacturers' warranties. In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Long Service Leave Provision

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

Make good provisions

A provision has been made for the present value of anticipated costs for future restoration of leased premises. This provision includes future cost estimates associated with dismantling, closure, decontamination and permanent storage of historical residues. The calculation of any provision requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts provided. Any provision recognised will be periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the expense or asset and provision. The appropriateness of the make good provision is assessed annually.

Notes to the Financial Statements continued

4 SEGMENT INFORMATION

Identification of Reportable Segments

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

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

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

Operating Segment

	Biological Services \$	Warehousing & Distribution \$	Total \$
30 June 2013 – Consolidated			
Total segment revenue	4,104,718	4,659,741	8,764,459
Segment profit before ITDA	390,072	1,114,922	1,504,994
30 June 2012 – Consolidated			
Total segment revenue	3,996,608	4,024,488	8,021,096
Segment profit before ITDA	357,463	974,337	1,331,800
Total Segment assets			
30 June 2013	6,510,401	4,782,863	11,293,264
30 June 2012	5,526,736	4,243,588	9,770,324

A reconciliation of operating EBITDA is provided as follows:

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Operating EBITDA	1,504,994	1,331,803
Interest revenue	266,656	263,528
Depreciation and amortisation	(582,827)	(562,637)
Finance costs	(7,825)	(10,215)
Profit before tax	1,180,998	1,022,479

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

Notes to the Financial Statements continued

		Consolidated 2013 \$	2012 \$
5 REVENUE			
Revenue			
Sale of goods and rendering of services		8,497,803	7,757,568
Other Revenue			
Interest income		266,656	263,528
		<u>8,764,459</u>	<u>8,021,096</u>
6 EXPENSES			
(a) Finance costs			
Interest - insurance premium funding		<u>7,825</u>	<u>10,215</u>
(b) Lease payments			
Lease payments-operating leases		<u>458,727</u>	<u>488,018</u>
(c) Employee benefits expense			
Wages and salaries		2,371,805	2,076,343
Superannuation costs		<u>239,865</u>	<u>307,528</u>
		<u>2,611,670</u>	<u>2,383,871</u>
(d) Depreciation and amortisation			
Depreciation – plant & equipment	17	<u>582,827</u>	<u>562,637</u>

Notes to the Financial Statements continued

Consolidated
2013 2012
\$ \$

7 INCOME TAX

(a) Income tax expense

The major components of income tax are:

Statement of comprehensive income

Current income expense	361,252	301,900
(Applied) to carry forward tax losses	(361,252)	(301,900)
Recognition of income tax losses previously unrecognised	68,963	-
Income tax (expense) benefit reported in the Statement of comprehensive income	68,963	-

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

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

Accounting profit before tax from continuing operations	1,237,373	1,022,479
At the statutory income tax rate of 30% (2012: 30%)	(371,212)	(306,744)
Share-based payments (equity settled)	-	-
Other items (net)	9,960	4,844
Recognition of previously unrecorded losses against current year taxable income	361,252	301,900
Recognition of income tax losses previously unrecognised	68,963	-
Income tax (expense)benefit	68,963	-

Notes to the Financial Statements continued

Consolidated

2013

\$

2012

\$

7 INCOME TAX continued

(c) Recognised deferred tax assets and liabilities

Deferred income tax at 30 June relates to the following:

Deferred income tax assets

Post-employment benefits	149,315	122,334
Provision for tax and audit fees	14,124	14,094
Provision for doubtful debts	25,986	35,586
Impairment and depreciation of plant & equipment for book purposes	31,173	19,633
Impairment amortisation of intangibles for book purposes	24,452	73,355
Amortisation of Section 40-880 uniform capital allowances	14,777	25,597
Losses available for offset against future taxable income	611,932	508,261

Deferred income tax liabilities

Consumables	(19,826)	(15,890)
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Net deferred tax asset

	851,933	782,970
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Comprised of :

Deferred tax asset	851,933	782,970
Deferred tax liability	-	-
	851,933	782,970

(d) Tax (expense) benefit related to items of other comprehensive income.

There were no items of comprehensive income during the year giving rise to any income expense (benefit).

(d) Tax losses

The Group has tax losses arising in Australia of \$2,039,774 (2012: \$3,089,814) that are available for offset against future taxable profits of the company. The deferred income tax asset of \$611,932 (2012: \$926,944) arising from these losses has been brought to account in its entirety at reporting date, as realisation of the benefit is now regarded as probable.

Notes to the Financial Statements continued

7 INCOME TAX continued

Tax consolidation

Effective from 1 July 2002, Cryosite Limited and its 100% owned subsidiary formed a tax consolidated group. On formation of the tax consolidated group, the entities in the tax consolidated group agreed to enter into a tax sharing deed which will, in the opinion of the directors, limit the joint and several liability of the wholly-owned entities in the case of default by the head entity Cryosite Limited. The tax sharing deed was signed on 12 May 2011.

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

	Consolidated 2013	2012
	\$	\$

8 EARNINGS PER SHARE

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

Basic earnings per share (from continuing operations)	2.68 cents	2.19 cents
Diluted earnings per share (from continuing operations)	2.65 cents	2.17 cents

Basic EPS disclosure

Earnings used in EPS calculation	1,249,961	1,022,479
Net profit attributable to ordinary equity holders of the parent	1,249,961	1,022,479

	No of shares.	No of shares.
Weighted average number of ordinary shares for basic earnings per share	46,639,563	46,639,563

Diluted EPS disclosure

Earnings used in diluted EPS calculation	1,249,961	1,022,479
Net profit attributable to ordinary equity holders of the parent	1,249,961	1,022,479

Notes to the Financial Statements continued

Consolidated
2012
\$

2012
\$

8 EARNINGS PER SHARE CONTINUED

Diluted EPS disclosure continued

	No of shares.	No of shares.
Weighted average number of ordinary shares for basic earnings per share	46,639,563	46,639,563
Shares deemed to be used for no consideration – options	520,000	520,000
Weighted average number of ordinary shares used in the calculation of diluted EPS	47,159,563	47,159,563

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

9 DIVIDENDS PAID OR PROPOSED ON ORDINARY SHARES

Declared and paid during the year:

Dividends on ordinary shares		
Final unfranked dividend for 2012		
0.5 cents per share	233,199	-
Interim unfranked dividend for 2013:		
0.5 cents per share	233,198	233,198
Total dividends paid	466,397	233,198

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

10 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	199,913	121,074
Short-term deposits	5,577,184	4,403,676
	5,777,097	4,524,750

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

The fair value of cash and cash equivalents for the consolidated group and parent entity is \$5,777,097 (2012: \$4,524,750).

Notes to the Financial Statements continued

10 CASH AND CASH EQUIVALENTS CONTINUED

Reconciliation of cash

For purposes of the Statement of Cash Flow, cash and cash equivalents as at 30 June 2013 and the prior year are as shown above.

	Consolidated 2013 \$	2012 \$
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11 STATEMENT OF CASH FLOW RECONCILIATION

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

Net profit	1,249,961	1,022,479
Adjustments for non-cash items		
Depreciation and amortisation of non-current assets	582,827	562,637
Increase in employee benefits – LSL	17,922	23,029
Changes in assets and liabilities		
(Increase) decrease in trade and other receivables	(309,686)	353,949
(Increase) in inventory	(13,122)	(24,981)
(Increase) in other assets	(120,312)	(235,734)
(Increase) in deferred tax asset	(68,963)	-
Increase(decrease) in trade and other creditors	191,397	(76,946)
Increase in unearned income	369,632	358,279
(Decrease) in allowance for impairment loss on trade receivables	(32,000)	(146,380)
Increase in employee benefits – annual leave	72,015	43,880
Net cash flow from operating activities	1,939,671	1,880,212

12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade receivables	1,538,067	1,119,386
Allowance for impairment loss (a)	(86,619)	(118,619)
	1,451,448	1,000,767
Other receivables	187,290	156,355
Carrying amount of trade and other receivables	1,638,738	1,157,122

(a) Allowance for impairment loss

Trade receivables are non-interest bearing. Term payment plans are offered to customers under cord blood collection contracts. Customers have an option of payment in full, over 3 months, or annually. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. During the financial year the allowance was reduced by \$32,000 (2012: \$146,380) to cover bad debts written off during year. When there is an impairment loss, it has been included in the administration expense item. No individual debtor amount within the impairment allowance at year end is material

Notes to the Financial Statements continued

Consolidated
2013 **2012**
\$ **\$**

12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES CONTINUED

Movements in the provision for impairment loss were as follows:

At the beginning of the year	118,619	264,999
Reduction in impairment loss during the year	(32,000)	(146,380)
At the end of the year	86,619	118,619

(b) Analysis of trade receivables

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

	Total	Not yet due	0-30 Days	31-60 Days	61-90 Days PDNI*	+91 Days PDNI*	+91 Days CI**
	\$	\$	\$	\$	\$	\$	\$
2013							
Current	1,538,067	245,670	598,318	334,114	124,531	169,176	66,258
Non-Current	857,294	857,294	-	-	-	-	-
Total Consolidated	2,395,361	1,102,964	598,318	334,114	124,531	169,176	66,258
2012							
Current	1,119,386	100,854	399,760	206,658	77,587	261,932	72,595
Non-Current	998,084	998,084	-	-	-	-	-
Total Consolidated	2,117,470	1,098,938	399,760	206,658	77,587	261,932	72,595

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

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

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

(c) Related party receivables

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

(d) Fair value and credit risk

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

Notes to the Financial Statements continued

Consolidated

2013

2012

\$

\$

13 CURRENT ASSETS – INVENTORIES

Consumables at cost	66,087	52,965
Total inventories at cost	66,087	52,965

14 CURRENT ASSETS - PREPAYMENTS

Prepayments	378,495	258,183
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15 NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade receivables	857,294	998,084
Carrying amount of non-current trade and other receivables	857,294	998,084
<i>Trade receivables</i>		
Trade receivables due under term payment plans	857,294	998,084

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

16 NON-CURRENT ASSETS - INVESTMENTS IN SUBSIDIARIES

Investments at cost	-	-
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Investment in controlled entity	Equity interest held by the consolidated entity		Investment	
Name – Cryosite Distribution Pty Limited	2013 %	2012 %	2013 \$	2012 \$
Country of incorporation – Australia	100	100	20	20

Notes to the Financial Statements continued

	Consolidated	
	2013	2012
	\$	\$
17 NON-CURRENT ASSETS - PLANT AND EQUIPMENT		
(a) Reconciliation of carrying amounts of plant and equipment at the beginning and end of the year		
<i>Leasehold Improvements</i>		
At the beginning of the year net of accumulated depreciation and impairment	128,124	166,562
Depreciation expense	(38,438)	(38,438)
At the end of the year net of accumulated depreciation and impairment	89,686	128,124
At cost	205,000	205,000
Accumulated depreciation	(115,314)	(76,876)
Net carrying amount	89,686	128,124
<i>Fixtures and fittings</i>		
At the beginning of the year net of accumulated depreciation and impairment	20,103	28,056
Depreciation expense	(7,953)	(7,953)
At the end of the year net of accumulated depreciation and impairment	12,150	20,103
At cost	72,521	72,521
Accumulated depreciation	(60,371)	(52,418)
Net carrying amount	12,150	20,103
<i>Information technology</i>		
At the beginning of the year net of accumulated depreciation and impairment	123,750	142,314
Additions at cost	28,503	64,076
Depreciation expense	(80,705)	(82,640)
At the end of the year net of accumulated depreciation and impairment	71,548	123,750
At cost	471,579	443,076
Accumulated depreciation	(400,031)	(319,326)
Net carrying amount	71,548	123,750
<i>Warehouse equipment</i>		
At the beginning of the year net of accumulated depreciation and impairment	1,721,204	2,033,549
Additions at cost	350,657	117,591
Depreciation expense	(453,961)	(429,936)
At the end of the year net of accumulated depreciation and impairment	1, 617,900	1,721,204
At cost	3,778,004	3,427,347
Accumulated depreciation	(2,160,104)	(1,706,143)
Net carrying amount	1,617,900	1,721,204

Notes to the Financial Statements continued

	Consolidated	
	2013	2012
	\$	\$
17 NON-CURRENT ASSETS - PLANT AND EQUIPMENT		
continued		
<i>Office furniture & equipment</i>		
At the beginning of the year net of accumulated depreciation and impairment	3,069	6,739
Depreciation expense	(1,770)	(3,670)
At the end of the year net of accumulated depreciation and impairment	1,299	3,069
At cost	33,517	33,517
Accumulated depreciation	(32,218)	(30,448)
Net carrying amount	1,299	3,069
Total plant and equipment net carrying amount	1,792,583	1,996,250
18 NON-CURRENT ASSETS - INTANGIBLE ASSETS		
(a) Reconciliation of carrying amounts at the beginning and the end of the year		
<i>Software development</i>		
At cost	1,020,533	1,020,533
Accumulated amortisation	(713,003)	(713,003)
Impairment amortisation	(307,530)	(307,530)
Net carrying amount	-	-
19 TRADE AND OTHER PAYABLES		
CURRENT LIABILITIES		
Trade payables	721,542	436,904
Other payables	513,744	611,734
Total current payables	1,235,286	1,048,638
NON-CURRENT LIABILITIES		
Client deposits	171,450	-
Total non-current payables	171,450	-

Notes to the Financial Statements continued

19 TRADE AND OTHER PAYABLES continued

Fair value

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

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

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

	Total \$	Not Yet due	0-30 Days \$	31-60 Days \$	61-90 Days \$	+91 Days \$
2013						
Consolidated	721,542	314,508	326,997	77,704	2,333	-
2012						
Consolidated	436,904	67,113	255,390	85,980	17,876	10,545

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

	Consolidated 2013 \$	2012 \$
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20 CURRENT LIABILITIES - UNEARNED INCOME

Unearned service revenue	368,071	335,960
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Represents cord blood revenues received in advance for services to be rendered under long-term storage contracts.

21 NON-CURRENT LIABILITIES - UNEARNED INCOME

Unearned service revenue	2,619,136	2,281,615
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Represents cord blood revenues received in advance for services to be rendered under long-term storage contracts.

Notes to the Financial Statements continued

	Consolidated	
	2013	2012
	\$	\$
22 CURRENT LIABILITIES - PROVISIONS		
Annual leave	365,691	293,676
Long service leave	97,108	67,796
Dividends payable	1,339	10,667
	464,138	372,139
22 NON – CURRENT LIABILITIES - PROVISIONS		
Long service leave	34,918	46,308
Lease make good	205,000	205,000
	239,918	251,308
(a) Movements in provisions		
<i>Annual leave</i>		
Balance at beginning of the year	293,676	249,796
Arising during the year	72,015	43,880
	365,691	293,676
<i>Long service leave</i>		
Balance at beginning of the year	114,104	91,075
Arising during the year	17,922	23,029
	132,026	114,104
Nature and timing of long service leave provision		
For the relevant accounting policy and the significant estimations and assumptions applied in the measurement of this provision refer to Note 3.		
<i>Dividends</i>		
Balance at beginning of the year	10,667	-
Declared during the year	466,397	233,198
Interim dividends paid during the year	(475,725)	(222,531)
Balance at end of the year	1,339	10,667
<i>Lease make-good provision</i>		
Balance at beginning of the year	205,000	205,000
Arising during the year	-	-
Balance at end of the year	205,000	205,000

Nature and timing of lease make-good provision

In accordance with the lease agreement with Allsup Pty Limited, the Group must restore the leased premises in Granville to its original condition at the end of the lease in 2015 in the absence of an extension of the lease period.

Notes to the Financial Statements continued

22 NON – CURRENT LIABILITIES - PROVISIONS

Nature and timing of lease make-good provision continued

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

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

23 CONTRIBUTED EQUITY

	Consolidated	
	2013	2012
	\$	\$
Ordinary shares	8,138,766	8,138,766
<i>Movement in ordinary shares on issue</i>		
	2013	2012
	Shares	Shares
	No.	No.
	\$	\$
Beginning of the financial year	46,639,563	46,639,563
End of the financial year	46,639,563	46,639,563

Terms and condition of contributed equity

Ordinary shares

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

(a) Movements in accumulated losses

	Consolidated	
	2013	2012
	\$	\$
Balance at the beginning of the year	(2,897,220)	(3,686,501)
Net profit for the year	1,237,373	1,022,479
Equity dividend declared	(466,397)	(233,198)
Balance at the end of the year	(2,126,244)	(2,897,220)

24 RESERVES

Share options reserve	239,118	239,118
<i>Movements in share options reserve</i>		
Balance at the beginning of the year	239,118	239,118
Balance at the end of the year	239,118	239,118

Notes to the Financial Statements continued

24 RESERVES continued

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

25 COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – Group as lessee

Commercial property

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

Future minimum rentals payable under commercial property leases as at 30 June 2013 are as follows:

	Consolidated 2013	2012
	\$	\$
Within one year	331,261	318,529
After one year but not more than five years	464,284	795,545
	795,545	1,114,074

Commercial Property Security deposits

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

Plant and equipment

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

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

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

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2013 are as follows:

	Consolidated 2013	2012
	\$	\$
Within one year	37,299	63,590
After one year but not more than five years	50,014	12,575
	87,313	76,165

(b) Plant and equipment commitments

There are no capital expenditure commitments at reporting date.

(c) Contingent Liabilities

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

Notes to the Financial Statements continued

26 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The directors are unaware of any event or transaction that has occurred between the balance date of 30 June 2013 and the date of this report which had or may have had a significant effect on the company.

27 AUDITOR'S REMUNERATION

	Consolidated 2013	2012
	\$	\$
Amounts received or due and receivable by Duncan Dovico for:		
- Audit or review of the financial report of the entity and any other entity in the consolidated group	67,609	53,058
- Other services in relation to the entity and any other entity in the consolidated group	5,390	6,000
	72,999	59,058

28 RELATED PARTY DISCLOSURES

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

Cryosite Limited is the ultimate parent entity.

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

Cryosite Limited and Cryosite Distribution Pty Limited are part of a tax consolidation group and will enter into a tax funding agreement. Under this agreement, payments are to be made for tax losses transferred between entities in the group. Refer to Note 7.

Cryosite Limited has received a dividend from Cryosite Distribution Pty Limited for \$Nil (2012: \$Nil).

29 SHARE-BASED PAYMENTS EXPENSE

(a) Employee Share Option Plan

Terms and conditions of options issued under employee share scheme details

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

The terms and conditions of the Plan are as follows:

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

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

Notes to the Financial Statements continued

29 SHARE-BASED PAYMENTS EXPENSE CONTINUED

(a) Employee Share Option Plan continued

Terms and conditions of options issued under employee share scheme details

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

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

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.

(b) Summary of options granted under the ESOP

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

	2013		2012	
	Options No.	WAEP Cents	Options No.	WAEP Cents
Balance at beginning of year	520,000	-	520,000	-
Balance at end of the year	520,000	-	520,000	-
Graeme Moore	300,000	30	300,000	30
Philip Alger	220,000	30	220,000	30
	520,000	30	520,000	30

Notes to the Financial Statements continued

29 SHARE-BASED PAYMENTS EXPENSE CONTINUED

(b) Summary of options granted under the ESOP continued

Share based options payment:

Parties to option agreement Graeme Moore Philip Alger	
Rights Granted and grant date Share options granted 1 December 2007 Graeme Moore 300,000 Philip Alger 220,000	
Option exercise price One third at \$0.20 per share, One third at \$0.30 per share One third at \$0.40 per share	
Vesting period One third on 1 December 2008 One third on 1 December 2009 One third on 1 December 2010 Options must be exercised no later than 30 November 2015.	
Vesting requirements Options granted under ESOP as part of remuneration package. Options will lapse on cessation of employment with the company.	
Weighted average fair value per option at grant date \$0.11	
Expense for the year Graeme Moore \$- Philip Alger \$- Total \$-	
Prior year's expense taken to account \$-	
Value of options forfeited \$-	
Balance at the end of the financial year not yet expensed \$-	
Calculation of fair value of option Valuation was made using the binomial method in accordance with the requirements of accounting standards. Calculations were based on the expected contractual life of the options using the average weekly historical share price of the company over the previous 12 months. The expected volatility used was 79% with an interest-free risk rate of 6.70%. The market share price at date of grant was 19 cents.	

Notes to the Financial Statements continued

30 SUPERANNUATION

The Group contributes the equivalent of 9% of employees' wages to their superannuation fund of choice as required by Australian law. Employees may also elect to make salary sacrifice to their nominated superannuation fund.

31 KEY MANAGEMENT PERSONNEL

(a) Key management personnel

Non-executive directors

Andrew Kroger	Chairman (Non-executive)
Christina Boyce	Director (Non-executive) – Appointed 3 June 2013

Key management personnel

Gordon Milliken	Managing Director
Graeme Moore	Executive Director
Philip Alger	Chief Financial Officer

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

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

(b) Compensation for key management personnel

	Consolidated	
	2013	2012
	\$	\$
Non-executive directors		
Short-term employee benefits	80,000	76,442
Post-employment benefits	7,200	6,880
Other long-term benefits	-	-
Share-based payment	-	-
Sub-total non-executive directors	87,200	83,322
Key management personnel		
Short-term employee benefits	490,210	516,515
Post-employment benefits	74,792	149,085
Other long-term benefits	9,589	10,643
Share-based payment	-	-
Sub-total key management personnel	574,591	676,243
Total compensation	661,791	759,565

Notes to the Financial Statements continued

31 KEY MANAGEMENT PERSONNEL continued

(c) Shareholdings of key management personnel

Shares held in Cryosite Limited 30 June 2013	Balance at beginning of year Ord.	Movement on appointment/ resignation Ord.	On market purchases Ord.	Balance 30 June 2013 Ord.
Andrew Kroger	9,314,276	-	1,392,667	10,706,943
Christina Boyce – appointed 3 June 2013	-	21,696	38,941	60,637
Gordon Milliken	1,290,415	-	-	1,290,415
Graeme Moore	-	-	-	-
Philip Alger	-	-	-	-
Total	10,604,691	21,696	1,431,608	12,057,995

Shares held in Cryosite Limited 30 June 2012	Balance at beginning of year Ord.	Movement on appointment/ resignation Ord.	On market purchases Ord.	Balance 30 June 2012 Ord.
Andrew Kroger	-	1,980,610	7,333,666	9,314,276
Theodore Onisforou – resigned 21 November 2011	4,125,004	(4,125,004)	-	-
Gordon Milliken	1,288,415	-	2,000	1,290,415
Graeme Moore	-	-	-	-
Philip Alger	-	-	-	-
Total	5,413,419	(2,144,394)	7,335,666	10,604,691

(d) Option holdings of key management personnel (Consolidated)

30 June 2013	Andrew Kroger No.	Christina Boyce No.	Gordon Milliken No. *	Graeme Moore No. *	Philip Alger No.*	Total No.
Balance held at 1 July 2012	-	-	-	300,000	220,000	520,000
Balance held at 30 June 2013	-	-	-	300,000	220,000	520,000

* Options issued under the employee share scheme

30 June 2012	Andrew Kroger No.	Gordon Milliken No. *	Graeme Moore No. *	Philip Alger No.*	Total No.
Balance held at 1 July 2011	-	-	300,000	220,000	520,000
Balance held at 30 June 2012	-	-	300,000	220,000	520,000

* Options issued under the employee share scheme

Notes to the Financial Statements continued

31 KEY MANAGEMENT PERSONNEL continued

(e) Options Vested of key management personnel

	Andrew Kroger No.	Christina Boyce No.	Gordon Milliken No. *	Graeme Moore No. *	Philip Alger No*.	Total No.
Balance vested at 1 July 2012	-	-	-	300,000	220,000	520,000
Balance vested at 30 June 2013	-	-	-	300,000	220,000	520,000
Exercisable 30 June 2013	-	-	-	300,000	220,000	520,000

* Options issued under the employee share scheme.

	Andrew Kroger No.	Gordon Milliken No. *	Graeme Moore No. *	Philip Alger No*.	Total No.
Balance vested at 1 July 2010	-	-	200,000	146,666	346,666
Options vested 1 December 2010			100,000	73,334	173,334
Balance vested at 30 June 2012	-	-	300,000	220,000	520,000
Exercisable 30 June 2012	-	-	300,000	220,000	520,000

* Options issued under the employee share scheme.

32 FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise of trade payables. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations.

The Group does not enter into any derivative transactions. The main risks arising from the Group's financial instruments are cash flow interest rate risk and credit risk. The Board of Directors reviews and monitors each of these risks.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to cash and cash deposits with floating interest rates.

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is set out below:

Notes to the Financial Statements continued

32 FINANCIAL INSTRUMENTS CONTINUED

2013 CONSOLIDATED	Note	Weighted average effective interest rate %	Floating interest rate \$	Subject to discount rates \$	Non interest bearing \$	Total \$
<i>Financial assets</i>						
Interest bearing deposits – maturing at various dates during year ending 30 June 2014	10	3.42	5,577,184	-	-	5,577,184
Cash and cash equivalents	10	0.15	199,913	-	-	199,913
Current receivables – maturing at various dates during year ending 30 June 2014	12	3.80	-	75,199	1,563,539	1,638,738
Non-current receivables	15	3.80	-	857,294	-	857,294
			<u>5,777,097</u>	<u>932,493</u>	<u>1,563,539</u>	<u>8,273,129</u>
<i>Financial liabilities</i>						
Trade creditors and accruals – maturing at various dates during the year ending 30 June 2013.	19	2.81	314,508	-	920,778	1,235,286

2012 CONSOLIDATED	Note	Weighted average effective interest rate %	Floating interest rate \$	Subject to discount rates \$	Non interest bearing \$	Total \$
<i>Financial assets</i>						
Interest bearing deposits – maturing at various dates during year ending 30 June 2013	10	5.27	4,403,676	-	-	4,403,676
Cash and cash equivalents	10	2.15	121,074	-	-	121,074
Current receivables – maturing at various dates during year ending 30 June 2013	12	3.8	45,630	59,431	1,052,061	1,157,122
Non-current receivables	15	3.8	-	998,084	-	998,084
			<u>4,570,380</u>	<u>1,057,515</u>	<u>1,052,061</u>	<u>6,679,956</u>
<i>Financial liabilities</i>						
Trade creditors and accruals – maturing at various dates during the year ending 30 June 2013.	19	3.69	67,113	-	981,525	1,048,638

Notes to the Financial Statements continued

32 FINANCIAL INSTRUMENTS CONTINUED

Interest rate sensitivity analysis

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

		Post Tax Profit Higher (Lower)	
		2013	2012
		\$	\$
Consolidated	Up by 2.0%	111,431	68,646
	Down by 1.5%	(83,573)	(51,484)

Net present value sensitivity analysis

The following sensitivity analysis is based on a discount rate of 13.9% (2012: 17.5%) risk exposures in existence at the balance date. If the discount rate had moved, as illustrated in the tables below, with all other variables held constant, post tax profit would have been affected as follows

		Post Tax Profit Higher (Lower)	
		2013	2012
		\$	\$
Consolidated	Up by 2%	(8,825)	(31,680)
	Down by 2%	8,825	36,347

(b) Price risk – Equity and Commodity

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

(c) Credit risk

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

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

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

Incorporated companies:

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

Notes to the Financial Statements continued

32 FINANCIAL INSTRUMENTS CONTINUED

Research institutes both private and academic

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

Individuals:

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

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

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

(d) Liquidity risk

The Group has assessed liquidity risk to be low balance date and at the date of this report.

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

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

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

Notes to the Financial Statements continued

32 FINANCIAL INSTRUMENTS CONTINUED

(d) Liquidity risk continued

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

Year ended 30 June 2012	Less than 6 months \$	6-12 months \$	1-5 years \$	Greater than 5 years \$	Total \$
Consolidated Financial Assets					
Cash and cash equivalents	4,524,750	-	-	-	4,524,750
Trade and other receivables	1,107,280	49,842	375,736	622,348	2,155,206
	5,652,040	49,842	375,736	602,338	6,679,956
Consolidated Financial liabilities					
Trade and other payables	1,048,638	-	-	-	1,048,638
Net maturity	4,603,402	49,842	375,736	602,338	5,631,318

(e) Capital management

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

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

(f) Fair value

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

Notes to the Financial Statements continued

33 PARENT ENTITY FINANCIAL INFORMATION

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

AS AT 30 JUNE 2013

	2013 \$	2012 \$
(a) STATEMENT OF FINANCIAL POSITION		
Total Current Assets	7,645,197	5,751,212
Total Non-current Assets	3,501,830	3,777,324
TOTAL ASSETS	11,147,027	9,528,536
(b) LIABILITIES		
Total Current Liabilities	1,870,546	1,533,200
Total Non-current Liabilities	3,030,504	2,532,923
TOTAL LIABILITIES	4,901,050	4,066,123
(c) EQUITY		
Contributed equity	8,138,766	8,138,766
Share option reserves	239,118	239,118
Accumulated losses	(2,131,907)	(2,915,471)
TOTAL EQUITY	6,245,977	5,462,413
(d) TOTAL COMPREHENSIVE INCOME		
Net Profit of the parent entity for the year net of income tax	1,249,961	1,022,479
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	1,249,961	1,022,479

(e) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

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

(f) COMMITMENTS AND CONTINGENCIES OF THE PARENT ENTITY

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRYOSITE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Cryosite Limited and its controlled entity which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year ended 30 June 2013.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

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

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

DUNCAN DOVICO CHARTERED ACCOUNTANTS

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Liability limited by a scheme approved under Professional Standards Legislation

Independence

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

Auditor's Opinion

In our opinion:

- a) the financial report of Cryosite Limited and its controlled entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Cryosite Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

DUNCAN DOVICO CHARTERED ACCOUNTANTS



Rosemary Megale
Partner

Sydney, 28th August 2013.

ASX Additional Shareholder Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 August 2013.

Twenty largest shareholders

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

SHAREHOLDER	LISTED ORDINARY SHARES	
	Number of shares	% of ordinary shares
CELL CARE AUSTRALIA PTY LTD	10,709,334	22.96%
COFAX BAY PTY LIMITED	9,314,276	19.97%
BELL POTTER NOMINEES LTD	3,758,236	8.06%
FITEL NOMINEES LIMITED	2,000,000	4.29%
PROCESS WASTEWATER TECHNOLOGIES LIMITED	1,392,667	2.99%
CORNISH GROUP INVESTMENTS PTY LTD	1,050,300	2.25%
KHAEMET PTY LTD	1,034,918	2.22%
MR THEO ONISFOROU	1,008,753	2.16%
MR ALISTAIR DAVID STRONG	1,000,000	2.14%
MRS ERICA MARGARET STRONG	865,000	1.85%
NARON NOMINEES PTY LTD	839,416	1.80%
MR STEPHEN ROBERTS	644,994	1.38%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	614,384	1.32%
H F A ADMINISTRATION PTY LIMITED	480,000	1.03%
MARALECHA CORPORATION PTY LTD	435,316	0.93%
ANADYOMENE PTY LTD	400,000	0.86%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	345,710	0.74%
SUNNYIT PTY LTD	300,500	0.64%
ASIA UNION INVESTMENTS PTY LTD	300,000	0.64%
ONMELL PTY LTD	299,910	0.64%
TOTAL	36,793,714	78.89%

DISTRIBUTION OF EQUITY SECURITIES

Number of shareholders by size of holding

		Ordinary Shares	
		Number of Holders	Number of Shares
1	1,000	34	15,137
1,001	5,000	229	902,807
5,001	10,000	77	639,715
10,001	100,000	153	4,713,570
100,001	and over	41	40,368,334
Total		534	46,639,563

ASX Additional Shareholder Information continued

Substantial shareholders

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

Shareholder	Relevant interest			
	2013		2012	
	No. of shares	% of issued capital	No. of shares	% of issued capital
Cell Care Australia Pty. Ltd	10,709,334	22.96	10,240,498	21.97
Andrew John Kroger	10,706,943	22.96	9,314,276	19.97

Voting Rights

All ordinary shares carry one vote per share without restriction.

Number of shareholders holding less than a marketable parcel

The number of shareholders holding less than a marketable parcel of shares is 25 and they hold 6,137 shares.



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

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

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

°cryosite
LIMITED

